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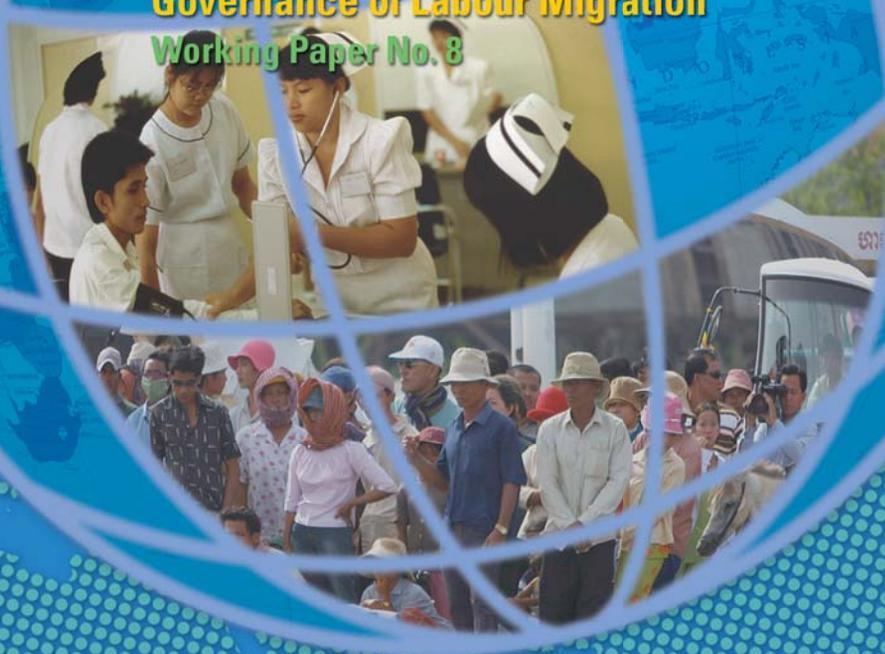
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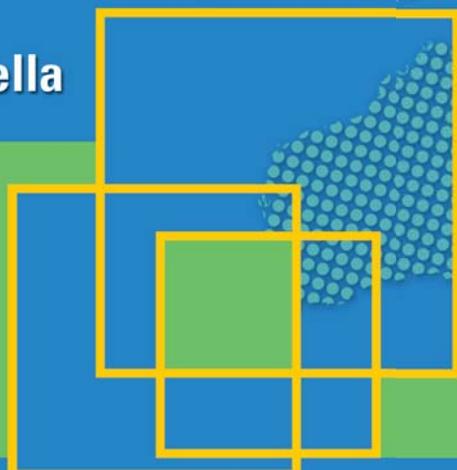
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Overseas Filipino Workers and their Impact on Household Employment Decisions

Geoffrey Ducanes and Manolo Abella

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



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Overseas Filipino Workers and their Impact on Household Employment Decisions

Geoffrey Ducanes and Manolo Abella*

1. Introduction

An oft-cited concern about Overseas Filipino Workers (OFWs) is that they, or the remittances they send, tend to make members of their families lazy and less willing to find work.¹ For instance, the assurance of remittance support from abroad is said to cause adult offsprings of OFWs to delay joining the labour force or to be pickier in the jobs they apply for or choose. Remittances, it is feared, cultivate a culture of dependence among the receiving household members. If true, this moral hazard effect of OFWs has negative impact on current and future output growth and should be counted among the economic costs of migration.²

The evidence for such assertion has been scarce, however, and mostly anecdotal. While it is almost certain there are cases where it has been true, here as in many other issues, the real question is whether they represent the typical case or the exceptional case. If it is the typical case, then this lends support to the calls for government to rethink its (implicit) labour export policy, as it only adds to the many social and economic ills already attributed to migration for work.³ But if not the typical case, then continued reference to it as if it were fact only distorts the true picture of the net impact of migration.

Over time and over a large sample of households, has it been generally the case that the working age population in households with OFWs has been less likely to join the labour force or to be employed?

This paper deals with this question utilizing a time series of various household survey data from the Philippine National Statistics Office (NSO) over the past two decades. The paper proceeds as follows. The next section gives a brief review of literature and describes the data sets used in the analysis. Section 3 gives the profile of households with OFWs relative to those without OFWs. Section 4 examines the impact of OFWs on the employment decisions of household members. The last section concludes.

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¹ Tullao, Cortez, and See (2004), for instance, makes the explicit claim that household receiving remittances are less likely to participate in the labour market, whereas Pernia (2006 and 2007) cites such a possibility.

² This is apart from the concern that high and growing remittances is causing moral hazard problems for government in terms of allowing it to avoid or postpone much needed economic reforms.

³ Trafficking, physical and mental abuse, brain drain, HIV infection, broken marriages, neglected children, Dutch disease, etc.

2. Review of Literature and Data Description

Chami, Fullenkamp and Jahjah (2003) posited a model where family members interact under asymmetric information and remittances serve as compensatory transfers. Under this model, remittance recipients are likely to decrease labour force participation, limit job searches, or reduce labour effort. A macroeconomic implication of the model is that remittances have a negative effect on economic growth. The authors tested this implication using a panel of countries and report that results conform to their model and conclude that “moral hazard problem in remittances is severe.”

Burgess and Haksar (2005) tested this negative relationship between remittances and growth in the case of the Philippines but did not get conclusive results. Such empirical analysis, they report, is complicated by measurement issues, endogeneity problems and the associated difficulty of finding appropriate instruments to explain the behaviour of remittances. They suggest turning to microeconomic-based analysis to study the issue.

Lucas (2005) pointed out that the impact of emigration on the size of the domestic labour force depends on many factors, remittances just one of them. One factor is the employment status of the migrant prior to departure – whether the migrant was employed, a housewife, or a newly-graduated student. Another factor is the possibility of an encouraged worker effect, such as if posts vacated by emigrants or the reduction in the length of the queue for jobs induce new people to seek work. This combined with the potential moral hazard effect mean that labour supply reductions may overshoot or fall short of the number of people leaving. They conclude, however, that emigration probably reduce labour supply overall, especially in the departing labour categories even in the longer run.

Tan and Canlas (1989) argue that the domestic labour market is flexible enough to replace departing overseas workers given the chronically high unemployment rate and the ease with which skills can be replenished by on-the-job training. They add another effect of increased demand for labour abroad is to raise current wage relative to normal wage which will induce an increase in labour supply.

Tullao, Cortez, and See (2004), based on an analysis of the Family Income and Expenditures Survey, report that households with remittance income typically exhibit lower labour force participation and employment rates compared with households without remittance income. They attribute this to an increase in the reservation wage and reduced self-reliance of individuals coming from households that receive remittances.

Data

This study utilizes for its analyses the Labour Force Survey (1988-2004) and the Family Income and Expenditures Survey (1988-2003).

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.⁴ 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 its income module.

One must make a distinction between households with OFWs and households receiving remittances. In the FIES, there are more households reported receiving remittances than there are households reporting an OFW. One reason is that in the FIES, the remittance figure is lumped with dividends from investments abroad, pensions, and cash gifts from people other than household members. It is thus possible that it is not really remittance that is being reported but rather these other income sources. Another reason is that remittance may be sent by people who belong to another household or even permanent migrants, such as a married son or daughter sending remittance to his/her parents' household. The available data does not allow for the isolation of what is solely remittance from household members. This study makes the distinction between households on the basis of the presence of OFWs rather than on the receipt of remittances. The monetary benefits from having an OFW also include the possibility of the household leveraging the fact of their having an OFW to borrow money or buy things on credit. This maybe viewed as an on the remittances but will not be counted as such in the FIES.

Because estimates based on the LFS and the FIES 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 survey, 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 HHs w/ and w/out OFWs

Table 3.1 gives the socio-economic profile of households with OFWs vis-à-vis those without OFWs from 1988 to 2004. What is evident from the table is that households with OFWs are typically richer.⁵ From 1989 to 2004, households with OFWs had per capita income levels about twice that of households without OFWs. The gap in per capita expenditure is only slightly narrower between the two groups. This can also be seen in terms of the ownership of durable goods, where the mean number of television sets, cars, and air condition units are likewise much higher for households with OFWs compared to those without OFWs. Poverty levels are also quite low in households with OFWs. In all the years, no more than 6% of the households with OFWs belonged to the poorest 30% of the population whether based on per capita income or per capita expenditure.

⁴ OFWs who are in the country for vacation at the time of the survey are also counted.

⁵ See our earlier paper 'OFWs and their Impact on Household Poverty' which examines whether this is because it is the rich who are able to migrate or because households with OFWs are able to climb up the income ladder.

Table 3.1. Profile of Households with and without OFWs, 1989-2004

Indicator	1989	1992	1995	1998	2001	2004
<i>Mean per capita income (current)</i>						
w/out OFW	8,132	13,197	16,775	26,302	30,581	33,969
w/ OFW	17,189	26,451	30,750	42,700	57,526	68,045
<i>Mean per capita expenditure (current)</i>						
w/out OFW	6,581	10,561	13,710	21,244	25,057	28,504
w/ OFW	12,391	19,174	23,394	31,962	42,636	51,919
<i>Mean family size</i>						
w/out OFW	5.3	5.3	5.3	5.1	5.1	4.8
w/ OFW	5.3	5.3	5.3	5.3	5.1	5.0
<i>Mean # of HH members 15 or younger</i>						
w/out OFW	2.1	2.1	2.1	2.0	1.9	1.8
w/ OFW	1.8	1.8	1.7	1.7	1.5	1.5
<i>Mean # of TVs</i>						
w/out OFW	0.3	0.4	0.5	0.6	0.7	0.7
w/ OFW	0.9	0.9	0.9	1.0	1.1	1.2
<i>Mean # of cars</i>						
w/out OFW	0.06	0.08	0.10	0.10	0.07	0.06
w/ OFW	0.11	0.14	0.17	0.16	0.13	0.16
<i>Mean # of aircons</i>						
w/out OFW	0.02	0.02	0.02	0.04	0.07	0.07
w/ OFW	0.04	0.04	0.04	0.06	0.14	0.21
<i>% belonging to poorest 30% nationally in per capita income</i>						
w/out OFW	31.1	31.3	31.6	31.6	31.6	31.6
w/ OFW	2.8	3.2	3.5	5.6	3.7	4.7
<i>% belonging to poorest 30% nationally in per capita expenditure</i>						
w/out OFW	31.1	31.2	31.5	31.6	31.5	31.5
w/ OFW	3.5	4.4	5.3	5.9	5.6	5.4

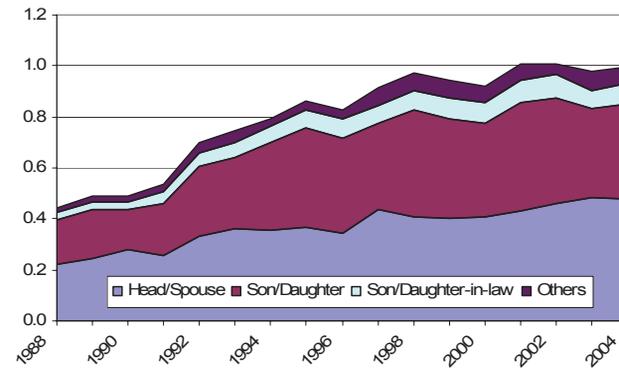
Source: FIES and LFS various years

The table also shows that households with OFWs are typically the same size as households without OFWs, although in two out of the 6 years (1998 and 2004) mean family size is slightly higher for households with OFWs.⁶ Households with OFWs also have lesser children (15 years old and younger) on average than households without OFWs. This is likely because about a third of all OFWs are single with many still belonging to the

⁶ These differences, though small, are statistically significant at the 1% level.

households of their parents.⁷ Figure 3.1 shows the breakdown of the OFWs by relationship to the household head. It shows that over time about half of OFWs – 46% in 2004 – are either the household head or the spouse of the household head whereas about 40% are either the son or daughter of the household head – 37% in 2004.

Figure 3.1. OFWs by Relationship to Household Head



Source: LFS 1988-2004; Annex Table 1

4. Impact on Household Employment Decisions

According to the Labour Force Surveys, the stock of OFWs has grown from 446 thousand in 1988 to 1.03 million in 2004. While not the concern of this paper, it is interesting to imagine the counterfactual of what the employment picture in the country would be had they not found work abroad and instead stayed in the country. On one extreme, one can imagine that they would all be unemployed, or equivalently, that they would displace one-for-one currently employed workers. This would imply that the unemployment rate in 2004 would have been 13.5% instead of the reported 11%.⁸ On the other extreme, one may imagine that all of them will find employment without displacing any worker. In this case, the unemployment rate will be at 10.7% instead of 11%.⁹ This is, of course, a very simplistic way of looking at things. In reality it is possible that had OFWs remained at home overall productivity in the country would increase which would generate further employment. On the other hand, it is also possible that they could have remained at home without affecting overall productivity, resulting only in increased poverty and disaffection with the government.¹⁰

Labour force participation

If the claim is true that having OFWs and remittances to rely on induce OFW households to be lazier, this has potentially serious negative consequences for future economic growth.

⁷ See Ducanes and Abella (2008) for a more detailed description of the profile of OFWs.

⁸ This is for the 1st quarter of 2004 and using the old NSO definition of unemployment.

⁹ This is the same as counting OFWs among the employed part of the domestic labour force, which is not the practice. The exercise shows that the unemployment rate will not change by much even if one counts OFWs among the employed.

¹⁰ For some, this is not necessarily a bad thing, especially if it will lead to a stronger clamor for and eventual implementation of structural reforms.

OFW households comprise of richer, better-educated, and presumably potentially more productive members. Their lack of participation in the labour market not only means that they are not contributing to output at present but also that they are not able to build on their human capital, through work experience, which is critical for future growth

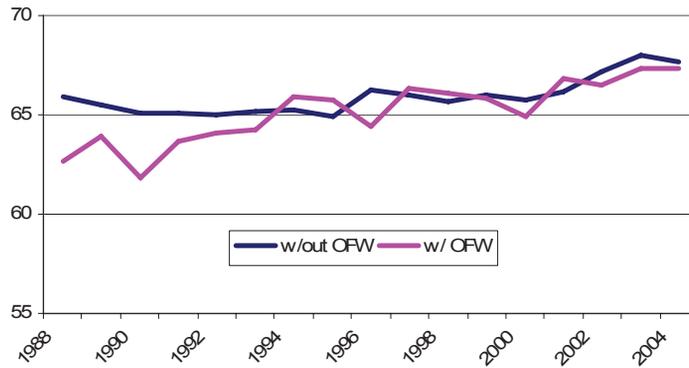
There does not appear to be strong basis for this claim, however. Tullao, Cortez, and See (2004) appears to be the only paper that attempts to show evidence of this but their analysis has several limitations. First, they use the Family Income and Expenditures Survey instead of the Labour Force Survey in their analysis. The FIES data does not really allow for properly identifying who among household members belong to the labour force and who do not. It is not clear how the authors computed their participation rates but they obtained figures very much lower than actual figures. Second, they did not distinguish between different reasons for not being in the labour force. For instance, if the reason for not joining the labour market is to study, surely it should not be viewed as a negative as that is likely to contribute to future growth. Third, by using the FIES count of those employed in the households, they failed to include the OFWs. This would make for an unfair comparison as OFWs, as shown in Section 2, are typically the household heads or spouses who have the most reason to find employment; or, if not the household head, those household members most qualified for employment. Not including them in the count loads the dice against their households.

Figure 4.1 compares the labour force participation rate of households with OFWs and households without OFWs, where the labour force includes OFWs and those not in the labour force includes the working age population who are in school. Here one may see that beginning 1994, labour force participation rates have been virtually the same for households with and without OFWs. In some years (1994, 1995, 1997, 1998, 2001) labour force participation was even higher for households with OFWs. Previous to 1994, labour force participation was higher for households without OFWs under this definition. If one takes into consideration that OFW households are typically richer, as shown in Section 2, and that labour force participation is expected to decline with higher income, this makes for an even stronger argument that OFW households are not less likely to participate in the labour market.

If one accepts that working age people who are in school are a positive, as argued earlier, then in computing the labour force participation rate, perhaps they should not be counted among those not participating. Figure 4.2 compares the labour force participation rate of households with OFWs and households without OFWs, where again the labour force includes OFWs but this time the working age population in school are not counted among those not in the labour force. Under this new definition, labour force participation rate is consistently higher for OFW households by an average of about 1.8 percentage points, even for years prior to 1994. This way of looking at it turns on its head the claim of less labour force participation from OFW households.

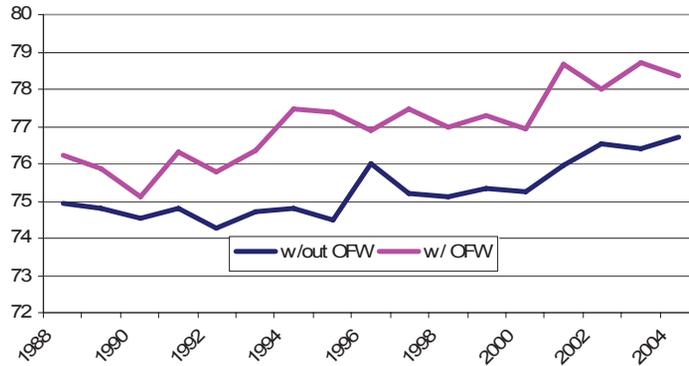
One will consistently get the result of lower participation rate for OFW households only if OFWs are not included among the employed and working-age students are counted among those not in the labour force as shown in Figure 4.3. But as argued above, this does not appear to be the correct way of defining the labour force, especially for the purpose of comparing the relative industry of the two groups.

Figure 4.1. LFPR by presence of OFW in Household, inc. OFW



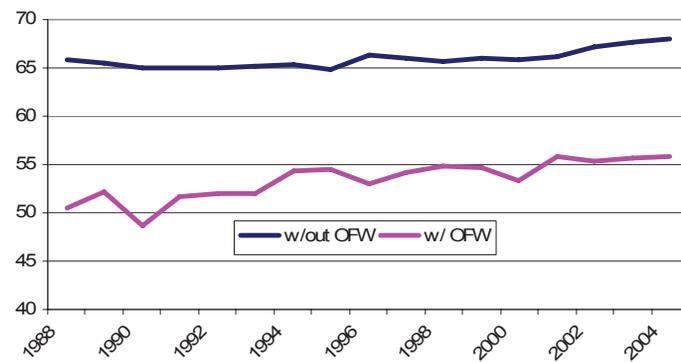
Source: LFS 1988-2004; Annex Table 2

Figure 4.2. LFPR by presence of OFW in Household, inc. OFW and exc. Students



Source: LFS 1988-2004; Annex Table 2

Figure 4.3. LFPR by presence of OFW in Household, exc. OFW



Source: LFS 1988-2004; Annex Table 3

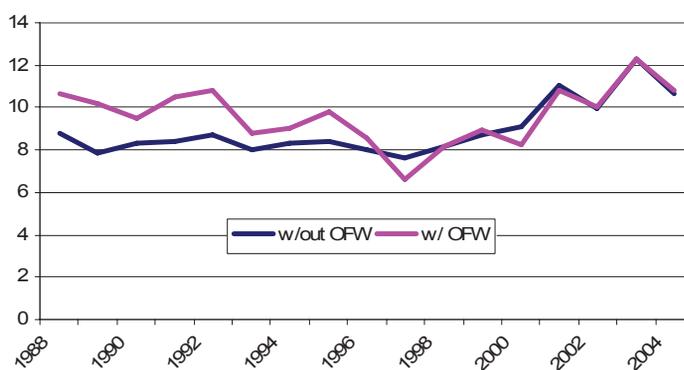
Unemployment Rate

If the aim is to examine whether OFW households are more likely to shirk work, it may be argued that it is more pertinent to look at the unemployment rate rather than the labour force participation rate. The way the Philippine NSO defines the labour force, one can only be excluded from it if one does not look for work for reason of old age, young age, housekeeping or schooling. If one does not look for work because one does not believe work is available (discouraged worker), or one is awaiting results of previous applications or job recall, or because of temporary illness or bad weather, or for other reasons, then one is lumped with those who are looking for work but cannot find work – the unemployed. Some of these categories might be better associated with shirking than those reasons for exclusion from the labour force.

Figure 4.4 compares the unemployment rate between households with OFWs and households without OFWs, with OFWs counted among the employed. The figure shows that beginning 1997 unemployment rate was either lower or roughly the same for OFW households as it is for households with no OFWs. Prior to 1997, unemployment rate was consistently higher for households with OFWs.

The path through which having an OFW may lead to lower labour supply (lower labour force participation or higher unemployment) by household members maybe indirect through higher income and thus higher reservation wages, or more directly, as posited by Chami, Fullenkamp and Jahjah (2003), as a consequence of the asymmetric information inherent in the relationship between the migrant and the other household members receiving compensatory transfers. If the effect is only through higher overall income, it is not clear that it is particularly worrisome as the same outcome would be expected had the OFWs remained at home but earned the same income. It is only of special concern if having an OFW has a negative effect on labour supply apart from the income effect.

Figure 4.4. Unemployment Rate by Presence of OFW in Household, inc. OFW

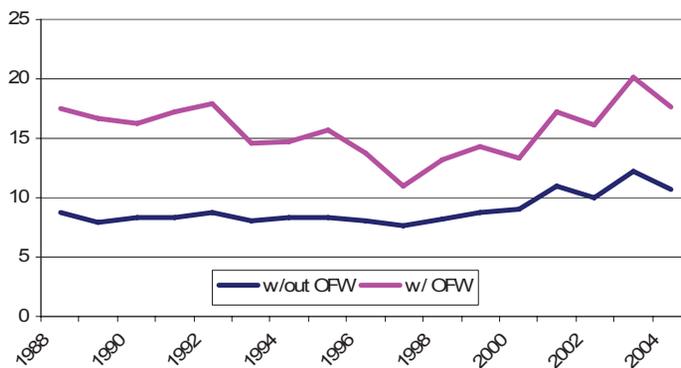


Source: LFS 1988-2004; Annex Table 4

Using logistic regression, Annex Table 6 tests for whether the observed higher unemployment rates for households with OFWs in years prior to 1997 is more than just income effect. The tests were done for 1989, 1992, and 1995 – the only years in this period for which family income figures are available.¹¹ Apart from income, represented here by per capita expenditure¹², the regression also controls for the sex, age, education and marital status of the labour participant. What maybe seen from the regression results is that after controlling for those other variables, having an OFW in the household has no significant direct impact on the probability of being unemployed. This is true for all the three years. The variable definitions are in Annex Table 7.

Merely as an illustration, Figure 4.5 depicts the comparative unemployment rates between households with OFWs and households without OFWs if OFWs are not counted among the employed. In this case, the OFW households have much higher unemployment rates. But as was argued in the case of labour participation, a just comparison between the two groups should count the OFWs among the employed.

Figure 4.5. Unemployment Rate by Presence of OFW in Household, exc. OFW



Source: LFS 1988-2004; Annex Table 4

Why Unemployed

It can still be argued that while unemployment rates may be no different for households with OFWs and households without OFWs, the reasons for their unemployment may be very different. For instance, it maybe claimed that members of OFW households are perhaps less likely to actually look for work and be more likely to be counted among the unemployed for being discouraged or for citing ‘flimsy’ reasons for not actively looking for work such as bad weather.

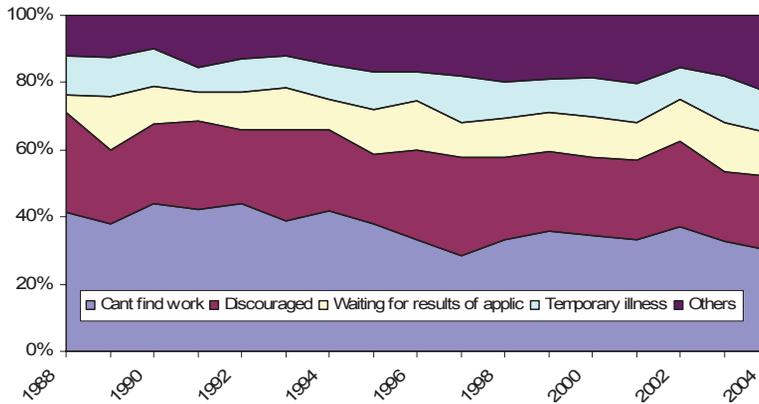
Figures 4.6 and 4.7 give the breakdown of the unemployed in OFW and non-OFW households, respectively, by reason of unemployment. There is no evidence from the figures

¹¹ These are for the January rounds of the LFS which could be matched with the FIES of the previous year.

¹² Per capita expenditure is believed to be a better proxy for permanent income than per capita income.

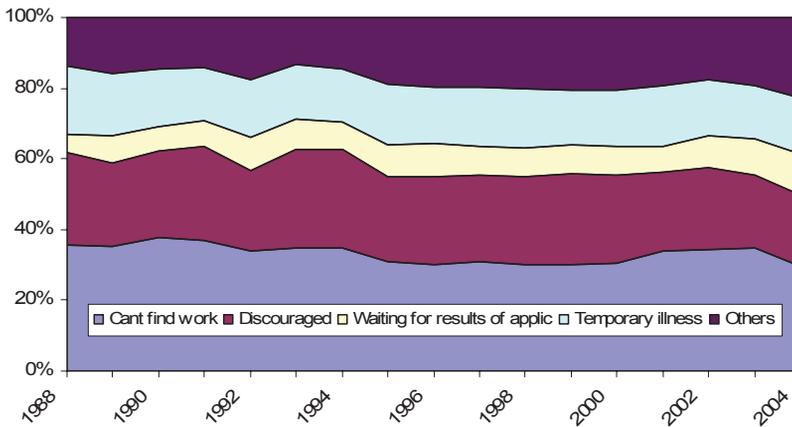
that OFW household members have less valid reason for unemployment.¹³ In fact, a consistently higher proportion of the unemployed in OFW households report actually looking for work. The proportions of discouraged workers in the two groups have been about the same over time. It is only in the proportion of those waiting for results of previous job applications that OFW households have been consistently higher.

Figure 4.6. Unemployed from HHS w/ OFW by Reason of Unemployment (%)



Source: LFS 1988-2004; Annex Table 5

Figure 4.7. Unemployed from HHS w/out OFW by Reason of Unemployment (%)



Source: LFS 1988-2004; Annex Table 5

¹³ Answers to questions about reason for unemployment are probably not always as exact as one would wish, so these figures must be taken with caution.

5. Conclusion

Using a time series of household surveys, this paper examined the issue of whether members of OFW households are truly less likely to participate in the labour market than members of non-OFW households. After comparing both the labour force participation rate and the unemployment rate of the two groups under different definitions of the two indicators, it finds that, under reasonable definitions, one cannot find evidence that OFW households typically suffer from moral hazard problems in labour supply. In fact, if one nets out the working age population who are not in the labour force because of schooling, the participation rate is even consistently higher for OFW households.

As in all social phenomena, there are many benefits and costs to having a large number of migrants abroad for work. Policy formulation must be guided by sound and solid information on all these benefits and costs. All this paper showed is that the common fear that OFWs have made their household members lazier is not supported by data and must therefore, at least for now, not be counted as a major cost of the OFW phenomenon.

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Annex Table 1. OFWs by Relationship to Household Head

Year	Head/Spouse	% share	Son/Daughter		Son/Daughter-in-law		Others		Total
1988	223,215	50.1	171,424	38.5	32,093	7.2	18,884	4.2	445,615
1989	247,372	50.5	188,998	38.6	29,552	6.0	24,263	4.9	490,185
1990	279,105	56.7	159,544	32.4	27,124	5.5	26,294	5.3	492,067
1991	257,165	47.5	203,989	37.7	47,293	8.7	32,676	6.0	541,123
1992	333,592	47.3	273,092	38.8	49,592	7.0	48,324	6.9	704,600
1993	360,578	48.1	280,271	37.4	59,678	8.0	48,919	6.5	749,445
1994	353,734	44.2	344,386	43.0	62,810	7.9	39,125	4.9	800,055
1995	366,725	41.9	391,560	44.7	67,093	7.7	49,637	5.7	875,015
1996	345,948	41.6	369,466	44.4	75,876	9.1	41,162	4.9	832,452
1997	435,863	47.3	336,056	36.5	70,629	7.7	78,997	8.6	921,544
1998	407,316	41.5	417,386	42.6	78,501	8.0	77,267	7.9	980,470
1999	404,033	42.5	389,274	41.0	80,109	8.4	76,710	8.1	950,126
2000	408,695	44.2	367,402	39.7	80,619	8.7	68,110	7.4	924,825
2001	432,599	41.7	423,539	40.8	89,713	8.7	91,072	8.8	1,036,924
2002	458,036	44.8	413,566	40.4	95,722	9.4	55,820	5.5	1,023,145
2003	484,926	48.6	346,993	34.8	69,490	7.0	96,052	9.6	997,461
2004	475,774	46.3	375,300	36.5	80,027	7.8	95,944	9.3	1,027,044

Source: LFS various years.

Annex Table 2. Labour Force Participation Rate: Various Definitions

Year	inc. OFWs in employed		inc. OFWs in employed exc. Students in LF		exc. OFWs in employed (NSO definition)	
	w/out OFW	w/ OFW	w/out OFW	w/ OFW	w/out OFW	w/ OFW
1988	65.9	62.6	74.9	76.2	65.9	50.6
1989	65.5	63.9	74.8	75.9	65.5	52.1
1990	65.1	61.8	74.5	75.1	65.1	48.7
1991	65.1	63.6	74.8	76.3	65.1	51.7
1992	65.0	64.1	74.2	75.8	65.0	51.9
1993	65.2	64.2	74.7	76.3	65.2	52.0
1994	65.3	65.9	74.8	77.5	65.3	54.4
1995	64.9	65.8	74.5	77.4	64.9	54.6
1996	66.3	64.4	76.0	76.9	66.3	53.0
1997	66.0	66.3	75.2	77.5	66.0	54.1
1998	65.7	66.1	75.1	77.0	65.7	54.8
1999	66.0	65.8	75.3	77.3	66.0	54.7
2000	65.8	65.0	75.3	76.9	65.8	53.3
2001	66.1	66.8	76.0	78.7	66.1	55.8
2002	67.1	66.5	76.5	78.0	67.1	55.4
2003	68.0	67.3	76.4	78.7	67.7	55.7
2004	67.7	67.3	76.7	78.4	68.0	55.9

Source: LFS various years.

Annex Table 3. Unemployment Rate: includes OFWs among employed

Year	inc. OFWs in employed		exc. OFWs in employed (NSO definition)	
	w/out OFW	w/ OFW	w/out OFW	w/ OFW
1988	8.8	10.7	8.8	17.5
1989	7.9	10.2	7.9	16.6
1990	8.3	9.5	8.3	16.2
1991	8.4	10.5	8.4	17.2
1992	8.7	10.8	8.7	17.9
1993	8.0	8.8	8.0	14.6
1994	8.3	9.0	8.3	14.7
1995	8.4	9.8	8.4	15.6
1996	8.0	8.6	8.0	13.7
1997	7.6	6.6	7.6	11.0
1998	8.2	8.2	8.2	13.1
1999	8.7	9.0	8.7	14.3
2000	9.1	8.2	9.1	13.3
2001	11.0	10.8	11.0	17.2
2002	9.9	10.0	9.9	16.1
2003	12.3	12.3	12.3	20.2
2004	10.7	10.8	10.7	17.6

Source: LFS various years.

Annex Table 4. Households w/ OFWs: Unemployed by Reason of Unemployment

Year	Cant find work	Discouraged	Waiting for results of applic	Temporary illness	Others	Total
1988	41.3	29.8	5.1	11.7	12.0	100.0
1989	37.8	22.3	15.6	12.0	12.3	100.0
1990	44.0	23.7	11.4	10.9	10.1	100.0
1991	42.4	26.1	8.7	7.3	15.4	100.0
1992	43.9	21.8	11.6	9.6	13.1	100.0
1993	38.7	27.3	12.3	9.6	12.1	100.0
1994	41.6	24.2	9.1	10.4	14.6	100.0
1995	38.1	20.5	13.6	11.2	16.7	100.0
1996	33.1	26.7	14.9	8.5	16.9	100.0
1997	28.6	28.9	10.6	13.6	18.2	100.0
1998	33.1	24.5	11.8	10.7	20.0	100.0
1999	35.9	23.7	11.5	10.0	18.9	100.0
2000	34.3	23.6	11.9	11.6	18.6	100.0
2001	33.1	24.0	11.0	11.8	20.2	100.0
2002	37.0	25.5	12.4	9.4	15.6	100.0
2003	32.6	20.9	14.6	14.0	17.9	100.0
2004	30.1	21.9	13.2	11.9	22.9	100.0

Source: LFS various years.

Annex Table 5. Households w/out OFWs: Unemployed by Reason of Unemployment

Year	Cant find work	Discouraged	Waiting for results of applic	Temporary illness	Others	Total
1988	35.8	26.1	5.1	19.1	13.9	100.0
1989	35.0	23.8	7.6	17.8	15.8	100.0
1990	37.7	24.4	7.0	16.2	14.7	100.0
1991	36.8	26.5	7.4	15.2	14.0	100.0
1992	33.7	23.0	9.4	16.4	17.6	100.0
1993	34.9	27.6	8.7	15.5	13.3	100.0
1994	34.9	27.6	7.8	15.2	14.4	100.0
1995	30.8	24.1	9.1	17.2	18.8	100.0
1996	30.2	24.8	9.5	15.9	19.6	100.0
1997	30.9	24.5	8.3	16.5	19.8	100.0
1998	30.0	24.8	8.1	17.0	20.1	100.0
1999	30.1	25.8	7.9	15.7	20.5	100.0
2000	30.6	24.9	8.2	15.8	20.5	100.0
2001	33.8	22.4	7.3	17.0	19.5	100.0
2002	34.5	23.2	8.6	15.9	17.7	100.0
2003	34.6	20.9	10.0	15.2	19.3	100.0
2004	29.6	20.1	11.7	15.9	22.7	100.0

Source: LFS various years.

Annex Table 6. Logistic Regressions: Unemployment as a function of sex, marital status, age, educational attainment, family income per capita, and having an OFW

1989

Logistic regression Number of obs = 41765
Wald chi2(8) = 1276.96
Prob > chi2 = 0.0000
 Log pseudolikelihood = -10519.288 Pseudo R2 = 0.0684

UNEMP_wOFW	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
male	-.1114673	.0412444	-2.70	0.007	-.1923049	-.0306297
married	-1.162226	.046769	-24.85	0.000	-1.253892	-1.070561
age	-.0004938	.001733	-0.28	0.776	-.0038905	.0029028
educ2	.7010102	.0463712	15.12	0.000	.6101243	.791896
educ3	1.097407	.0599864	18.29	0.000	.979836	1.214978
educ4	.9380768	.0646625	14.51	0.000	.8113406	1.064813
pcexp	-.0000155	2.75e-06	-5.64	0.000	-.0000209	-.0000101
ofw	.0445469	.076028	0.59	0.558	-.1044653	.1935592
_cons	-2.239076	.0690233	-32.44	0.000	-2.374359	-2.103793

1992

Logistic regression Number of obs = 54189
Wald chi2(8) = 1879.88
Prob > chi2 = 0.0000
 Log pseudolikelihood = -14670.911 Pseudo R2 = 0.0752

UNEMP_wOFW	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
male	-.1119315	.0341501	-3.28	0.001	-.1788645	-.0449984
married	-1.122522	.039775	-28.22	0.000	-1.20048	-1.044565
age	-.0081652	.0015374	-5.31	0.000	-.0111784	-.0051521
educ2	.6931799	.0385274	17.99	0.000	.6176675	.7686923
educ3	1.023586	.0503527	20.33	0.000	.9248969	1.122276
educ4	.8621147	.0542401	15.89	0.000	.7558061	.9684233
pcexp	-6.56e-06	1.19e-06	-5.51	0.000	-8.90e-06	-4.23e-06
ofw	.0033382	.0573114	0.06	0.954	-.1089901	.1156664
_cons	-1.899924	.0582581	-32.61	0.000	-2.014108	-1.785741

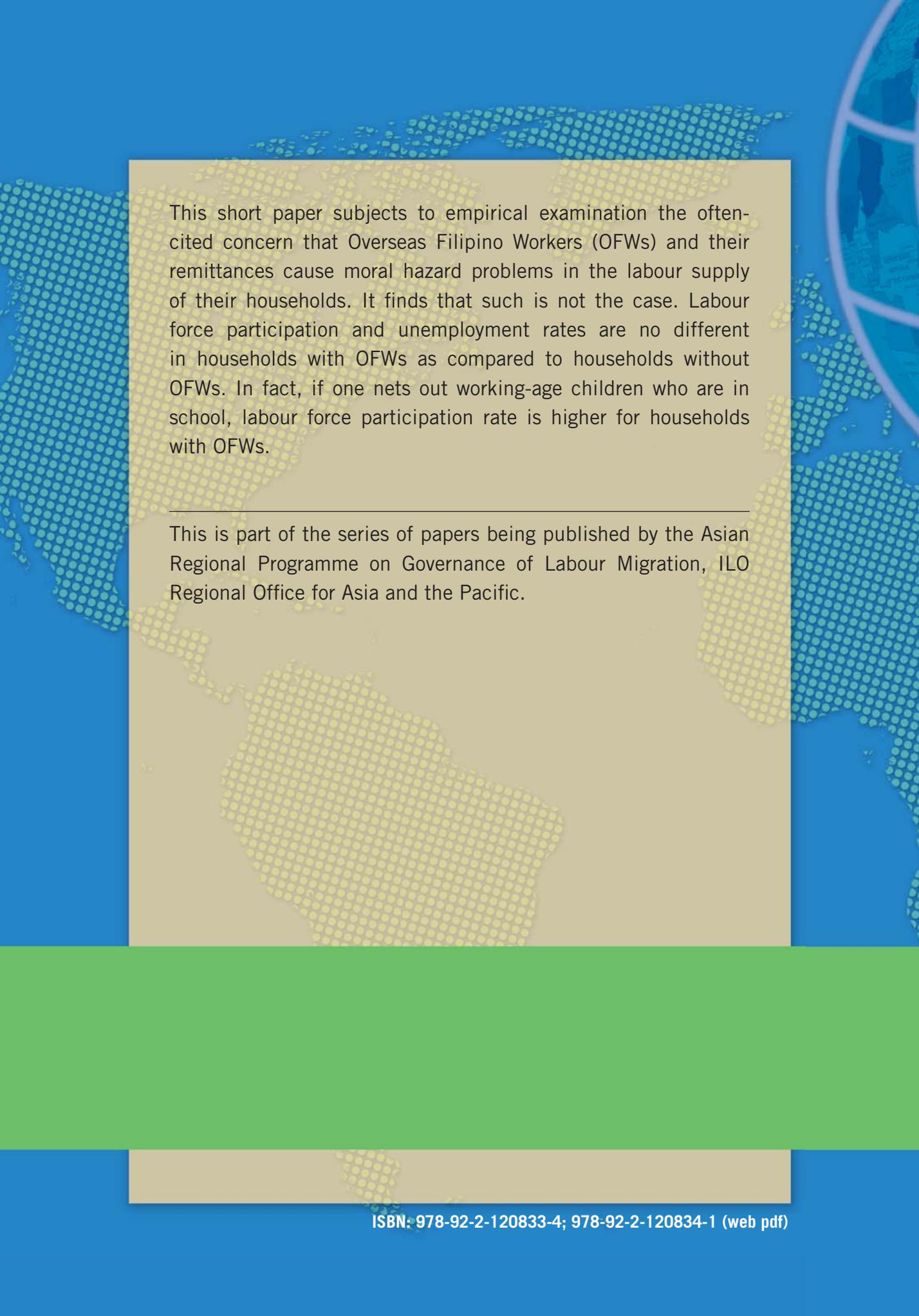
1995

Logistic regression Number of obs = 54904
Wald chi2(8) = 1847.99
Prob > chi2 = 0.0000
 Log pseudolikelihood = -14450.685 Pseudo R2 = 0.0768

UNEMP_wOFW	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
male	-.059304	.0346832	-1.71	0.087	-.1272819	.0086739
married	-1.186711	.039812	-29.81	0.000	-1.264741	-1.108681
age	-.0087926	.0015264	-5.76	0.000	-.0117842	-.005801
educ2	.6209087	.039911	15.56	0.000	.5426846	.6991327
educ3	.9785366	.0501598	19.51	0.000	.8802252	1.076848
educ4	.7108181	.0562594	12.63	0.000	.6005516	.8210845
pcexp	-3.94e-06	8.33e-07	-4.73	0.000	-5.57e-06	-2.31e-06
ofw	-.0885644	.055204	-1.60	0.109	-.1967622	.0196335
_cons	-1.908393	.061146	-31.21	0.000	-2.028236	-1.788549

Annex Table 7. Variables for Logistic Regressions

Variable	Description
<i>Dependent variable</i>	
Unemp_wOFW	Dummy, 1 for unemployed 0 for employed
<i>Sex</i>	
male	Dummy, 1 for male
<i>Marital status</i>	
married	Dummy, 1 for married
<i>Age</i>	
age	Age
<i>Education</i>	
educ2	Dummy, 1 for HS grad or undergrad
educ3	Dummy, 1 for college undergrad
educ4	Dummy, 1 for college grad
<i>Income</i>	
pcexp	Per capita expenditure
<i>OFW</i>	
ofw	Dummy, 1 for having at least 1 OFW in household



This short paper subjects to empirical examination the often-cited concern that Overseas Filipino Workers (OFWs) and their remittances cause moral hazard problems in the labour supply of their households. It finds that such is not the case. Labour force participation and unemployment rates are no different in households with OFWs as compared to households without OFWs. In fact, if one nets out working-age children who are in school, labour force participation rate is higher for households with OFWs.

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