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Deployment Profile and Remittance Patterns of Overseas Filipinos

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Economic Effects of Remittances

There are some indisputable welfare effects of migrant remittances. First, these remittances are an important source of income for many low and middle-income households in developing countries. Second, they provide a significant source of foreign exchange needed for imports, contribute to the balance of payments position and provide additional savings for economic development.

The basic expectation from economic theory is that remittances increase income and the demand for goods. Recent economic studies show that remittances, even when not invested, can have an important multiplier effect. One remittance dollar spent on basic needs will stimulate retail sales, which fuel further the demand for goods and services, which then impacts positively on overall output and employment.[2]

The economic impact of remittances also depends in part on the propensity of recipient households to consume or invest. If remittances are spent for consumption, the welfare impact of remittances depends on the relative factor of intensities of traded and non-traded goods. If remittances are used primarily to purchase non-tradable goods, these could lead to an appreciation of the exchange rate and subsequent deterioration in the country's external price competitiveness, in effect a remittances-driven "Dutch disease."[3]

Indeed, remittances of overseas workers play a significant role in promoting growth and development of the recipient countries. In light of this, a deeper understanding of the deployment profile and remittance patterns of overseas workers could help policymakers in adopting measures aimed at maximizing the economic benefits that could be derived from these remittances.

Recent Deployment and Remittance Trends

Global Trends

Remittance flows have been considered to be one of the largest sources of external financing in developing countries in recent years. Remittances to developing countries had been growing since 1990 and reached around US$300 billion in 2008. Top recipient countries in 2008 were India (US$45 billion), China (US$34 billion), Mexico (US$26 billion) and the Philippines (US$16 billion) (Ratha, 2009).

The Philippine Case

Large overseas remittance flows have been a significant facet of the Philippine economy. The Philippines, being among the top four recipients of overseas remittances in the developing world, received US$16.4 billion in overseas Filipinos (OF) remittances in 2008, almost 10 percent of GDP. These migrant remittances have been a major source of foreign exchange for the country. They have also significantly helped spur private consumption as well as investments in the country. This paper discusses the deployment profile and remittance patterns of OFs in recent years.

A. DEPLOYMENT PROFILE

There are two classifications used in the compilation of deployment data. Overseas Filipinos (OFs) refer to Filipino nationals abroad, which include permanent migrants and OFWs (both documented and undocumented). Overseas Filipino Workers (OFWs), on the other hand, refer to persons

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[2] Organization of Economic Cooperation and Development, 2006.

[3] The rising levels of remittances in recipient economies, as any other massive capital inflow, can appreciate the real exchange rate, and therefore generate a resource allocation from the tradable to the non-tradable sector.

who are to be engaged or are engaged in a remunerated activity in a country or economy of which they are not legal residents.

Annual deployment refers to the number of deployed OFWs for a specified period of time and includes both new hires and rehires. Classification by type of worker (i.e., sea- and land-based) is also available and can be obtained from the records of the Labor Assistance Center (LAC) of the Philippine Overseas Employment Administration (POEA). For land-based workers, these refer to the actual number of departing land-based OFWs at the international airports.

Only land-based OFWs can be geographically classified since sea-based workers (or seafarers) move across countries in the course of their employment, thus, no specific country can be attributed as the destination for sea-based workers.

Historical Trends

Overseas Filipinos

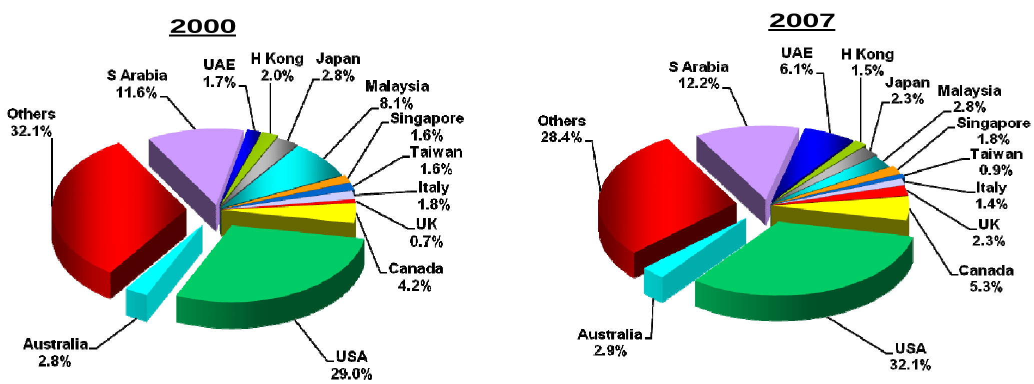
Based on the latest data available, the total number of OFs reached 8.7 million as of end-December 2007, 18.2 percent higher than the 7.4 million recorded in 2000. Table 1 shows that the top destinations of OFs are the US (32.1 percent) and Saudi Arabia (12.2 percent):

Top Destinations of OFs
(as of end-2000 and 2007)

Country of Destination	Number of OFs (in thousands)		Percent Share to Total		Growth Rate	
	2000	2007	2000	2007	2000	2007
Total	***7,383***	***8,727***	***100.0***	***100.0***	***1.2***	***6.0***
United States	2,142	2,803	29.0	32.1	2.8	2.7
Saudi Arabia	855	1,066	11.6	12.2	0.0	4.6
United Arab Emirates	124	529	1.7	6.1	2.9	69.7
Canada	310	463	4.2	5.3	2.8	5.7
Australia	205	250	2.8	2.9	1.3	5.8
Malaysia	595	245	8.1	2.8	0.0	2.3
United Kingdom	54	203	0.7	2.3	7.3	22.6
Japan	210	203	2.8	2.3	6.0	-21.8

Source of data: Commission on Filipinos Overseas, Department of Foreign Affairs (DFA)

Stock of Overseas Filipinos
(by country of destination)
(percent share to total)



Source: Commission on Filipinos Overseas, Department of Foreign Affairs

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Overseas Filipino Workers

Out of the 8.7 million OFs in 2007, 58 percent or 5 million were OFWs. This was 7.6 percent higher than the stock of deployed OFWs in 2006.

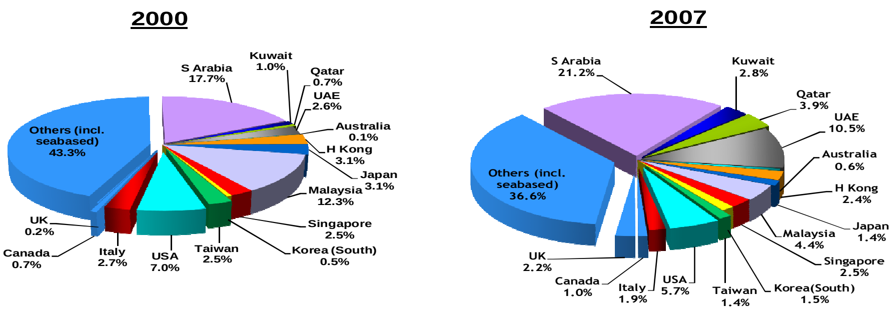
At end-2007, more than two-fifths of the total deployed OFWs were located in the Middle East (43.3 percent), the majority of which were in Saudi Arabia (21.2 percent of total deployed) and the United Arab Emirates (10.5 percent of total deployed). OFWs in the US, on the other hand, comprised only 5.7 percent of the total deployed as of end-2007.

Top Destinations of OFWs
(as of end-2000 and 2007)

Country of Destination	Number of OFWs (in thousands)		Percent Share to Total		Growth Rate	
	2000	2007	2000	2007	2000	2007
Total	***4,832***	***5,034***	***100.0***	***100.0***	***0.4***	***7.6***
Sea based	**198**	**267**	**4.1**	**5.3**	**0.8**	**-2.9**
Land based	**4,634**	**4,767**	**95.9**	**94.7**	**0.4**	**8.3**
o/w:						
Americas	**1,017**	**709**	**21.1**	**14.1**	**3.8**	**2.8**
o/w: United States	338	285	7.0	5.7	9.1	-0.1
Canada	33	52	0.7	1.0	0.2	24.9
Europe	**655**	**669**	**13.6**	**13.3**	**2.4**	**1.4**
o/w: Italy	128	96	2.7	1.9	6.9	-8.9
United Kingdom	8	112	0.2	2.2	78.2	9.2
Middle East	**1,223**	**2,177**	**25.3**	**43.3**	**1.0**	**18.6**
o/w: Kuwait	50	140	1.0	2.8	5.7	-3.6
Qatar	33	196	0.7	3.9	0.0	67.3
Saudi Arabia	855	1,066	17.7	21.2	0.0	4.6
United Arab Emirates	124	528	2.6	10.5	2.9	69.7
Asia	**1,657**	**1,006**	**34.3**	**20.0**	**-2.8**	**-2.1**
o/w: Hong Kong	149	119	3.1	2.4	-6.7	-4.5
Japan	150	69	3.1	1.4	3.8	-48.6
Korea (South)	26	75	0.5	1.5	18.6	15.4
Malaysia	595	219	12.3	4.4	0.0	2.6
Singapore	120	127	2.5	2.5	-0.4	11.7
Taiwan	119	72	2.5	1.4	-14.7	-1.6
Oceania	**51**	**118**	**1.1**	**2.4**	**3.41**	**16.6**
o/w: Australia	3	28	0.1	0.6	10.3	57.2
Africa	**32**	**88**	**0.7**	**1.8**	**3.5**	**-0.9**

Source of data: Commission on Filipinos Overseas, Department of Foreign Affairs (DFA)

Stock of Overseas Filipino Workers
(by country of destination)
(percent share to total)



Source: Commission on Filipinos Overseas, Department of Foreign Affairs

Based on latest preliminary data, total OFW deployment reached 283,348 newly-hired and rehired OFWs as of February 2009, 47.4 percent higher than the level in the same period in 2008.

The latest available data for the annual deployment by destination is for the year 2008. Out of the 1.2 million newly-deployed and rehired OFWs in 2008, which were 14.7 percent higher than in 2007 and 0.6 percent higher than in 2000, about 51 percent were deployed in the Middle East. Newly-deployed and rehired OFWs to the US were only less than one percent of the total in 2008.

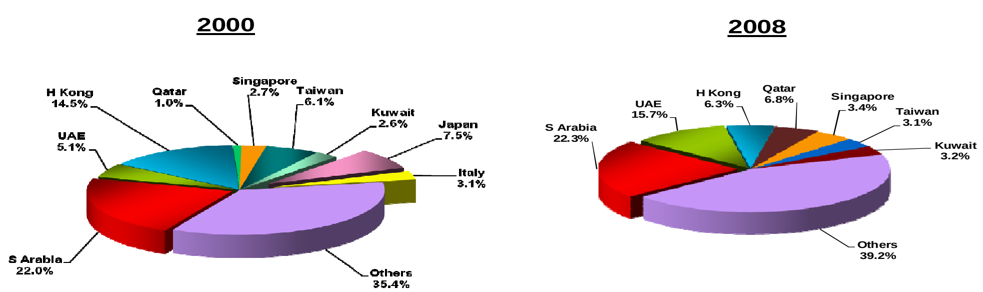
The fastest growing destinations of OFWs in 2008 were Macau (69.6 percent growth from 2008), Australia (68.1 percent), United Arab Emirates (60.6 percent), Qatar (49.9 percent), Canada (40.5 percent), Oman (37.0 percent), Hong Kong (32.4 percent), Bahrain (32.1 percent), and Saudi Arabia (15.7 percent). It is worth noting that the growth of the number of deployed OFWs in the US (-14.4 percent) had declined in 2008 compared to 2007.

Table 3. Top Destinations of Deployed OFWs (New Hires and Rehires)
(2000 and 2008 p/)

Country of Destination	Number of OFWs (in thousands)		Percent Share to Total		Growth Rate (year-on-year)	
	2000	2008	2000	2008	2000	2008
Total	***842***	***1,236***	***100.0***	***100.0***	***0.6***	***14.7***
Saudi Arabia	185	276	22.0	22.3	-7.0	15.7
United Arab Emirates	43	194	5.1	15.7	8.6	60.6
Qatar	9	84	1.0	6.8	9.2	49.9
Hong Kong	122	78	14.5	6.3	6.1	32.4
Singapore	23	42	2.7	3.4	4.9	-15.7
Kuwait	21	39	2.6	3.2	21.9	4.9
Taiwan	51	39	6.1	3.1	-39.3	3.8

p/ Preliminary
Source of data: Philippine Overseas Employment Administration (POEA)

Figure 3. Deployed Overseas Filipino Workers
(by country of destination)
(percent share to total)



Source: Philippine Overseas Employment Administration

Newly hired OFWs reached 338,266 in 2008, higher by 10.4 percent than in 2007. Newly-hired OFWs can be classified according to four major skills:

- Production and related workers, which include laborers, plumbers, sewers, welders, wiremen, foremen, carpenters, and construction workers, among others (39.1 percent of total new hires for 2008);
- Service workers such as household workers, caretakers, cooks, waiters, and bartenders, among others (36.5 percent of total new hires for 2008);

- Professional, technical and related workers, which include nurses, engineers, doctors, teachers, scientists, and pilots, among others (14.7 percent of total new hires for 2008); and

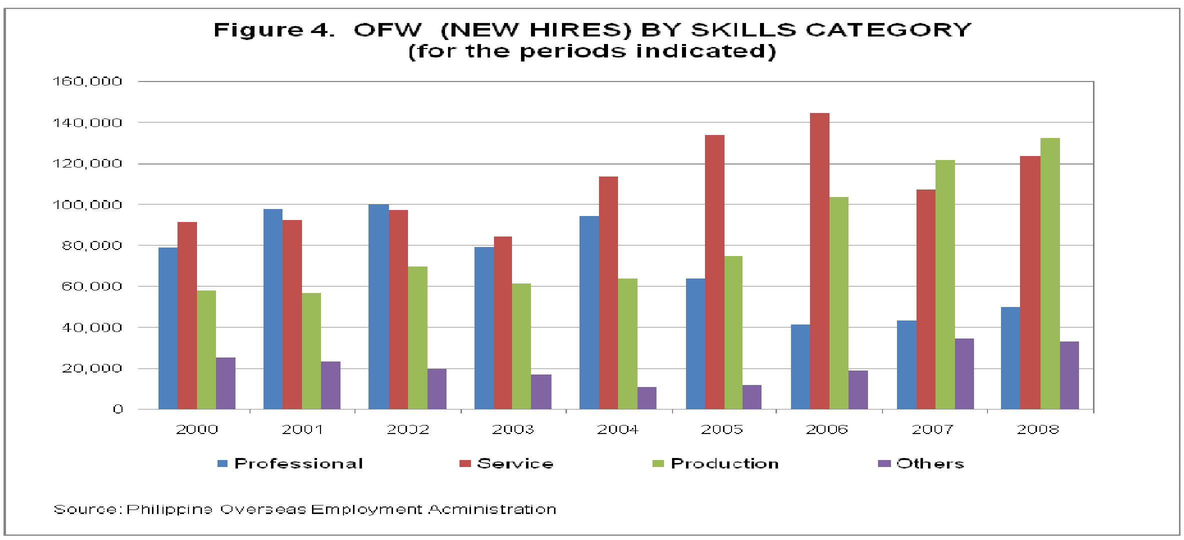
- Others, which include administrative, managerial, clerical, sales and agricultural workers, among others (9.7 percent of total new hires for 2008).

There was a decrease in the number of professional, technical and related workers beginning in 2005 due largely to stricter immigration rules in Japan on the employment of performing artists.

Table 4. Top Skills of Annual Deployment (New Hires) of OFWs, 2000 and 2008 p/

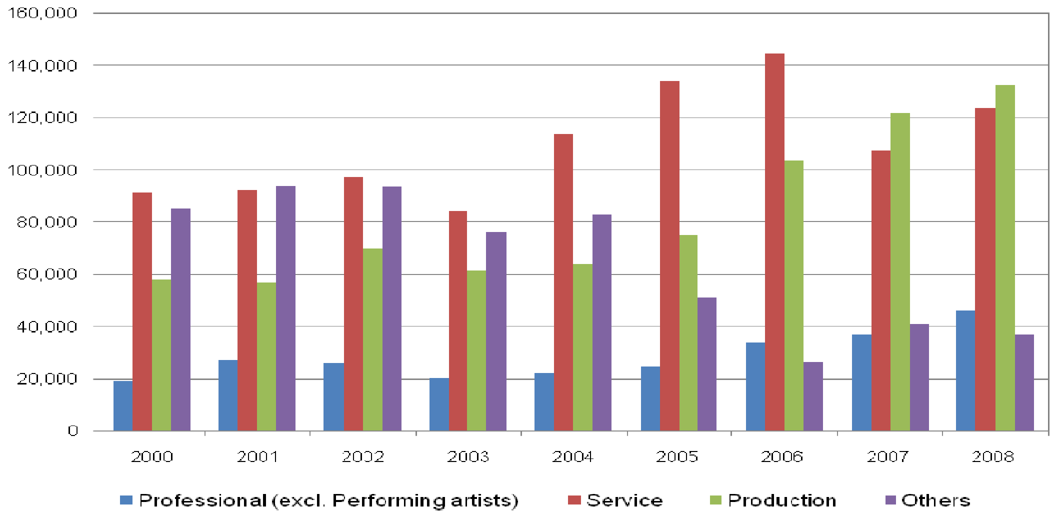
Skills	Number of OFWs		Percent Share to Total		Growth Rate (year-on-year)	
	2000	2008	2000	2008	2000	2008
Total	***253,030***	***338,266***	***100.0***	***100.0***	***6.6***	***10.4***
Production & related workers	57,807	132,295	22.9	39.1	-27.4	8.7
o/w: Construction workers	3,831	18,788	1.5	5.6	-36.8	2.6
Laborers/helpers	7,408	19,360	2.9	5.7	-29.8	12.9
Electrician	3,979	15,670	1.6	4.6	-57.3	19.4
Machine operators	1,792	9,214	0.7	2.7	9.3	13.4
Service workers	91,206	123,332	36.1	36.5	8.4	15.1
o/w: Household workers	68,605	53,802	27.1	15.9	26.4	5.8
Caretakers/caregivers	14,853	28,880	5.9	8.5	-34.7	21.2
Hotel staff (e.g., cooks, waiters)	5,755	24,047	2.3	7.1	11.8	43.3
Prof, tech & related workers	78,685	49,649	31.1	14.7	25.9	14.9
Prof, tech & related workers (excluding performing artists)	18,826	45,748	7.4	13.5	3.2	24.3
o/w: Engineers (1)	6,862	20,700	2.7	6.1	-13.9	30.0
Nurses (2)	8,341	12,618	3.3	3.7	39.7	29.4
Medical practitioners (3)	1,472	4,616	0.6	1.4	3.8	9.1
Teachers (4)	241	1,681	0.1	0.5	88.3	0.8
Sub-total (1+2+3+4)	16,916	39,615	6.7	11.7	9.2	25.5

p/ Preliminary
Source of data: Philippine Overseas Employment Administration (POEA)



If performing artists were removed from the professional, technical and related workers, there will be a reversal of the trend. This shows a decreasing number of performing artists but an increasing number of teachers, engineers, medical doctors, midwives and related workers.

Figure 5. OFW (NEW HIRES) BY SKILLS CATEGORY
(for the periods indicated)



Source: Philippine Overseas Employment Administration

B. REMITTANCE PATTERNS

OF remittances have remained robust, reaching US$16.4 billion in 2008 from US$6.1 billion in 2000. Latest available data showed that for the first four months of 2009, remittances rose year-on-year by 2.6 percent to US$5.5 billion. Monthly remittances have remained above the US$1 billion mark since May 2006.

The bulk of remittances continue to come from the Americas, Europe, Middle East and Asia.

Overseas Filipinos' Remittances [1/]
For the Periods Indicated
In Million US dollars

		Levels		Growth Rate yr.-on-yr.	
		Monthly	Cumulative	Monthly	Cumulative
2000			6,050.5	16.1	0.5
2001			6,031.3	10.4	-0.3
2002			6,886.2	-9.3	14.2
2003			7,578.5	41.8	10.1
2004			8,550.4	17.7	12.8
2005			10,689.0	10.7	25.0
2006			12,761.3	37.2	19.4
2007	Jan	1,099.4	1,099.4	19.9	19.9
	Feb	1,085.5	2,184.9	25.4	22.6
	Mar	1,304.8	3,489.7	26.4	24.0
	Apr	1,191.5	4,681.3	32.6	26.1
	May	1,237.1	5,918.4	8.4	21.9
	Jun	1,115.8	7,034.2	1.0	18.0
	Jul	1,096.6	8,130.7	4.6	16.0
	Aug	1,206.9	9,337.7	10.6	15.3
	Sept	1,139.8	10,477.5	12.4	15.0
	Oct	1,388.5	11,866.0	17.1	15.2
	Nov	1,187.0	13,053.0	3.8	14.1
	Dec	1,397.0	14,449.9	5.9	13.2
2008 p/	Jan	1,264.0	1,264.0	15.0	15.0
	Feb	1,258.6	2,522.7	15.9	15.5
	Mar	1,427.8	3,950.5	9.4	13.2
	Apr	1,410.2	5,360.7	18.4	14.5
	May	1,429.8	6,790.5	15.6	14.7
	Jun	1,450.8	8,241.4	30.0	17.2
	Jul	1,366.8	9,608.2	24.6	18.2
	Aug	1,332.0	10,940.2	10.4	17.2
	Sept	1,332.9	12,273.1	16.9	17.1
	Oct	1,434.7	13,707.8	3.3	15.5
	Nov	1,311.3	15,019.1	10.5	15.1
	Dec	1,407.7	16,426.9	0.8	13.7
2009 p/	Jan	1,265.5	1,265.5	0.1	0.1
	Feb	1,320.0	2,585.5	4.9	2.5
	Mar	1,471.5	4,057.0	3.1	2.7
	Apr	1,441.7	5,498.8	2.2	2.6

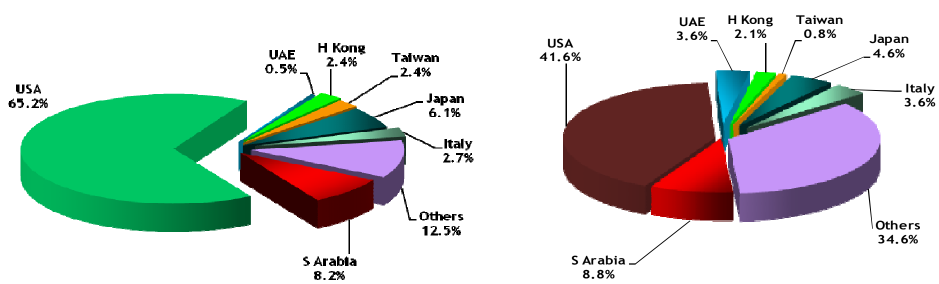
[1/] *Remittances coursed through banks*
p/ *Preliminary*

Table 6. Overseas Filipinos' Remittances, by Destination, 2000 and January to April 2009

Skills	Value of Remittances (in US$ mil)		Percent Share to Total		Growth Rate	
	2000	Jan-Mar 2009	2000	Jan-Mar 2009	2000	Jan-Apr 2009
Total Remittance	6,050	4,057	100.0	100.0	0.5	***2.6***
Americas:	4,000	2,104	66.1	51.8	-11.2	-1.6
USA	3,945	1,676	65.2	41.3	-11.2	-10.4
Canada	47	408	0.8	10.1	-7.1	64.7
Europe:	535	758	8.8	18.7	16.8	4.2
UK	91	195	1.5	4.8	9.6	-9.5
Italy	161	153	2.7	3.8	13.0	-24.5
Middle East:	594	633	9.8	15.6	125.9	6.0
Saudi Arabia	494	364	8.2	9.0	169.5	17.7
United Arab Emirates	28	149	0.5	3.7	31.8	-1.9
Asia:	832	520	13.7	12.8	28.8	14.3
Singapore	105	164	1.7	4.1	31.4	30.6
Japan	370	185	6.1	4.6	35.2	53.4
Hong Kong	147	91	2.4	2.2	-16.9	-22.5

Figure 6. Overseas Filipinos Remittances */
(by country)
(percent share to total)

2000 **Jan – Apr 2009**



*/ Cash remittances through banks

Source: Bangko Sentral ng Pilipinas

It is instructive to note that not all of the remittances reported by banks as originating from the US were remitted by US-based OFWs. This is due to the common practice of remittance centers in various cities abroad, especially in the Middle East, to course remittances through correspondent banks that are mostly located in the US. Since banks attribute the origin of funds to the most immediate source, the US appears to be the main source of OF remittances.

C. RESULT OF THE LATEST CONSUMER EXPECTATIONS SURVEY

Based on the second quarter 2009 consumer expectations survey (CES), the ratio of the number of households with an OFW to the total number of sample household respondents increased to 11 percent from 9.8 percent in the previous quarter's CES.

Furthermore, the number of sample households who received remittances increased to 575 households during the second quarter 2009 CES compared to 493 households in the previous quarter.

These increases in the number of households with an OFW and those receiving remittances are expected to propel consumption as well as investment expenditure in the period ahead.

D. EMERGING OUTLOOK

Remittances for the full year 2009 are expected to exhibit a flat growth even with the mounting concerns about the effects of the recessionary conditions in the global economy. While there are expectations that remittances could contract in 2009, there are favorable developments that provide some reason for optimism. Specifically, the POEA indicated that labor demand could remain strong in Canada, Bulgaria, Australia, the United Arab Emirates and Qatar. Qatar, in particular, is expected to sustain its demand for foreign workers for deployment in the power/energy, tourism/hotel and real estate sectors. With the Saudi Arabia's plan of establishing six megacities in the coming years and the relocation of the US military base from Okinawa, Japan to Guam, it is expected that demand for Filipino workers in these fields will continue. Moreover, the hiring program for nurses and caregivers in Japan under the Japan-Philippines Economic Partnership Agreement (JPEPA) has started, which will also provide opportunities for Filipinos in the field of health and medical care. The implementing agreement covering the entry of nurses and caregivers was signed by the POEA and the Japan International Corporation for Welfare Services (JICWELS) last 12 January 2009. The first batch of Filipino nurses and caregivers arrived in Japan last 11 May 2009. Furthermore, it has been observed that the demand for Filipino workers overseas is shifting to more highly-skilled employment. Highly-skilled workers earn more income and thus remit more foreign exchange.

As part of its precautionary measures to assist displaced OF workers, the DOLE deployed labor teams in crisis-affected host countries like South Korea, Taiwan and the United Arab Emirates to help displaced Filipino migrant workers find alternative jobs within the same country or in the same region of employment. The labor teams also aim to identify other work opportunities for displaced workers by profiling their skills for possible job matching and referral to other companies in the host countries.

With the continued growth in remittances for the first four months of 2009, the projected flat growth for the full year 2009 is turning out to be relatively conservative. Despite the projected moderation, remittances are seen to remain a major source of external financing for the Philippines.

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