

**ILO Asian Regional Programme on  
Governance of Labour Migration**

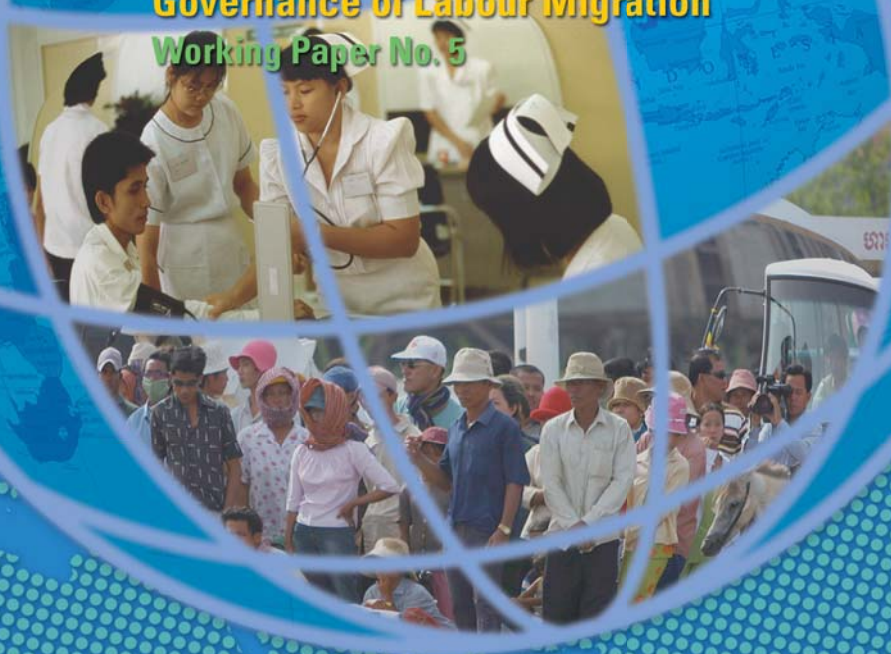
**Working Paper No. 5**



International  
Labour  
Organization



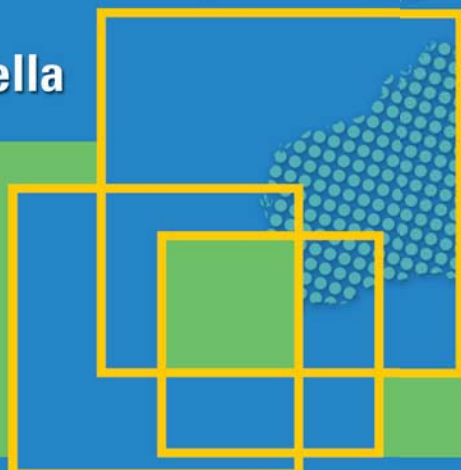
European Union



# **Overseas Filipino Workers and their Impact on Household Poverty**

**Geoffrey Ducanes and Manolo Abella**

**Regional Office for Asia and the Pacific  
January 2008**





**ILO Asian Regional Programme on Governance of Labour Migration  
Working Paper No.5**

# **Overseas Filipino Workers and their Impact on Household Poverty**

**Geoffrey Ducanes and Manolo Abella**

**January 2008**

Copyright © International Labour Organization 2008  
First published 2008

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifro.org](http://www.ifro.org) to find the reproduction rights organization in your country.

---

Ducanes, Geoffrey; Abella, Manolo

Overseas Filipino workers and their impact on household poverty / Geoffrey Ducanes ; Manolo Abella ; International Labour Office ; ILO Regional Office for Asia and the Pacific, Asian Regional Programme on Governance of Labour Migration. - Bangkok: ILO, 2008  
16 p. (Working paper ; no.5)

ISBN: 9789221208310; 9789221208327 (web pdf)

International Labour Office; ILO Regional Office for Asia and the Pacific; Asian Regional Programme on Governance of Labour Migration

migrant worker / poverty / poverty alleviation / Philippines

14.09.2

*ILO Cataloguing in Publication Data*

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Printed in Thailand

# Overseas Filipino Workers and their Impact on Household Poverty

## Table of Contents

|   | <b>Page</b> |
|---|-------------|
| 1. Introduction   | 1           |
| 2. Review of Literature and Data Description  | 2           |
| 3. Profile of Overseas Filipino Workers (OFWs)  | 4           |
| Figure 3.1. OFWs by sex (in millions), 1988-2004  | 5           |
| Figure 3.2. OFWs by age group (in millions), 1988-2004  | 5           |
| Figure 3.3. OFWs by education (in millions), 1988-2004  | 6           |
| Figure 3.4. OFWs by per capita income of family, 1988-2004  | 6           |
| 4. Poverty Impact of OFWs   | 6           |
| Figure 4.1. Households by Presence of OFW   | 7           |
| Table 4.1. Mean Per capita Income/Expenditure Percentile by Presence of OFW                                   | 8           |
| Table 4.2. Household Poverty Incidence by Presence of OFW   | 9           |
| Table 4.3. No. of Poor HHs by Presence of OFW   | 9           |
| Table 4.4. New OFWs by Household Regional Per capita Income Decile  | 10          |
| Figure 4.2. Profile of 'New' Migrants in Panel by Poverty Status  | 11          |
| Table 4.5. Relative Success in Crossing Over from Poverty of HHs<br>with 'New' Migrants by Profile of Migrant | 11          |
| 5. Conclusions  | 11          |
| References  | 12          |
| Annex Table 1. Share of OFWs by Sex, Marital Status   | 13          |
| Annex Table 2. Share of OFWs by Age Group   | 14          |
| Annex Table 3. Share of OFWs by Educational Attainment  | 15          |
| Annex Table 4. Share of OFWs by Household per capita Income   | 16          |



# Overseas Filipino Workers and their Impact on Household Poverty

Geoffrey Ducanes and Manolo Abella \*

## 1. Introduction

Overseas Filipino Workers (OFWs) are figures who are both much celebrated and much lamented from within the Philippines and outside of it. OFWs are often called modern-day heroes<sup>1</sup> and their remittances frequently credited with having kept the country's economy afloat in the face of myriad political and economic crises over the past three decades. On the flipside, OFWs are also often held as symbolic of the sad state of Philippine society, especially as it is feared that the most talented workers are among those leaving the country, at times to take on lower-skilled jobs not commensurate with their qualifications.

There are different estimates of the size of the OFW stock. According to the Commission of Filipinos Overseas (CoF), there are about 4.8 million OFWs representing about 13% of the country's labour force. This figure includes both regular and irregular workers but does not include permanent migrants which the CoF estimates at about 2.9 million. On the other hand, the World Bank<sup>2</sup>, basing its estimates on censuses in different countries, puts the figure at only around 3.6 million. Based on the National Statistics Office's (NSO) labour force survey, the estimated stock of OFWs is an even much lower one million.<sup>3</sup>

Whichever is closer to the true number, it represents a substantial proportion of the country's potential labour force that has been a source of huge amount of remittances over the years. According to the Bangko Sentral ng Pilipinas, the Philippines received an estimated US\$14 billion in remittances from abroad in 2006. Based on the World Bank's Global Economic Prospects 2007, this would be the fourth highest remittance level in the world, following only India, China, and Mexico – each with remittance level over US\$20 billion.

*What has been the impact of this large emigration and remittances?*

This question can be approached and has been approached in different ways. From a macro perspective, for instance, one may look at the short- and long-run effects of the huge and growing volume of remittances on the macroeconomic indicators such as on the growth of overall consumption, investment, and GDP. On a micro perspective, one can

---

\* Technical Officer and Chief Technical Adviser, respectively, ILO Asian Regional Programme on Governance of Migration.

<sup>1</sup> At around the Christmas holidays when many OFWs return to the country for a vacation, there is one day when the Philippine President herself would go to the airport to give them a special welcome.

<sup>2</sup> University of Sussex and World Bank (2007).

<sup>3</sup> The NSO figure is survey-based and only counts those who have left within the past five years. But this includes those who have returned temporarily for vacation.

instead look at the impact of emigration on the different welfare aspects of the migrant's family, including poverty status, employment and education choices, and other indicators.

This paper takes the second tack, putting specific focus on the poverty issue. In particular, this paper will subject to empirical testing the commonly held belief that migration has had no significant impact on poverty because only the rich are able to migrate. The paper is organized as follows. The next section gives a brief review of recent studies on OFW and remittances impact and describes the data used for this study. Section 3 provides a profile of OFWs over time. Section 4 examines the issue of the poverty impact of OFWs. The last section concludes.

## **2. Review of Literature and Data Description**

Yang (2004) found that migrant families who experienced a positive exchange rate shock during the Asian crisis (1997-1998) invested more in education, reduced child labour, increased entrepreneurial activity, and increased purchases of durable goods including vehicles. He used a panel of about 1,600 households with migrants common to the 1997 FIES and the 1998 Annual Poverty Indicators Survey (APIS).

Tullao, Cortez, and See (2004) is a recent study that looks at the economic impact of migration in the Philippines. Using mainly the FIES, they report, among others, that households receiving remittances tend to allocate a bigger portion of their budget on luxuries, are more likely to own durable goods, tend to spend a higher share of income on education, and are less likely to participate in the labour market.

A limitation of their study is that their analysis appears only to say that these things occur because migrant families tend to have higher incomes. While useful information, it is more interesting to find out if there is something other than an income effect in all these, or, in other words, if their findings still hold after controlling for income and other variables. After all, if the migrants remained in the country and earned higher income there, the same effects would be observed. The issue on labour force participation should also be approached more discriminately. Labour force participation is not an end in itself. If the spouse of the migrant leaves the labour force because he/she can now afford to just take care of the children, or if a child leaves the labour force to return to schooling, this would result in a decrease in labour participation but conceptually should be considered welfare-improving developments. On the other hand, if remittances indeed cause moral hazard problems in the employment decisions of those who do not have good reason to be out of the labour force, then it is a legitimate cause of concern.

Sugiyarto (2006) used a static computable general equilibrium (CGE) model to estimate the impact of remittances on poverty reduction. His results show that a 25% surge in remittances results in a reduction in poverty incidence by a mere 0.3%. Goce-Dakila and Dakila (2006) using a different CGE model found that the main beneficiaries of remittances are middle-income classes across all regions. Estimates based on CGE models such as these should be viewed as ballpark estimates, however. While useful

policy tools, CGE models are typically heavily calibrated with model specification and results difficult to verify empirically.

Burgess and Haksar (2005), using macroeconomic time series data, examined the effect of remittances on income and consumption smoothing as well as on GDP growth. They report they are unable to confirm that remittances smooth income and consumption during periods of high fluctuation, and neither do they find evidence that remittances lead to lower growth due to incentive problems. They suggest the alternative of looking at microeconomic-based studies to examine these issues.

### *Data*

This study utilizes three main data sources, which are the Labour Force Survey (1988-2004), the FIES (1988-2003), and the APIS (1998).

The LFS is held quarterly and is the main source of employment figures in the Philippines. In recent years, the survey has covered about 200,000 individuals in about 40,000 households. The LFS usually has a rotating sample. Among the questions in the LFS is whether any member is out of the country for employment and has left within the past five years. Such a member is classified as an OFW.

The FIES is the country's main source of income and expenditure figures and is where official figures on income poverty and inequality are based. It is held every three years as a rider to the LFS, with 2003 as the latest year for which data is already available. The FIES asks a question about the amount of overseas remittances as part of the income module.

The APIS is a relatively new survey, began in 1998, and is intended to be undertaken – although not always done so for budgetary reasons – in years the FIES is not. Like the FIES, it is also a rider on the LFS. From its name, the APIS is concerned with getting indicators relevant to poverty but is broader in coverage than the FIES, containing information also on enrolment, access to health, employment, and other indicators apart from income and expenditure. Its income and expenditure measures, however, are less detailed than the ones in the FIES and cover only a six-month period instead of a full year.

Because estimates based on these data sets are survey-based, they are subject to sampling error. In addition, because it only counts OFWs who have left in the past five years immediately preceding the surveys, they are almost certainly underestimating the true stock of OFWs. On the other hand, due to the wealth of other information these data sets provide which can be linked to migration, they are unquestionably the best source of information on the impact of migration on household welfare, and at the same time provide a reasonably accurate view of the actual overall picture and trends.

### 3. Profile of OFWs

This section gives the evolving profile of the stock of OFWs in the period 1988-2004 based on the LFS and the FIES, and puts it in context by comparing it to the profile of the domestic labour force. Based on the figures, the OFW stock has grown to 1.027 million in 2004 from 446 thousand in 1988, implying an annual compound growth of 5.4%.

#### *Sex*

Figure 3.1 shows the evolution of the gender distribution of the stock of OFWs from 1988 to 2004, as well as a comparison of the gender distribution of OFWs and the domestic labour force for 2004. It is clear from the graphs that the share of women has been on an upward trend in the period, increasing from 41% in 1988 to 49% by 2004, consistent with the increasing overseas opportunities for women in various female-dominated fields such as healthcare, education, and domestic work. If recent trends continue, women OFWs should have outnumbered men by 2006. This profile is quite different from that of the domestic labour force where in 2004 women accounted for only 38% of the total.

#### *Age*

Figure 3.2 shows the distribution of the OFWs by age-group over time. Those from the ages of 25-44 have consistently accounted for the lion's share, accounting for roughly 70% of total OFWs over the whole time period. The share of those below 25 years old has fallen from 17% in 1988 to 11% in 2004. Their share has been taken over by those 45 years and above whose share in the total had risen from 14% in 1988 to 19% in 2004. The age profile of the OFWs differ from the domestic labour force in the more dominant share of those 25-44 years of age in the former at 70% as opposed to 47% for the latter. Additionally, the share of those below 25 years of age is 25% in the domestic labour force in contrast to only 10% among OFWs, reflecting perhaps the experience requirement in many overseas jobs.

#### *Education*

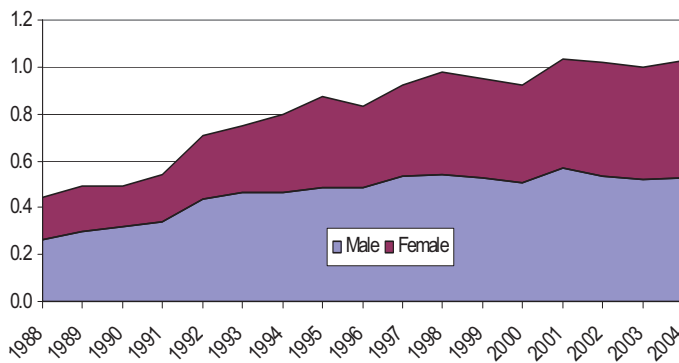
Figure 3.3 depicts the changing educational profile of OFWs over time. What is clear from the figure is the increasing share of college graduates among OFWs, from 26% in 1988 to 36% in 2004. In 2004, college graduates comprised the plurality of OFWs in contrast to 1988 when OFWs were dominated by those with high school degrees or lower. OFWs are much more educated compared to the domestic labour force, which only had 13% college graduates in 2004. On the other hand, it is not easy to argue that this represents a brain drain as the share of college graduates among the domestic labour force has in fact been steadily climbing over time despite the seemingly large out-migration of college graduates. The share of college graduates in the domestic labour force has grown from 11% in 1988 to the aforementioned 13% in 2004. In addition, the

highest unemployment rates reported in the country are among those with either college degrees or were college undergraduates.<sup>4</sup>

*Income*

Figure 3.4 gives the distribution of OFWs by per capita income quintile over time. The figure shows that throughout the period, most OFWs have belonged to the richest income groups – with roughly half coming from the richest 20 percent of families and roughly 80 percent coming from the richest 40 percent of families. On the other hand, the share of those in the bottom 40% has fluctuated over the period from 6% to 10% of the total. The figures indicate that migration is probably contributing to greater inequality, but, as will be argued in the next section, these figures should not be readily interpreted to mean that only the rich are able to migrate or that migration has had no impact on poverty.

Figure 3.1. OFWs by sex (in millions), 1988-2004



Source: LFS various years.

OFWs vs. Domestic Labour Force, 2004

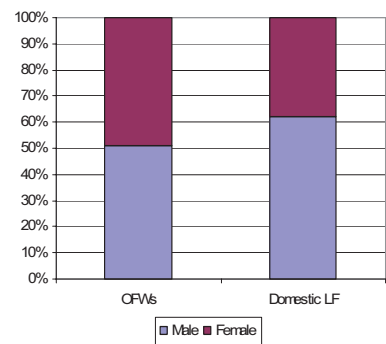
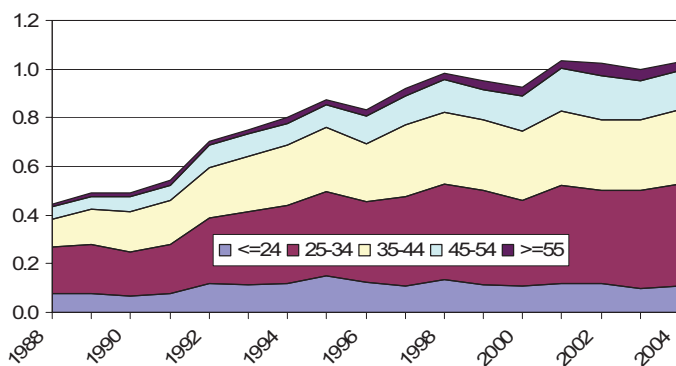
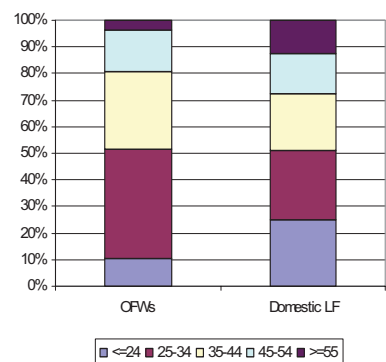


Figure 3.2. OFWs by age group (in millions), 1988-2004



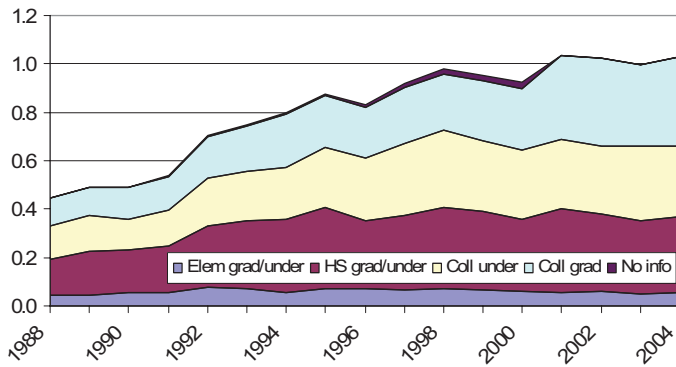
Source: LFS various years.

OFWs vs. Domestic Labour Force, 2004



<sup>4</sup> Of course, the data does not enable us to control for the quality of the graduates. It is perfectly possible that those who have left as OFWs and as permanent migrants were the most talented or productive or who came from the best universities in the country. Other data sources must be explored to examine this – a possibility is the alumni associations of different universities which often keep track of the whereabouts of their graduates.

Figure 3.3. OFWs by education (in millions), 1988-2004



Source: LFS various years.

OFWs vs. Domestic Labour Force, 2004

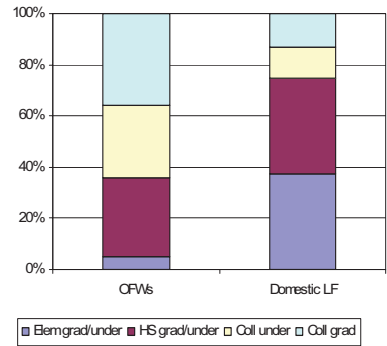
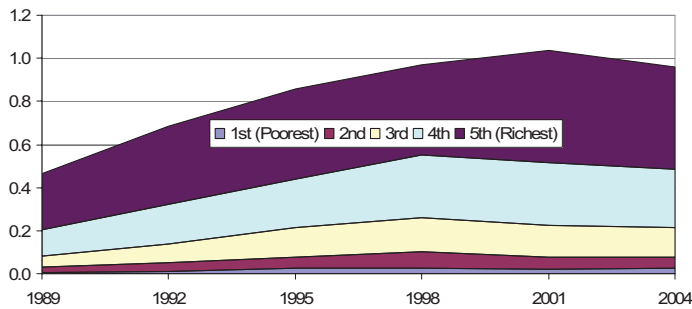
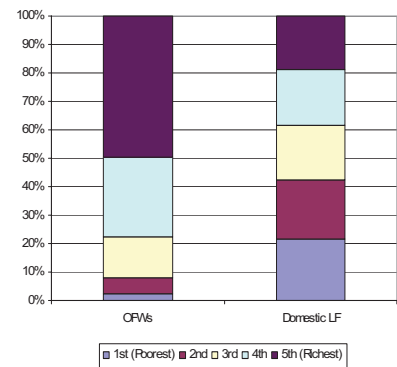


Figure 3.4. OFWs by per capita income of family, 1988-2004



Source: LFS various years.

OFWs vs. Domestic Labour Force, 2004



#### 4. Poverty Impact of OFWs

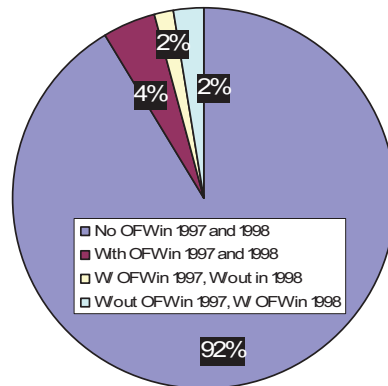
Figure 3.4 from Section 3 showed that the bulk of OFWs are found mainly in the higher income groups. As already stated, this should not be immediately interpreted to mean that migration benefited only the already rich and, thus, made no direct impact on poverty. There are two possibilities: that OFWs are found in the richer income groups because they originally came from there; or, that they started out in lower income groups but have climbed up the income ladder because of their overseas earnings. Figure 3.4 does not allow for such distinction. The reality probably is that many OFWs have indeed come from richer households, after all the monetary costs of migration is substantial, but that, as will be shown below, a significant number of the poor have also been able to migrate and move out of poverty as a consequence.

##### Panel Data

We examine the welfare impact of OFWs using a panel data of 27,321 households from the period July 1997 to October 1998 constructed from the 1997 FIES, the 3<sup>rd</sup> quarter 1997 LFS, the 4<sup>th</sup> quarter 1998 LFS, and the 1998 APIS. The panel of households maybe divided into four types: those with *no OFW in both periods*; those with *an OFW in*

both periods (to be loosely called longer-term OFWs); those with OFW in July 1997 but without OFW in October 1998 (contract ended); and those with no OFW in 1997 but with OFW in October 1998. The OFWs in the latter two types will be loosely called shorter-term OFWs. After applying the appropriate population weights, an estimated 13 million households were found to belong to the first type, 611 thousand households to the second type, 255 thousand households to the third type, and 343 thousand households to the fourth type. Households with migrants represented 6% of total households (Figure 4.1).

Figure 4.1. Households by Presence of OFW



Source: FIES 1997, LFS 1997-1998, APIS 1998

### Welfare Measures

We examine the welfare levels of these 4 types of households and trace how those welfare levels have changed over the two time periods. Two measures of welfare are used: **percentile ranking**, which is the percent of the distribution a household is found when all households are ranked from lowest to highest in terms of per capita income (expenditure)<sup>5</sup>; and **relative poverty**, with the 30<sup>th</sup> percentile, defined in terms of the national distribution, assumed to be the poverty threshold.

Tables 4.1 to 4.3 show the welfare measures for the four household types in the two periods. To check for the robustness of the results, welfare measures in terms of both income and expenditure<sup>6</sup> were generated. Comparing relative levels, households with longer-term OFWs are in the best position and are found in the top of the income/expenditure distribution, with mean percentile ranking of from 73 to 74 and poverty incidence of from 5% to 6%. Those with OFWs with short-term contract (with OFW at only one point) follow with a mean percentile ranking of from 67 to 69 and poverty incidence of from 8 to 10%. Those which did not have any OFW are in the bottom rung with mean percentile ranking of 49 and poverty incidence of 32%.

<sup>5</sup> For instance, a household with per capita income among the highest 1% in the total household population gets a percentile ranking of 100, whereas a household with per capita income among the poorest 1% gets a percentile ranking of 1.

<sup>6</sup> It is often argued that expenditure is a better approximation of permanent income, which is the better indicator of standard of living than current income.

*Migration as a force for social mobility*

More importantly, in terms of welfare changes in the two periods, households which did not have any overseas workers in July 1997 but which had one by October 1998, on average rose 6 percentile points in the income/expenditure distribution.<sup>7</sup> Poverty incidence in such households went down by from 3 percentage points (based on income) to 5 percentage points (based on expenditure). Based on population-weighted estimates, this is equivalent to a net figure of from 10,500 to 17,000 households being able to move out of poverty in this relatively short time interval because a member was able to migrate<sup>8</sup> (Table 4.3). If one assumes that every year the same number is able to migrate among the poor, then in the past decade migration can be roughly estimated to have directly lifted from 525,000 to 850,000 people out of poverty<sup>9</sup>. This comprises a substantial proportion of the actually observed poverty reduction in the period.<sup>10</sup> This of course does not include yet the indirect impact of migration on poverty through the multiplier effects of consumption and also investment. In contrast, households which lost an overseas worker in the same period saw poverty incidence rise by about 2 percentage points, and mean percentile ranking go down by from 2 percentile points (based on expenditure) to 4 percentile points (based on income).

Table 4.1. Mean Per capita Income/Expenditure Percentile by Presence of OFW

| OFW Presence                             | Income-based |           | Expenditure-based |           | # of HHs       |
|--|--------------|-----------|-------------------|-----------|----------------|
|  | 1997         | 1998      | 1997              | 1998      |                |
| <i>No OFW</i>                            |              |           |                   |           |                |
| No OFW in 1997 and 1998                  | 49           | 49        | 49                | 49        | 12,983,801     |
| <i>Long-term OFW</i>                     |              |           |                   |           |                |
| With OFW in 1997 and 1998                | 74           | 74        | 72                | 73        | 610,546        |
| <i>Short-term OFW</i>                    |              |           |                   |           |                |
| W/ OFW in 1997, W/out in 1998            | 68           | 69        | 67                | 69        | 598,115        |
| W/out OFW in 1997, W/ OFW in 1998        | 69           | 65        | 68                | 66        | 255,480        |
| <b>W/out OFW in 1997, W/ OFW in 1998</b> | <b>66</b>    | <b>72</b> | <b>66</b>         | <b>72</b> | <b>342,635</b> |
| Total                                    | 50           | 50        | 50                | 50        | 14,192,463     |

\*Based on FIES 1997 and APIS 1998, which contain a panel of 27,321 Philippine households from July 1997 to October 1998.

\*\*Poverty incidence is defined in the relative sense of belonging to the poorest 30% in per capita terms.

It seems reasonable to believe that migration has been enabling such movements out of poverty over the long period that it has been going on in the Philippines. There is some evidence of this. If one looks at six-month panels of the labour force surveys, which is

<sup>7</sup> If one looks only at the poor households who had new migrants, the mean rise in percentile ranking was a very high 16 (expenditure) to 23 (income) percentile points.

<sup>8</sup> And send remittance or even just allow his/her family to use that fact as leverage to borrow and invest or just consume more.

<sup>9</sup> At an estimated average family size of 5. Keep in mind that the data used was in 1997-8 when the estimated number of OFWs is lower than it is in recent years.

<sup>10</sup> The National Statistical Coordination Board estimates that poverty incidence in the country declined from 28.1% to 24.7% from 1997 to 2003, and the number of poor declined from 23.9 million to 23.5 million. Population growth accounts for the small decline in absolute number.

available every FIES year, one sees that a significant number of households which are able to send workers abroad come from the lower income deciles. This number is even more pronounced if the poor is defined as those belonging to the poorest 30% in the household's region of residence (see Table 4.4). From July 1988 to January 1989, the poorest 30% of households accounted for 23% of the increase in OFWs. From July 1994 to January 1995, the poorest 30% accounted for 21% of the increase in OFWs. Unfortunately, unlike in the case of the earlier panel where we have an income measure at the initial time and the terminal time, here we do not have distinct income measures and are thus unable to verify their climb up the income ladder.

Table 4.2. Household Poverty Incidence by Presence of OFW

| OFW Presence                             | Income-based |            | Expenditure-based |            | # of HHs       |
|--|--------------|------------|-------------------|------------|----------------|
|  | 1997         | 1998       | 1997              | 1998       |                |
| <i>No OFW</i>                            |              |            |                   |            |                |
| No OFW in 1997 and 1998                  | 32.1         | 32.1       | 32.0              | 32.2       | 12,983,801     |
| <i>Long-term OFW</i>                     |              |            |                   |            |                |
| With OFW in 1997 and 1998                | 5.2          | 5.3        | 6.0               | 5.0        | 610,546        |
| <i>Short-term OFW</i>                    |              |            |                   |            |                |
| W/ OFW in 1997, W/out in 1998            | 10.1         | 11.9       | 9.7               | 11.7       | 255,480        |
| <b>W/out OFW in 1997, W/ OFW in 1998</b> | <b>10.4</b>  | <b>7.3</b> | <b>10.4</b>       | <b>5.4</b> | <b>342,635</b> |
| Total                                    | 30.0         | 30.0       | 30.0              | 30.0       | 14,192,463     |

\*Based on FIES 1997 and APIS 1998, which contain a panel of 27,321 Philippine households from July 1997 to October 1998.

\*\*Poverty incidence is defined in the relative sense of belonging to the poorest 30% in per capita terms.

Table 4.3. No. of Poor HHs by Presence of OFW

| OFW Presence                             | Income-based  |               | Expenditure-based |               | # of HHs       |
|--|---------------|---------------|-------------------|---------------|----------------|
|  | 1997          | 1998          | 1997              | 1998          |                |
| <i>No OFW</i>                            |               |               |                   |               |                |
| No OFW in 1997 and 1998                  | 4,165,174     | 4,170,869     | 4,161,163         | 4,179,375     | 12,983,801     |
| <i>Long-term OFW</i>                     |               |               |                   |               |                |
| With OFW in 1997 and 1998                | 31,604        | 32,542        | 36,364            | 30,228        | 610,546        |
| <i>Short-term OFW</i>                    |               |               |                   |               |                |
| W/ OFW in 1997, W/out in 1998            | 61,287        | 55,438        | 60,275            | 48,492        | 598,115        |
| W/out OFW in 1997, W/ OFW in 1998        | 25,779        | 30,493        | 24,801            | 29,947        | 255,480        |
| <b>W/out OFW in 1997, W/ OFW in 1998</b> | <b>35,508</b> | <b>24,945</b> | <b>35,474</b>     | <b>18,545</b> | <b>342,635</b> |
| Total                                    | 4,258,065     | 4,258,849     | 4,257,803         | 4,258,095     | 14,192,463     |

\*Based on FIES 1997 and APIS 1998, which contain a panel of 27,321 Philippine households from July 1997 to October 1998.

\*\*Poverty incidence is defined in the relative sense of belonging to the poorest 30% in per capita terms.

Table 4.4. New OFWs by Household Regional Per capita Income Decile

| Decile         | Jul88-Jan89 | Jul91-Jan92 | Jul94-Jan95 | Jul97-Jan98 | Jul00-Jan01 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| 1st (Poorest)  | 1,890       | 155         | 4,507       | 2,171       | -222        |
| 2nd            | 2,182       | 5,568       | 7,675       | 1,515       | 914         |
| 3rd            | 2,539       | 8,733       | 4,427       | -2,509      | -445        |
| 4th            | -3,079      | 8,302       | 11,343      | 3,451       | 2,976       |
| 5th            | 4,203       | 20,010      | 7,559       | 9,524       | -500        |
| 6th            | 1,249       | 17,821      | 8,880       | 12,486      | -6,197      |
| 7th            | 7,026       | 15,746      | 8,540       | -8,451      | -2,443      |
| 8th            | 1,588       | 15,113      | 13,561      | 803         | -2,104      |
| 9th            | 11,220      | 17,450      | 4,685       | 4,689       | 3,997       |
| 10th (Richest) | 564         | 5,857       | 8,295       | -12,921     | -7,796      |
| Total          | 29,381      | 114,754     | 79,472      | 10,757      | -11,821     |

Source: LFS and FIES various years.

*Among HHs with new migrants, who successfully crossed over from poverty?*

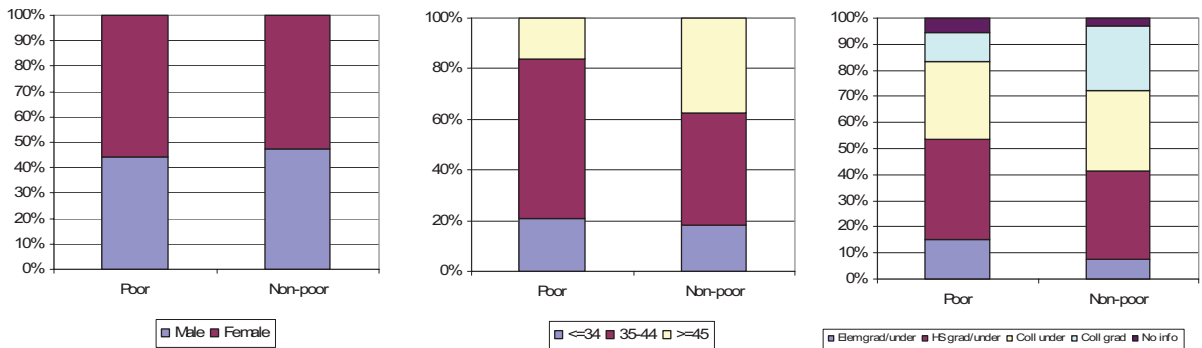
Figure 4.2 shows the profile of the *new* OFWs differentiated by poverty status, with the poor defined as those belonging to families in the poorest 30% nationally based on per capita income in 1997.<sup>11</sup> The figure shows that among the new entrants from the poor there is a slightly higher percentage of women at 56% compared to 53% for the non-poor. Again, this likely due to the expanding market for domestic workers which is filled mainly by women in the lower income groups. There is proportionately less older workers among the new poor migrants than among the non-poor. Among the poor, the share of those in the 45 and older age group is only 16% whereas it is 38% among the non-poor. The figure also shows a smaller portion of college graduates among the poor compared to the non-poor.<sup>12</sup> The last two figures are likely related. Those among the poor are more likely to be employed in manual lower-skilled jobs, which do not require college degrees and are typically filled by younger workers.

Table 4.5 gives the relative success in crossing over from poverty of poor households who have new migrants by the characteristics of the migrants. There is little difference in the relative success of households with male and those with female migrants, with around 70% of each crossing over from poverty. On the other hand, by age group and education there is a clear pattern, those with older migrants and more educated migrants had a larger share able to cross over from poverty, likely due to higher remittances from larger pays received because of more experience and/or better education. Again, this does not mean that the rest are not able to cross over. Given the short time period covered by the panel, it likely only means that the other households get to cross over from poverty at a later time.

<sup>11</sup> New only in the sense that they were not working overseas in July 1997 but were working overseas by October 1998. It is, of course, possible that some have worked overseas prior to July 1997.

<sup>12</sup> This is to be expected since there is a smaller share of college graduates among the working-age poor in the country—at this period only around 1%. With this in mind, another way to interpret the data is to actually say that among new migrants a proportionately larger share of the poor are college graduates.

Figure 4.2. Profile of 'New' Migrants in Panel by Poverty Status



Source: FIES 1997, LFS 1997-1998, APIS 1998

Table 4.5. Relative Success in Crossing Over from Poverty of HHs with 'New' Migrants by Profile of Migrant

| Sex          | #             | % crossed over | Age Group    | #             | % crossed over | Education           | #             | % crossed over |
|--------------|---------------|----------------|--------------|---------------|----------------|---------------------|---------------|----------------|
| Male         | 16,355        | 71.7           | <=34         | 7,685         | 58.8           | Elem grad/undergrad | 5,544         | 45.0           |
| Female       | 20,560        | 69.9           | 35-44        | 23,193        | 71.5           | HS grad/undergrad   | 14,233        | 68.3           |
|              |               |                | >=45         | 6,037         | 82.6           | College undergrad   | 10,947        | 76.3           |
|              |               |                |              |               |                | College grad        | 4,084         | 83.7           |
|              |               |                |              |               |                | No information      | 2,107         | -              |
| <b>Total</b> | <b>36,915</b> | <b>70.7</b>    | <b>Total</b> | <b>36,915</b> | <b>70.7</b>    | <b>Total</b>        | <b>36,915</b> | <b>70.7</b>    |

Source: FIES 1997, LFS 1997-1998, APIS 1998

## 5. Conclusion

Using various household survey data of the Philippines' National Statistics Office, this paper looked at the evolving profile of OFWs and examined their impact on poverty. Among the clear patterns observed from the data are that the share of women in the stock of migrants has been steadily increasing and likely has exceeded the share of men by now, that older workers are comprising a growing share of the total OFWs, and that college graduates make up the largest share of OFWs.

But more importantly, using panel data from the 1997-1998 period, the paper showed that having OFWs enable the families of migrants to climb up the income ladder quite rapidly – on average by about 6 percentile points in the income distribution in about a one-year period. Moreover, a significant number of those who get to climb over come from the poor. There is some indication from analysis of previous panels that this process of poor households being able to send a member abroad for work, and thus rising out of poverty, has been going on for quite sometime. It is important to note, however, that the poor households who most successfully crossed over from poverty were those with migrants with more education, underscoring once more the importance of human capital investment as a means to help lift the poor out of poverty.

## References

- Burgess, R. and V. Haksar. 2005. Migration and Foreign Remittances in the Philippines. IMF Working Paper 05/11.
- Goce-Dakila, C. and F. Dakila. 2006. Modeling the Impact of Overseas Filipino Workers Remittances on the Philippine Economy. Paper presented at the International Conference of Policy Modeling held on 28-30 June in Hong Kong.
- Sugiyarto, G. 2006. Poverty Impact of Remittance: A simulation analysis using PRISM. Powerpoint presentation made in the Asian Development Bank.
- Tullao, S. Jr., M.A. Cortez and E. See. 2004. The Economic Impacts of International Migration: A Case Study on the Philippines. Manuscript prepared for the East Asian Development Network.
- University of Sussex Development Research Centre and World Bank. 2007. Data set created for use in the paper 'South-South Migration and Remittances' by D. Ratha and W. Shaw published by the World Bank January 2007.  
[www.worldbank.org/prospects/migrationandremittances](http://www.worldbank.org/prospects/migrationandremittances).
- Yang, D. International Migration, Human Capital, and Entrepreneurship: Evidence from Philippine Migrants' Exchange Rate Shocks. Ford School of Public Policy Working Paper Series 02-011. University of Michigan.

Annex Table 1. Share of OFWs by Sex, Marital Status

| Year | Sex  |        |       | Marital Status |         |        |       |
|------|------|--------|-------|----------------|---------|--------|-------|
|      | Male | Female | Total | Single         | Married | Others | Total |
| 1988 | 59.1 | 40.9   | 100.0 | 36.8           | 61.6    | 1.6    | 100.0 |
| 1989 | 61.5 | 38.5   | 100.0 | 35.1           | 63.2    | 1.7    | 100.0 |
| 1990 | 65.3 | 34.7   | 100.0 | 29.7           | 68.1    | 2.2    | 100.0 |
| 1991 | 62.8 | 37.2   | 100.0 | 33.7           | 63.6    | 2.7    | 100.0 |
| 1992 | 62.1 | 37.9   | 100.0 | 35.4           | 60.5    | 4.1    | 100.0 |
| 1993 | 61.9 | 38.1   | 100.0 | 33.3           | 64.2    | 2.5    | 100.0 |
| 1994 | 58.2 | 41.8   | 100.0 | 38.5           | 58.0    | 3.5    | 100.0 |
| 1995 | 55.5 | 44.5   | 100.0 | 40.9           | 55.9    | 3.2    | 100.0 |
| 1996 | 58.5 | 41.5   | 100.0 | 37.8           | 59.2    | 3.0    | 100.0 |
| 1997 | 58.3 | 41.7   | 100.0 | 33.9           | 62.9    | 3.3    | 100.0 |
| 1998 | 55.1 | 44.9   | 100.0 | 37.3           | 58.6    | 4.1    | 100.0 |
| 1999 | 55.2 | 44.8   | 100.0 | 36.6           | 59.6    | 3.8    | 100.0 |
| 2000 | 55.0 | 45.0   | 100.0 | 35.2           | 60.8    | 3.9    | 100.0 |
| 2001 | 54.7 | 45.3   | 100.0 | 37.1           | 58.5    | 4.4    | 100.0 |
| 2002 | 52.6 | 47.4   | 100.0 | 35.5           | 59.3    | 5.2    | 100.0 |
| 2003 | 52.1 | 47.9   | 100.0 | 30.3           | 64.8    | 4.8    | 100.0 |
| 2004 | 51.2 | 48.8   | 100.0 | 32.9           | 62.5    | 4.6    | 100.0 |

Source: LFS various years

Annex Table 2. Share of OFWs by Age Group

| Year | <=24 | 25-34 | 35-44 | 45-54 | >=55 | Total |
|------|------|-------|-------|-------|------|-------|
| 1988 | 17.3 | 43.3  | 25.8  | 11.3  | 2.2  | 100.0 |
| 1989 | 16.1 | 41.3  | 28.8  | 11.3  | 2.6  | 100.0 |
| 1990 | 13.9 | 36.8  | 33.3  | 12.7  | 3.2  | 100.0 |
| 1991 | 14.3 | 36.9  | 33.6  | 11.3  | 3.9  | 100.0 |
| 1992 | 17.2 | 37.7  | 29.4  | 13.0  | 2.7  | 100.0 |
| 1993 | 14.9 | 40.6  | 30.2  | 12.1  | 2.2  | 100.0 |
| 1994 | 14.7 | 40.3  | 30.9  | 11.2  | 2.9  | 100.0 |
| 1995 | 17.1 | 39.7  | 30.1  | 10.9  | 2.2  | 100.0 |
| 1996 | 14.9 | 39.7  | 28.4  | 13.9  | 3.1  | 100.0 |
| 1997 | 12.0 | 39.6  | 31.9  | 13.1  | 3.4  | 100.0 |
| 1998 | 13.9 | 40.2  | 29.7  | 13.9  | 2.3  | 100.0 |
| 1999 | 11.8 | 41.1  | 30.1  | 13.4  | 3.6  | 100.0 |
| 2000 | 11.6 | 38.3  | 30.7  | 15.4  | 4.0  | 100.0 |
| 2001 | 11.6 | 39.0  | 29.4  | 16.6  | 3.4  | 100.0 |
| 2002 | 11.6 | 37.6  | 28.4  | 17.7  | 4.6  | 100.0 |
| 2003 | 9.7  | 40.6  | 29.1  | 16.1  | 4.5  | 100.0 |
| 2004 | 10.6 | 40.8  | 29.5  | 15.6  | 3.4  | 100.0 |

Source: LFS various years

Annex Table 3. Share of OFWs by Educational Attainment

| Year | Elem<br>grad/under | HS grad/under | Coll under | Coll grad | No info | Total |
|------|--------------------|---------------|------------|-----------|---------|-------|
| 1988 | 10.2               | 33.4          | 30.1       | 26.2      | 0.2     | 100.0 |
| 1989 | 9.5                | 36.2          | 30.2       | 23.8      | 0.4     | 100.0 |
| 1990 | 11.1               | 35.8          | 25.6       | 26.4      | 1.0     | 100.0 |
| 1991 | 10.2               | 35.7          | 27.5       | 25.4      | 1.3     | 100.0 |
| 1992 | 10.6               | 36.2          | 27.8       | 24.3      | 1.0     | 100.0 |
| 1993 | 9.5                | 37.2          | 27.5       | 24.8      | 0.9     | 100.0 |
| 1994 | 7.0                | 37.5          | 27.1       | 27.2      | 1.1     | 100.0 |
| 1995 | 8.3                | 38.3          | 28.5       | 24.2      | 0.7     | 100.0 |
| 1996 | 8.4                | 33.7          | 31.4       | 24.9      | 1.6     | 100.0 |
| 1997 | 7.3                | 33.4          | 32.0       | 25.3      | 1.9     | 100.0 |
| 1998 | 7.4                | 34.0          | 32.7       | 23.5      | 2.4     | 100.0 |
| 1999 | 6.9                | 34.5          | 30.3       | 26.3      | 2.1     | 100.0 |
| 2000 | 6.3                | 32.4          | 30.8       | 27.8      | 2.7     | 100.0 |
| 2001 | 5.4                | 33.1          | 27.9       | 33.6      | 0.0     | 100.0 |
| 2002 | 5.9                | 31.4          | 27.2       | 35.5      | 0.0     | 100.0 |
| 2003 | 5.2                | 29.8          | 31.0       | 34.0      | 0.0     | 100.0 |
| 2004 | 5.3                | 30.4          | 28.5       | 35.8      | 0.0     | 100.0 |

Source: LFS various years

Annex Table 4. Share of OFWs by Household per capita Income

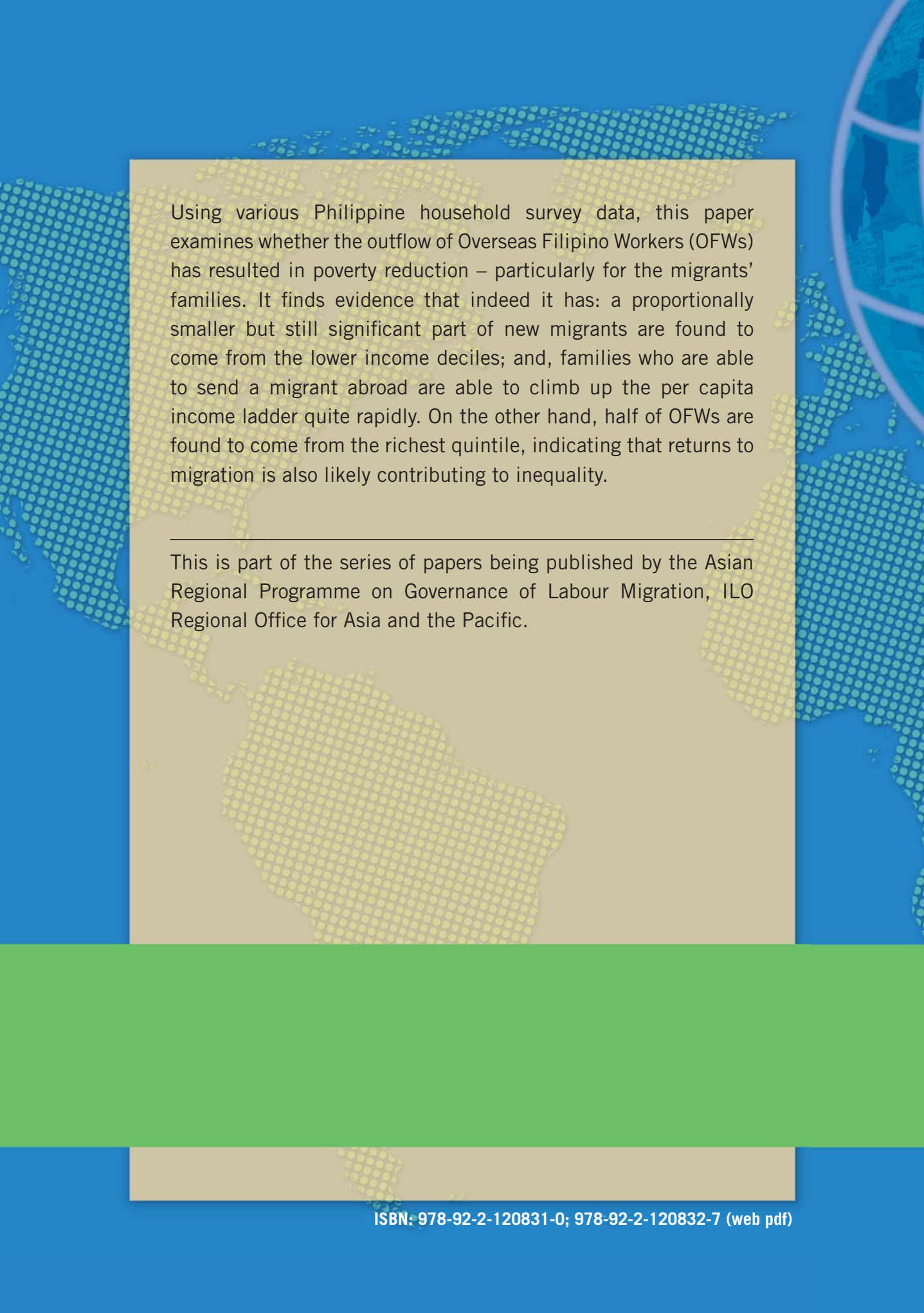
---

| Year | 1st (Poorest) | 2nd | 3rd  | 4th  | 5th (Richest) | Total |
|------|---------------|-----|------|------|---------------|-------|
| 1989 | 1.4           | 5.0 | 11.0 | 26.2 | 56.3          | 100.0 |
| 1992 | 1.8           | 5.8 | 12.3 | 26.9 | 53.2          | 100.0 |
| 1995 | 2.7           | 6.4 | 15.9 | 25.9 | 49.0          | 100.0 |
| 1998 | 2.7           | 7.7 | 16.5 | 30.2 | 42.9          | 100.0 |
| 2001 | 1.9           | 5.7 | 14.3 | 27.9 | 50.2          | 100.0 |
| 2004 | 2.6           | 5.5 | 14.5 | 27.8 | 49.7          | 100.0 |

---

Source: LFS and FIES various years





Using various Philippine household survey data, this paper examines whether the outflow of Overseas Filipino Workers (OFWs) has resulted in poverty reduction – particularly for the migrants’ families. It finds evidence that indeed it has: a proportionally smaller but still significant part of new migrants are found to come from the lower income deciles; and, families who are able to send a migrant abroad are able to climb up the per capita income ladder quite rapidly. On the other hand, half of OFWs are found to come from the richest quintile, indicating that returns to migration is also likely contributing to inequality.

---

This is part of the series of papers being published by the Asian Regional Programme on Governance of Labour Migration, ILO Regional Office for Asia and the Pacific.