

# Overseas Filipino Workers: Household Welfare Impact

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## Research Question

- Has the overseas migration of a member improved the economic wellbeing of the households they left behind?
  - Income
  - Expenditure
  - Poverty
  
- Note that this is only part of the overall impact on the country of the overseas migration phenomenon
  - Macroeconomy
  - Other HHs (spillover or externality)
  - Social impact

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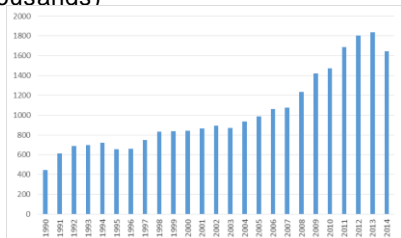
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## Deployment of Overseas Workers (in thousands)



Source: POEA

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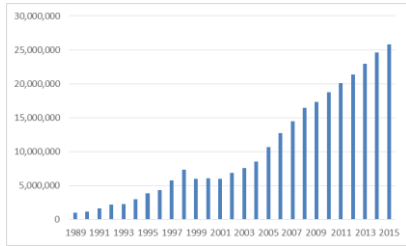
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### Remittances (thousand dollars)



Source: BSP

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### Overseas Filipino Workers (OFWs)

- Number of OFWs on temporary status was estimated to range between 2.1 million to close to 5 million in 2013, depending on data source.
- The low estimate derives from the Labor Force Survey (LFS), which asks households whether they have a member currently working abroad who has left within 5 years prior to the survey.
- The high estimate comes from the Commission on Filipinos Overseas (CFO) and is the sum of Filipinos overseas on a temporary basis plus a fraction of those who are overseas on an irregular status.

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### Overseas Filipino Workers (OFWs)

- Based on PSA's FIES 2012 and LFS 2013
- 8% of all households have at least one OFW
  - 25% of all households receive remittances from abroad

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### Profile of OFWs (2013): Gender

	OFWs	Domestic Employed	Domestic Labor Force	Domestic Working Age Popn
<b>Total</b>	100	100	100	100
<b>Gender</b>				
Male	51.5	60.2	60.4	49.8
Female	48.5	39.8	39.6	50.2

Source: PSA's labor force survey 2013

### Profile of OFWs (2013): Age Group

	OFWs	Domestic Employed	Domestic Labor Force	Domestic Working Age Popn
<b>Total</b>	100	100	100	100
<b>Age group</b>				
24 and below	8.7	18.9	21	30.1
25-40	62.5	40.1	39.8	33.6
41-64	28.4	37	35.4	29.6
65 and over	0.4	4	3.8	6.7

Source: PSA's labor force survey 2013

### Profile of OFWs (2013): Education

	OFWs	Domestic Employed	Domestic Labor Force	Domestic Working Age Popn
<b>Total</b>	100	100	100	100
<b>Education</b>				
HS undergrad and below	8.5	44.2	43.1	45.1
HS graduate	37.2	31.4	32.1	30.4
College undergrad	16.3	9	9.3	12
College graduate	38.1	15.4	15.5	12.5

Source: PSA's labor force survey 2013

## Profile of OFWs (2013): Income Quintile

	OFWs	Domestic Employed	Labor Force	Domestic Working Age Population
Total	100.0	100.0	100.0	100.0
<b>Per capita income quintile</b>				
1st (poorest)	2.9	22.4	22.1	22.0
2nd	9.2	21.1	21.1	21.2
3rd	17.2	19.5	19.7	19.9
4th	30.4	18.8	19.1	19.3
5th (richest)	40.3	18.2	17.9	17.6

Source: PSA's LFS 2013 and FIES 2012

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## Previous Attempts to Measure OFW Impact on Households

- E.g. Ang, Sugiyarto, and Jah, 2009; Bird, 2009; Rodriguez and Tiongson, 2001; Tullao, Cortez, and See, 2004; Tabuga, 2007; Yang and Martinez, 2005; Yang, 2004

- **Conflicting results**
- **Limited by data or the appreciation of data:**
  - Often only cross-section data
    - Selection bias
    - Unobserved factors likely correlated with migration (motivation, inherent ability, network, etc.)

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## Review of past studies example 1

1. Bird, K. 2009. "Philippines: Poverty, Employment and Remittances Some Stylized Facts." ADB

Claim: 4.3 million additional people would be poor if not for remittances

Methodology: Compare poverty incidence using *actual expenditure data* with poverty incidence using *counterfactual expenditure data* (actual expenditure minus remittances)

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## Review of past studies example 2

2. Rodriguez, E. and E. Tiongson. 2001. "Temporary Migration Overseas and Household Labor Supply: Evidence from Urban Philippines." *International Migration Review* Vol. 35, No. 3 (Autumn, 2001): 709-725.

Claim: Migration of a member causes other household members to be less active in the labor market

Methodology: Probit regression of labor participation of nonmigrant individuals against indicator variable for presence of overseas worker and characteristics of overseas worker other control variables

## this study: Panel of Households

2006				2007				2008			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS
		Big HES (FIES)				Small HES (APIS)				Small HES (APIS)	

- From 2006 to 2008, Philippine NSO (now PSA) maintained a panel of 8,010 households.

**Table 3.1. Comparison of Panel Sub-sample and Full Sample (all HHs), FIES 2006**

Variables	Panel	Full sample
# of observations	8010	38483
Total income, mean (Php)	169,059	172,730
Total expenditure, mean (Php)	143,085	147,180
Per capita income, mean (Php)	40,328	41,911
Per capita expenditure, mean (Php)	33,737	35,476
Gini ratio (total income)	47.0	47.2
Gini ratio (total expenditure)	42.5	43.0
Gini ratio (per capita income)	49.6	49.7
Gini ratio (per capita expenditure)	44.8	45.5
Wage and salaries, share in total income (%)	42.0	44.7
Entrepreneurial income, share in total income (%)	24.2	22.3
Contributions from abroad, share in total income (%)	11.3	11.5
Other income, share in total income (%)	22.5	21.6
Poverty incidence (PPP\$2-a-day), per capita income (%)	36.0	34.8
Poverty incidence (PPP\$2-a-day), per capita expenditure (%)	39.1	37.7
Male household head (%)	82.3	81.3
Age of household head, mean (years)	49	48
College graduate household head (%)	9.6	10.5
With at least one OFW (%)	6.3	6.3

Note: 1) Values computed using sampling weights; 2) Values in 2006 Pesos  
Source of basic data: FIES 2006

## Description of Data

FIES-APIS-LFS 2006 to 2008 panel

Table 3.4. Type of HHs according to whether with OFW in 2007 and 2008

Type of Household	No. of obs in panel	%	% when wtd by prob wts
w/out OFW in 2007, w/out OFW in 2008	7,234	90.3	89.8
w/ OFW in 2007, w/ OFW in 2008	321	4.0	4.2
w/out OFW in 2007, w/ OFW in 2008	262	3.3	3.5
w/ OFW in 2007, w/out OFW in 2008	193	2.5	2.5
<b>Total</b>	<b>8,010</b>	<b>100.0</b>	<b>100.0</b>

Source of basic data: FIES-APIS-LFS Panel  
Note: Probability weights referred to are from the 2006 FIES

## Empirical Model: Individual Fixed Effects Model

$$y_{it} = \alpha + \lambda_t + \rho OFW_{it} + A_i' \gamma + C_i' \pi + X_{it}' \beta + \varepsilon_{it}$$

where

$\lambda_t$  = year effect

$A_i$  = time-invariant observed cofactors (e.g. location, HH characteristics)

$C_i$  = time-invariant unobserved cofactors (e.g. inherent ability, motivation)

$X_{it}$  = time-varying observed cofactors (e.g. # of working age, no. of college grads)

$$y_{it} - \bar{y}_i = \lambda_t - \bar{\lambda} + \rho(OFW_{it} - \overline{OFW}_{it}) + (X_{it} - \bar{X}_{it})' \beta + (\varepsilon_{it} - \bar{\varepsilon}_i)$$

## Income by Source

Table 3.28. Effect of overseas worker on household on source of income  
(coefficient of indicator variable for presence of OFW in HH)

Outcome Variable	Pooled OLS	Fixed	Fixed	Fixed
	$\beta$ / s.e.	Effects 1 $\beta$ / s.e.	Effects 2 $\beta$ / s.e.	Effects 3 $\beta$ / s.e.
Wages and salaries	-21066*** 1,941	-8697** 3,215	-8674** 3,214	-14912*** 3,125
Entrepreneurial income	-7704*** 1,261	-5,633 5,795	-5,808 5,856	-7,031 5,616
Contributions from abroad	58296*** 2,127	27573*** 3,429	27608*** 3,443	27769*** 3,410
Other income	1,314 1,180	-1,016 2,993	877 2,092	-1,003 2,126

Those who gained an overseas worker experienced a significant decline in wage and salary income (by [Php9-15K](#)), though this is more than offset by a bigger rise in remittances received ([Php28K](#)).

No increase in income outside of remittances. That the income effect is purely an overseas worker effect.

## Income and Expenditure

**Table.** Effect of overseas worker on household on income and expenditure (coefficient of indicator variable for presence of OFW in HH)

Income measure	Pooled OLS $\beta$	FE 1 $\beta$	FE 2 $\beta$	FE 3 $\beta$
<i>Income and expenditure</i>				
Per capita income	13567***	2,581	2,555	4,123
Per capita expenditure	10188***	3647**	3525**	2694*
Total income	30892***	12,226	12,248	4,834
Total expenditure	20503***	11045***	10615**	11753***
<i>Income and expenditure percentile ranking</i>				
Per capita income percentile ranking	20.09***	6.88***	6.89***	8.81***
Per capita exp. percentile ranking	19.40***	5.91***	5.92***	4.52***
Total income percentile ranking	12.27***	5.78***	5.78***	2.71**
Total expenditure percentile ranking	10.48***	4.58***	4.59***	6.66***

The gain of an OFW is associated with a significant rise in per capita expenditure ([Php3-4K](#)) and total expenditure ([Php11-12K](#)).

If instead of levels you look at income and expenditure percentile ranking, gain of an OFW leads to a rise in percentile ranking by from [3 to 9 percentile points](#) depending on the income or expenditure measure used .

## Expenditures

Table. Effect of overseas worker on household on income and expenditure  
(coefficient of indicator variable for presence of OFW in HH)

Expenditure measure	Pooled OLS $\beta$	FE 1 $\beta$	FE 2 $\beta$	FE 3 $\beta$
<i>Investment-type expenditure</i>				
Education expenditure	5024***	2144**	2166**	2109**
Medical care expenditure	2507**	1,340+	1,321+	781
Real property and equipment expend.	2521***	1731*	1712*	1718*
Other expenditures	1906*	2543*	2495*	2481*
<i>Necessity-type expenditure</i>				
Food expenditure	3599***	3285**	2895**	4420***
Clothing expenditure	643***	347*	342*	401*
Fuel, light, and water expenditure	1884***	90	135	206
Household operations expenditure	522***	382	377	386
<i>Other-type expenditure</i>				
Alcoholic beverages and tobacco	-307***	-128	-122	10
Personal care and effects	789***	171	168	255
Recreation expenditure	161***	175**	179**	148*
Special occasions expenditure	518*	102	118	-7
<i>Spillover-type expenditure</i>				
Gifts and contribution to others	395**	299*	292*	258*
Loans to persons outside family	224	394	391	200

Gain of an overseas worker leads to an increase in spending on

- education (Php2K),
- real property and equipment (Php2K),
- medical expenditure (Php1K\*)
- food (Php3-4K)
- clothing (Php300-400)
- recreation (Php150-200)
- gifts and contribution to others (Php300)

It doesn't lead to increased spending on alcoholic beverages and tobacco.

The gain of an OFW significantly reduces the likelihood of dropping out of school of HH members 5-11 years old.



The gain of an OFW leads to a much increased probability of moving out of poverty for those who are poor to begin with.

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Overseas migration is likely leading to increased inequality as most of those who are able to become first-time OFW are from the richer households.

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Table 3.25. Expenditure Quintile Distribution of Households with new OFWs, 1998 and 2008

Expenditure Quintile in previous year (1997 and 2007)	1998		2008	
	% share in total HHs	% share in HHs w/ new OFW	% share in total HHs	% share in HHs w/ new OFW
1 (Poorest)	20	3.3	20	2.2
2	20	7.0	20	12.1
3	20	17.5	20	16.8
4	20	29.3	20	27.4
5 (Richest)	20	42.9	20	41.4
Total	100.0	100.0	100.0	100.0

Source of basic data: FIES 1997, APIS 1998, LFS January 1998, APIS 2007, APIS 2008, LFS July 2007

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## Conclusion

- The economic and social impacts of overseas migration are various and complex, but at least in the short term and for overseas workers' own households, overseas labor migration has been shown to confer many economic benefits, which appear to far outstrip its costs.
- Important to note, however
  - only looked at short-term microeconomic impact on own households of OFWs
  - not looked into
    - long-term microeconomic effect, which may be different
    - effect on other HHs
    - macroeconomic effect, social costs, political costs

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## Conclusion

- The government should refrain from a policy, advocated by some, to actively discourage labor migration, at least at present amidst the lack of quality employment opportunities in the country
- Instead, the government should work towards
  - ensuring that OFWs are well-protected (via bilateral/multilateral agreements with destination countries and by bearing down on illegal recruiters)
  - ensuring that prospective OFWs make the decision to migrate with a fair assessment of the risks and rewards of overseas migration (through proper pre-departure orientation and training, or even thru incorporation of migration topics in secondary school curriculum)
  - fostering the enabling environment that will maximize the economic use and benefits of the substantial amount of remittances coming into the country.
- The government should also invest in the collection of more and better data that will allow for a rigorous examination of the various social and economic effects of the OFW phenomenon

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Thank you

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