Country Report

Philippines

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Recent Trends in International Movements and Policies: The Philippines, 2005[1]

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Despite the political uncertainties, increasing oil prices, a weak agricultural output, and the impact of the expanded value tax, the Philippine economy managed to grow in 2005, although at a slower rate than in 2004.

Gross Domestic Product (GDP) and Gross National Product (GNP). The country's gross domestic product (GDP) expanded by 5.1 percent in 2005 from 6.1 percent the previous year (Table 1). This was due largely to the estimated $10.85 billion in remittances from overseas Filipino workers (OFWs) that spurred consumer spending and pushed up the gross national product (GNP) to 5.7 percent growth. With the increase in the deployment of OFWs, the compensation inflows grew to 13.2 percent in 2005 from only 3.9 percent in 2004, thus contributing to the upsurge of the net factor income from abroad.

GDP: Production Sectors. The economic growth in 2005 was propped up by the recovery of agriculture and the good performance of the industry and services sectors in the fourth quarter of the year.

Agriculture, Fishery and Forestry (AFF). The agricultural sector, which employs nearly 4 out of every 10 Filipinos, grew moderately by 1.9 percent compared to the 5.2 percent in 2004. The dry spell brought about by the El Nino tempered the growth of agricultural crops (0.7 percent), livestock (2.0 percent) and poultry (1.5 percent). Forestry output also declined by 36.5 percent. Due to the implementation of the selective logging ban in the Philippines. Fisheries, on the other hand, grew by 6.0 percent due to good weather conditions for most of 2005, better technical assistance and an improved dispersal program.

Industry. In 2005, industry grew robustly at 5.3 percent with all the sub-sectors contributing to its growth. Manufacturing accelerated by 5.6 percent from 5.1 percent in 2004. Mining rebounded from 2.8 percent growth in 2004 to 9.7 percent in 2005. This upsurge was boosted by the change in the policy environment and the rising metal prices in the world market. Construction also grew, although at a much slower rate of 4.4 percent, compared to the 7.1 percent increase the previous year. Private construction decelerated to 2.0 percent from 4.8 percent in 2004. Growth of utilities also slowed down to 2.5 percent as a result of the rising oil prices as well as regulatory uncertainties.

Services grew by 6.3 percent supported largely by the upsurge in the finance sub-sector which expanded by 15.5 percent. The trade sector grew by 5.7 percent as a result of higher levels of remittances from OFWs in 2005.

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GDP: Expenditure Shares. Because of the Christmas season, personal consumption expenditures increased by 5.0 percent in 2005 although at a slower rate than in 2004. On the other hand, government consumption grew only slightly at 2.7 percent as the government continues its austerity measures and its tightening of its fiscal policy. It should be noted, however, that this represents an improvement over the weak performance in 2004 (0.3 percent). Exports slowed down to 2.3 percent in 2005 from 14.0 percent growth in 2004. Gross domestic capital formation, however, declined by 4.2 percent, with fixed investments decreasing by 3.0 percent.

Per Capita GDP, GNP, and PCE. The slower growth in the economy in 2005 also resulted in a decline in the growth of per capita GDP from 3.9 percent in 2004 to 3.0 percent in 2005. Similarly, per capita GNP slowed down from 4.1 percent growth in 2004 to 3.6 percent in 2005. . Per capita personal consumption expenditure likewise decelerated from 3.7 percent in 2004 to 2.8 percent in 2005.

Foreign Direct Investments (FDIs). In the first three quarters of 2005, foreign direct investment commitments plummeted by 55.6 percent from 133.78 billion pesos in 2004 to 59.46 billion pesos in 2005 (Table 2). This was due to a 73 percent decline in investment pledges in the first quarter of 2005.

Japan was the number one source of approved FDIs from January to September 2005 with 23.5 billion pesos in approved projects (Table 2). This accounted for almost 40 percent of the total approved FDIs for the first nine months of 2005. Next in rank were Korea (10.5 billion pesos), the United States (10.24 billion pesos), and the Netherlands (7.54 billion pesos). Their combined investment commitments accounted for 48 percent of the total approved FDIs for the period. The potential investments from Japan grew by 12.5 percent, Korea by 286 percent, the USA by 93 percent and the Netherlands by 416 percent. However, the growth of investment commitments from these countries failed to offset the decline in the commitments made by other foreign investors. Nauru, which contributed 72 percent of the approved FDIs in the first nine months of 2004, had no investments to the Philippines for the same period in 2005.

The largest investment commitments from January to September 2005 were in manufacturing (67.7 percent) and utilities (18.5 percent). All the FDI projects approved for the first 3 quarters of 2005 are expected to generate 75, 874 jobs all over the Philippines. This represents a 67.2 percent increase from the 45,385 expected jobs from all the approved investments in the same period in 2004 (Table 2).

The Current Labour Market

In 2005, the growth in the working age population continued to decelerate to 2.3 percent from 2.9 percent in 2003 and 2.6 in 2004 to reach a total of 54.39 million (Table 3). There was also a significant decline in the growth of the labour force from 3.7 percent in 2004 to 1.7 in 2005. Consequently, a total of only 596,000 persons were added to the labour force to reach 36.46 million in 2005. As a result of the slower growth, the labour force participation rate slightly declined to 67 percent in 2005 from 67.5 percent in 2004.

Employment continued to grow, although at a slower rate of 2.2 percent in 2005 compared to the growth of 3.2 percent the previous year. As a result, fewer jobs were created in 2005 (700,000) compared to 2004 (978,000), representing a decline of 28.4 percent (Table 3). The gain in employment in 2005 originated largely from the agriculture, fishery and forestry sector which increased by 53.1 percent; however, the marked decline in industry (-82.9 percent), particularly manufacturing (-85.8 percent) and in the services sector (-35.7 percent) accounted for the contraction in new jobs created in 2005.

Because the expansion in the number of persons that joined the labour force in 2005 was slower than the growth in employment, the unemployment rate declined slightly to 11.4 percent from 11.8 percent in 2004 (Table 3). However, the underemployment rate and the visible underemployment rate increased in 2005 (21.0 percent and 12.4 percent, respectively). Shorter working hours as well as higher prices of commodities and transport fares contributed to the desire of more people for additional work. Moreover, this was also due to the fact that the gain in employment was largely in the agriculture, fishery, and forestry sector and much of the employment created were among own-account workers or the self-employed and unpaid family workers involved in agriculture and wholesale and retail trade (Bureau of Labour and Employment Statistics, 2006). This means that in 2005, an estimated 6.788 million Filipinos wanted to have additional hours of work while 2.703 million worked less than 40 hours a week.

Moreover, it is significant to note that in the first half of 2005, the number of displaced workers dramatically increased by 135.7 percent from 13.187 million in 2004 to 31.079 million for the same period the previous year (Table 3). Similarly, the number of establishments that either closed and/or reduced its workforce from January to June 2005 saw a marked increase (79.3 percent) from 825 establishments in 2004 to 1479 establishments in the first semester of 2005. While the largest number of establishments that closed was in the services sector, the largest number of workers displaced was in manufacturing.

Recent Trends in International Migration

International Labour Migration

As of December 2004, an estimated 8.084 million Filipinos were living and working in about 200 countries in the world (Table 4). Of these, 3.599 million (44.5 percent) were temporary workers, 3.188 million (39.4 percent) were emigrants, and 1.297 million were irregular migrants (16.0 percent).

Labour migration outflows. In the first 8 months of 2005, the number of deployed overseas Filipino workers grew by 5.4 percent reaching 685,485 from 650,140 in the same period the previous year (Table 5). The number of rehires constituted 64 percent of the total worker outflow from the Philippines from January to August 2005. However, the number of new hires increased at a faster rate (6.1 percent) than the rehires (4.3 percent). This was due largely to the marked increase in the deployment of new hires to the Middle East (18.6 percent).

Despite the decline the deployment of new hires to Asia, particularly to Japan, this was offset by gains in the outflow of OFWs to various countries the Middle East and elsewhere. The Middle East, particularly Saudi Arabia, remains the number one work destination of Filipino workers, followed by Asia, particularly Hong Kong, Japan, Taiwan, and Singapore.

Remittances

The increase in the deployment of overseas Filipino workers in 2005 resulted in the increase of remittance inflows to the country. The remittances of OFWs coursed through the formal banking channels grew significantly in the first 10 months of 2005 (27.1 percent) reaching US$8.832 billion from US$6.947 billion for the same period in 2004 (Table 6).

Moreover, the efforts by financial institutions to direct remittances through the banking channels also contributed to the higher level of remittances. By introducing an improved system of money transfer, lowering the cost of remittance transactions, establishing remittance centers abroad, and making arrangements with foreign financial institutions to serve the banking needs of OFWs, have increased the inflow of remittances.

The bulk of the remittances that were channeled into the formal banking system of the Philippines in the first 10 months of 2005 came from the United States (60.3 percent), Saudi Arabia (8.9 percent), Italy (4.0 percent), Japan (3.4 percent), Hong Kong (3.1 percent) and United Kingdom (2.8 percent). (See Table 7).

Filipino Emigrants

In 2004, the number of Filipinos who left the country to reside permanently abroad increased by 24.9 percent after a slight decline in the number of Filipino emigrants in 2003. The pattern and characteristics of the emigration flows from the Philippines have remained the same. As in previous years, the United States remains the number one country of settlement of most Filipino emigrants (65.2 percent), followed by Canada (15.6 percent) and Japan (9.2 percent) (Table 8). Sixty percent of emigrants are females (Table 9). They are also fairly young (Table 10). A majority of them are below 35 years of age (65.3 percent) with a substantial proportion falling between the ages 15 to 34 years (44.0 percent). Thirty-one percent were employed prior to emigration from the Philippines (Table 11). Of these, close to half worked as professionals while the majority who were unemployed consisted largely of students, housewives and young children below seven years old.

Foreign Workers in the Philippines

As in previous years, the profile of legal foreign workers in the Philippines based on the Alien Employment Permit (AEP) issued in 2004 by the Bureau of Local Employment in the Philippines remains the same. They are still small in number constituting only 0.2625 percent of the labour force (Table 12). In 2004, however, the number of foreign workers grew slightly by 2.6 percent after a 14.6 percent decline in 2003. From a total of 9,168 foreign workers issued AEPs in 2003, the number rose to 9,408 in 2004. (Table 13).

The Japanese still remain the largest group of foreign workers in the Philippines (Table 14). The second largest group is the Koreans (19.6 percent) followed by the Chinese (10.6 percent). The majority are still executives or managers (69.9 percent) and 28.3 percent are professionals (Table 15). They can still be found mostly in industry (55.7 percent) especially in manufacturing (43.9 percent) although a substantial proportion is working in the services sector (43.2 percent) (Table 16).

Bilateral Labour and Similar Agreements

Over the last 32 years, the issue of the welfare and protection of its overseas workers has put pressure on the Philippine government to take concrete steps to ensure their wellbeing in the countries of destination. As a result, government has entered into bilateral, regional and multilateral arrangements and has taken the lead in various international forums to promote migrants' rights.

The Migrant Workers and Overseas Filipinos Act of 1995 mandates that the "State shall deploy overseas Filipino workers only in countries where the rights of Filipino migrant workers are protected." The government recognizes any of the following as a guarantee on the part of the receiving country that overseas Filipino workers will be protected and their rights are upheld:

a. It has existing labour and social laws protecting the rights of migrant workers;
b. It is a signatory to multilateral conventions, declarations or resolutions relating to the protection of migrant workers;
c. It has concluded a bilateral agreement or arrangement with the government protecting the rights of overseas Filipino workers; and
d. It is taking positive, concrete measures to protect the rights of migrant workers.

However, negotiating formal bilateral labour agreements (BLAs), including Memoranda of Understanding (MOU), Memoranda of Agreement (MOA), Maritime Agreements, and Social Security Agreements (SSAs), for the protection and welfare of Filipino workers has been difficult task (Go, 2004).. Among the most common arguments raised by many receiving countries for their reluctance, if not outright refusal, to enter into any formal agreement with the Philippines is that overseas Filipino workers are subject to the same laws and regulations as nationals; consequently, they do not need any special attention

Moreover, they have argued that since the terms of employment are negotiated by the overseas Filipino workers and private employers or agencies, they do not want to get involved in it. Entering a formal agreement with the Philippines would likewise open the floodgate of proposals for similar agreements from other sending countries, which they are reluctant to deal with. As a result, all that the Philippines has gotten from most host countries are informal assurances that Filipino workers will be treated fairly and given utmost protection. While this is so, the Philippines continues its efforts to forge bilateral agreements with other countries.

Bilateral Labour Agreements. The number of bilateral labour and social security agreements that the Philippines has successfully entered into over the last thirty-two years attests to the difficulty of such an undertaking. Today, overseas Filipino workers can be found in about 194 countries in the world. However, since the overseas employment program began in 1974, the Philippines has been able to successfully forge bilateral labour agreements with only 13 countries, 12 labor receiving countries and 1 labor sending country. However, it has not been able to enter into such agreements with the largest labour receiving countries of overseas Filipino workers, particularly Saudi Arabia and Japan.

The bilateral labour agreements between the Philippines and other countries may be classified into two broad categories, the labour recruitment and special hiring agreements and the labour, employment, and manpower development agreements. The labour recruitment agreements focus on the terms and conditions concerning the employment and mobilization of Filipino workers or the exchange of trainees. The bilateral agreements with Norway, the United Kingdom, Papua New Guinea, South Korea, Taiwan and Switzerland are largely recruitment agreements.

On the other hand, the labour, employment and manpower agreements such as those with Libya, Jordan, Qatar, Iraq, Kuwait, and the Commonwealth of Northern Marianas Islands (CNMI) contain the following essential features:

a. Promotion and strengthening of areas of cooperation in the field of labour, employment, and manpower development;
b. Exchange of information on relevant research, technical expertise, and other matters that would enhance employment promotion and labour administration in both the Philippines and the labour-receiving country;

c. Enhancement of the welfare and protection of the rights of Filipino workers in accordance with the labour laws of the receiving country; and
d. Establishment of a Joint Committee composed of members from both the Philippines and the receiving country to do a periodic review of the agreement and its implementation

Since 1974, most of the efforts of the Philippine government has been directed towards pursuing bilateral labour agreements with labour-receiving countries. A significant development in 2003 is the signing of a bilateral labour agreement between the Philippines and another labour-sending country, Indonesia. This agreement is significant because it is the first successful attempt by the Philippines to try to consolidate the efforts of other labour sending countries in the region towards promoting the welfare of migrant workers and protecting their rights. The agreement identifies the following as priorities for joint initiative and cooperation:

a. Promotion and protection of the welfare and rights of migrant workers of both countries;
b. Training and certification of migrant workers; and
c. Provision of legal aid for the protection of the rights of migrant workers.

Bilateral Social Security Agreements. In the area of social security, the Philippines has also been able to forge bilateral agreements with only 8 countries. These are Austria, Belgium, Switzerland, Canada and its independent province of Quebec, France, the United Kingdom, the Netherlands, Spain, and most recently, South Korea. The salient features of the treaties include:

a. Mutual assistance between the Philippines and the other country in the field of social security – Covered members or beneficiaries may file their claims with the designated liaison agencies of the Philippines or the other country, which will extend assistance to facilitate the processing of claims;
b. Equality of treatment – a Filipino covered by social security, including his/her dependents and survivors, shall be eligible to benefits under the same conditions as the nationals of the other country;
c. Export of social security benefits – a Filipino shall continue to receive his/her benefits wherever he/she decides to reside (in the Philippines, in the other country, or even a third country); and
d. Totalization – Creditable membership periods in both the host country and the Philippines (excluding overlaps) shall be added to determine qualification for benefits;
e. Prorated payment of benefits – Both the host country and the Philippines shall pay a fraction of the benefit due from their respective systems, in proportion to the actual contributions or creditable periods

In 2000, the Social Security System of the Philippines reported that relative to the implementation of the agreements, 260 Filipino claimants were granted benefits, 192 (74 percent) of which were from Canada.

The Philippines, through the Social Security System, continues to pursue bilateral social security agreements with the host countries of overseas Filipino workers.

Bilateral Maritime Agreements. In maritime, the Philippines has also been actively negotiating for bilateral agreements to protect the interests of the Filipino shipping industry, in general and Filipino seafarers, in particular. The Philippines is the largest supplier of seafarers in the world. There are about 200,000 Filipino seafarers working on board international vessels representing 20 per cent of actively employed seafarers in ocean-going vessels. Japan is the biggest employer of Filipino seafarers accounting for an estimated 25 per cent of the 200,000 Filipino seamen deployed yearly.

The Philippine government's efforts at negotiating have resulted in the signing of bilateral maritime transport and merchant shipping agreements with 8 countries, namely: Iran (1975), Cyprus (1984), Liberia (1985), Bangladesh (1989), Vietnam (1992), Norway (1999), Netherlands (2000), and Brunei (2003). The most salient feature of these maritime agreements is the promotion of cooperation between the two countries in the field of merchant shipping or maritime transport and related activities through:

a. exchange of information on maritime transport or merchant shipping policies, regulations, training, and legislation;
b. enhancement of maritime training, licensing, and certification to improve the competence of ship officers and seamen;
c. promotion and enhancement of seafarers welfare;
d. according both countries in the agreement with the most-favoured nation status under which ocean carriers of one country are given the same rights and privileges extended by the other country to its flag carrier
e. establishment of Joint Commissions to review the implementation of the agreements and to discuss any other shipping or transport matters of mutual interest

On the other hand, the Philippines has been more successful in forging bilateral agreements on the recognition of Filipino seafarers' certificates under regulation 1/10 of the 1978 International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), as amended in 1995. The STCW establishes the minimum standards for the training and performance of seafarers deployed in vessels engaged in both overseas and domestic shipping. In 1995, the STCW was amended and specified the implementation of new requirements for the training and education of seafarers, apart from additional responsibilities for ship owners and operators. Regulation 1/10 of the amended STCW requires a bilateral agreement between seamen-sending and seamen-accepting countries for the recognition of seamen's certificates of competencies. Under the amended STCW, which took effect on February 1, 2002, seafarers of countries not in the International Maritime Organization (IMO) White List and not covered by bilateral agreements could not be hired to work on board ocean-going vessels.

Since 2000, the Philippines has signed bilateral agreements on the recognition of seafarers' certificates with 31 countries.

Recent Developments in Migration Policies and Programs

The management of international labour migration today is grounded on three major tracks: the enhancement of the competitiveness of Filipino labour, the empowerment of Filipino labour, and the guarantee of the welfare and protection of overseas Filipino workers.

Government now explicitly recognizes that international labour migration is vital in sustaining the Philippine economy through the remittances sent home by overseas Filipino workers. As a result, government, through an interagency team headed by the Department of Labour and Employment (DOLE) and the Central Bank of the Philippines, is reviewing ways to improve the remittance system and to minimize the transaction costs incurred by these workers in sending money back to their families in the Philippines. It also continues to promote the overseas

Filipino workers through marketing missions abroad. However, because of budgetary constraints, instead of sending marketing missions to promote the overseas Filipino workers abroad, DOLE opted to invite employers to the Philippines in November 2005 where exemplary employers of the Filipino workers abroad were also recognized in an event held at Malacanang Palace.

In order to bring welfare services closer to the OFWs and their families, DOLE, in cooperation with the various local government units (LGUs), has been setting up OFW Migrant Desks (OMDs) around the country to be manned by personnel from the Public Employment Service Offices (PESOs). As of August 2005, OMDs were set up in 3 provinces pursuant to a memorandum of agreement forged between the Overseas Workers Welfare Administration (OWWA) of the Department of Labour and Employment (DOLE) and the LGUs of these provinces.

In partnership with Microsoft, DOLE, through OWWA has recently inaugurated the facilities for "Tulay" (meaning bridge), a program that provides IT training and access to technology to OFWs and their families. Tulay is part of Microsoft Unlimited Potential, a global initiative focused on providing technology skills for underserved individuals. Through Tulay, OFWs are expected to gain IT skills that will increase their value and competitive edge in the workplace. Moreover, the program will also help to cushion the negative effects of working overseas by using technology to connect OFWs and their families. OFWs will also be able to keep abreast with the latest news in the Philippines.

Four (4) computer training centers for OFWs and their families have been set up at the Philippine Overseas Labour Offices (POLOs) in Singapore and Kuala Lumpur, Malaysia and at the OWWA offices in Metro Manila and in Cebu City in the Philippines. Two additional computer training centers for OFWs are also to be set up in Taichung, Taiwan and in Hong Kong.

Economic Prospects in 2006

The Philippine government is projecting a higher growth targets for GDP in 2006 of 5.7 to 6.3 percent from the 2005 growth of 5.1 percent; however, the Asian Development Bank is predicting a lower GDP growth of 4.8 percent as it foresees investments to remain weak throughout the year.

The high unemployment rate and the even higher underemployment rate among workers in the country will continue to exert pressure on the Filipinos to go and work abroad. Consequently, the current employment situation should give added impetus to government to push forward more vigorously its plan of action for employment creation. Moreover, there is a need to institute safety nets for workers to protect them from the adverse effects of global oil hikes resulting in the increase of the prices of basic commodities.

On the other hand, the record rate of OFW remittances in 2005 can be harnessed for development by providing these overseas Filipino workers and their families with better and more attractive investment opportunities in the country.

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