THE ECONOMIC CRISIS AND OVERSEAS FILIPINOS' REMITTANCES: LEARNING TO BUILD A FUTURE BACK HOME

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Introduction

The Philippines has emerged as one of the world's major migrant-sending countries, together with Mexico, China, and India. Our latest data from the Commission on Filipinos Overseas stock estimates show that as of December 2010, 9.45 million Filipinos are living overseas worldwide, 47 percent of whom (4.42 million) are permanent residents, 45 percent (4.32 million) are temporary migrants, commonly known as overseas Filipino workers (OFWs), and 7 percent (705 000) are irregular. They are spread out in more than 210 countries and territories (CFO 2010).

TABLE 1
STOCK ESTIMATE OF OVERSEAS FILIPINOS
(as of December 2010)

Total: 9 452 984	
Overseas Filipino Workers	4.32M (45%)
Permanent Migrants	4.42M (47%)
Irregular Migrants	0.71M (8%)

Source: CFO (2010).

The data likewise demonstrate that the Philippines has gone beyond labor migration. Many Filipinos leave the country for a wide variety of reasons ranging from the intent to marry to family reunification, from educational to professional advancement, from business to investment opportunities.

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Remittances and the Philippine Economy

According to the World Bank's *Migration and Development Factbook* (2011), the Philippines now ranks fourth globally in terms of remittances, with the top three remittance-receiving countries identified as India, China, and Mexico.

From the same World Bank report, we note that remittances constitute 10.7 percent of the Philippines' 2010 gross domestic product (GDP), the highest of any country in Southeast Asia and the twenty-first highest in the world.

The Bangko Sentral NG Pilipinas (BSP, or Philippine Central Bank) reported that remittances in 2011 grew 7.2 percent year-on-year to US$20.11 billion, slightly more than the official central bank forecast of 7 percent for the whole year (n.d.a).

Remittances clearly outrank investment flows (FDI) and official development assistance (ODA). In 2009, the country was able to attract less than US$1.9 billion in foreign direct investments, while in 2007, the Philippines received around US$634 million in ODA (BSP n.d.b).

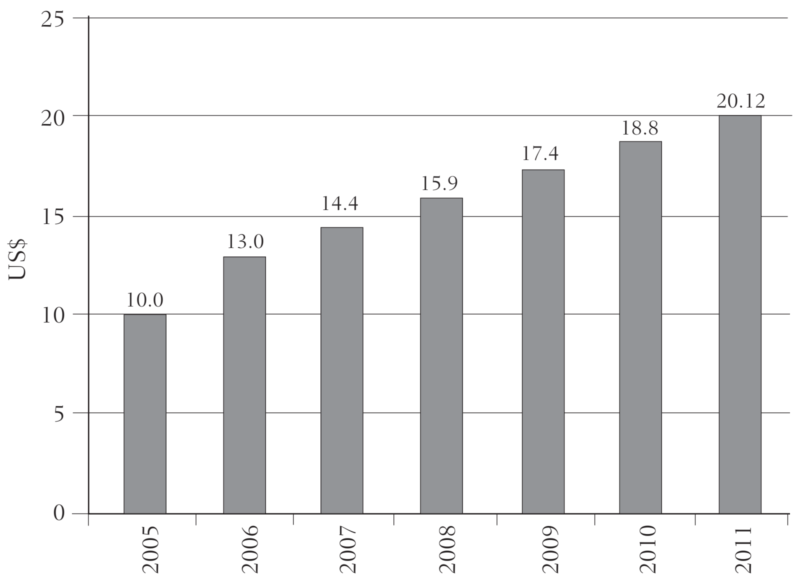
Table 2
Top 10 Countries Remittances Are Sent From
(as of December 2010, in billions of U.S. dollars)

Countries	*2008*	*2009*	*2010*
United States	7.825	7.323	7.862
Canada	1.308	1.900	2.022
Saudi Arabia	1.387	1.470	1.544
United Kingdom	0.776	0.859	0.888
Japan	0.575	0.773	0.882
UAE	0.621	0.644	0.775
Singapore	0.523	0.649	0.734
Italy	0.678	0.521	0.550
Germany	0.304	0.433	0.448
Norway	0.185	0.352	0.372

Source: BSP (n.d.a).

In 2010, the biggest source of remittance transfers to the Philippines is the Americas, with 53 percent (U.S. and Canada); Europe provides 17 percent (United Kingdom, Italy, Germany, and Norway); the Middle East, 16 percent (Saudi Arabia and United Arab Emirates); and Asia, 13 percent (Japan and Singapore). Based on the growth rate of overseas Filipinos' remittances for the past seven years, the Central Bank has described them as "resilient, providing [a] cushion against external shocks" (Guerrero 2012, slide 11).

CHART 1
VOLUME OF REMITTANCES



SOURCE: BSP (n.d.a).

This sustained remittance growth rate is attributed to the following factors: diversity of overseas Filipinos' skills and expertise in more than 200 countries all over the world, new and broader markets for labor migration, expansion of bank and non-bank services tailor-fit for overseas Filipinos, and the various efforts by the government and civil society organizations to mitigate the effects of the global economic crisis. It has also been reported that the increase in the number of skilled Filipinos deployed usually corresponds to higher remuneration and employment benefits. Some of them even acquire two or three jobs to, at the very least, sustain the usual amount they remit to their families. It is no wonder that many of us feel that our overseas Filipinos are our country's unsung heroes and heroines.

A Crisis Is a Terrible Thing to Waste

A crisis, in spite of its bad aspects, is an opportunity to learn important lessons, but that opportunity is wasted if the lessons are missed.

For almost four decades as a sending country, the Philippines has weathered various financial crises, both domestic and international. In surviving them, the country has learned quite a few lessons, especially in relation to remittances:

- Improving the remittance environment encourages their continued flow;
- Promoting financial education among overseas Filipinos and their families mobilizes remittances toward productive activities and allows our overseas Filipinos to look forward to a financially secure future back home or in their host country;
- Return and reintegration initiatives for overseas Filipinos should be multi-sectoral in approach and given more attention by the Philippine government;
- Collective remittance models and harnessing the economic development potentials of migration require a business and investment perspective; and,
- Diversification of skills, professions, and destination countries translate to resilience in remittance levels.

Improving the Remittance Environment

The combined effect of medium- to long-term loans, a solid investment portfolio, and the remittances of overseas Filipinos minimized the impact of the 1997 Asian crisis on the Philippines (Tenorio, cited in Opiniano 2002).

Learning from this experience, the Philippine Central Bank (BSP) actively sought to improve the remittance environment in three ways: 1) by enhancing transparency and competition to lower remittance charges, 2) by expanding and diversifying channels of remittances, and 3) by exploring low-cost options for fund transfers.

The Central Bank launched an overseas Filipinos portal on its Web site, linking with all the banks' Web pages on remittance services, fees, and rates. It also required that banks post on their premises and Web sites their remittance charges and other relevant information. This provides overseas Filipinos and their beneficiaries with competitive data, leading to more informed decisions on their choices of channels for transfers.

Furthermore, it improved remittance provider services by facilitating the interconnection of major ATM networks. It authorized qualified rural banks and cooperative banks to operate a foreign currency deposit unit (FCDU), which gives overseas Filipinos the option of maintaining foreign currency deposits instead of immediately changing them to pesos. It also standardized the banks' identification requirements and allowed the use of foreign-issued IDs.

Committed to use new technology for low cost options, the BSP likewise set up a local clearinghouse, PhilPaSS, to eliminate the use of couriers in delivering remittances. This initiative reduced charges by as much as 90 to 96 percent and lowered the back-end processing fees to 50 pesos per transaction. From 2004 on, the remittance cost in the Philippines has gone down to 12 percent on average. There is still a way to go to reach the universally desired target of 5 percent. In addition, according to the BSP, 95 percent of all remittances now go through formal channels and only 5 percent through the informal ones (Tetangco 2011).

Very recently, our agency, the Commission on Filipinos Overseas (CFO), partnered with the BSP to establish a multi-stakeholder Remittance for Development Council (REDC), an advisory and policy-recommending body, and a venue for regular dialogues and feedback on issues regarding remittances, especially on measures to lower costs; easier, greater, and faster access to remittance channels; and innovative remittance conduits.

Promoting Financial Education

Perhaps the greatest lesson that any overseas Filipino has to learn is that it is not how long they have worked or lived abroad or how high their salaries are that result in a seamless and successful retirement, but how they are able to do fiscal goal-setting and financial planning as a family, before and during their migration phase.

This is why the government and various non-governmental organizations continue to undertake financial literacy campaigns that aim to promote a culture of savings among overseas Filipinos and their families. Atikha, a civil society organization working with and for migrants, has notably developed modules that cover not only money issues, but link them with social and family concerns that drain their resources.

Through the Philippine Overseas Labor Offices (POLO), the Philippine embassies and consulates actively conduct financial literacy classes for overseas Filipino workers. International road-shows in countries where there are large numbers of overseas Filipinos have been carried out by various government agencies and civil society organizations.

Because most financial literacy programs are geared toward overseas Filipino workers and their families, the CFO has taken the initiative to develop one for its major clientele, the permanent residents of other countries and those migrating permanently. We are now integrating financial literacy modules in our pre-departure orientation sessions and in our community education programs.

Furthermore, various migration-related organizations in the Philippines have actively worked for the incorporation of lessons in money, savings, and investments in the public school curricula, targeting in particular the children of overseas Filipinos.

Return and Reintegration

In 2008, the large-scale labor displacements in countries such as Taiwan, Korea, and the United Arab Emirates put the government to task. Because of this, the Overseas Workers Welfare Administration (OWWA) established a One-Stop-Help-Desk at our international airport to provide information on services that displaced overseas Filipino workers can avail themselves of. The Department of Labor and Employment also organized quick response teams in its regional offices to look after displaced workers' needs (Asis 2006).

Soon thereafter, the Filipino Expatriate Livelihood Support Fund (FELSF) was created. The fund was designed for overseas Filipino workers displaced by the crisis to be able to take out loans of up to 50 000 pesos with easy terms if they wish to go into business. Applicants had to attend a three-day training program for this purpose.

This became the precursor for Philippine President Benigno S. Aquino's 2-billion-peso reintegration fund for overseas Filipino workers and their families, triggered last year by the various man-made and natural upheavals in the Middle East and Japan.

These government initiatives required a multi-stakeholder approach as the government assumed varied roles: that of a disaster management expert, a welfare provider, a placement and information officer, and a business consultant and trainer, among others. This underscored the need for government to involve as many stakeholders as possible when it comes to presenting a comprehensive and realistic set of options for reintegration.

Collective Remittance Models For Local Development

The CFO, in partnership with the United Nations Development Program (UNDP) and the Western Union Foundation, has been working with civil society organizations and the local government leaders of the province of Ilocos Norte and the city of Taguig on a project called "Of-red," or Overseas Filipinos Remittances for Development. It seeks to increase the effectiveness of collective remittance programs for local development. The four collective remittance models identified by the project are migrant savings and investment schemes, cooperatives, rural banks, and microfinance institutions.

Using the cooperative model, the Philippine-based NGO Atikha developed an investment scheme with one of the largest agriculture-based cooperatives in the country. It introduced the investment format as part of its financial literacy training among overseas Filipinos in Italy, which they organized together with Philippine labor agencies (the OWWA and the National Reintegration Centre for Overseas Filipino Workers [NCRO]) and the Italy-based Filipino Women's Council.

On the other hand, the Migrant Savings and Alternative Investments model was pioneered by Unlad Kabayan, another Philippine-based NGO that espouses migrant entrepreneurship. It organizes migrant workers into savings and investment groups, usually according to the region in the Philippines they come from or by factory. The NGO pools the migrants' savings while the migrants themselves choose any of the following: invest the funds in microfinance/microcredit institutions, in successful social enterprises that the NGO has helped set up in the Philippines, or start their own businesses (Franco 2009, García, Jr. 2011, and UKMSF n.d.).

Meanwhile, Colayco Foundation has managed to raise millions from contributions from its members in the cooperative, mostly Hong Kong-based household service workers. Their pooled resources are invested in trust funds and mutual funds, leveraging them for higher returns.

On a parallel track, TIGRA, or the Transnational Institute for Grassroots Research and Action, a U.S.- and Mexico-based NGO, forges strategic alliances among remitters, their families and communities, and remittance service providers. By using the consumer power of senders and their beneficiaries, TIGRA has been able to get commitment from companies to reinvest anywhere from US$1 to US$2.25 per transaction for community-based enterprises.

The lesson that the overseas Filipino community has learned is simple: there is power in numbers, and, more importantly, development and reintegration are integral parts of the migration continuum. And at all times, there is a need to professionalize the management of collective remittance funds to ensure that institutional arrangements are in place, returns on investments are consistent and monitored regularly, and funds are strategically directed toward local development and more productive activities.

Diversification of Migrant Stock and Destination Lends Resilience to Remittance Levels

Remittances to the Philippines grew steadily by over 7 percent in 2011 largely because demand for overseas Filipino workers has remained remarkably stable. In fact, data show that overseas Filipino worker deployments increased by nearly 20 percent between 2008 and 2010 despite the still-raging global financial crisis. The deployment of seafarers, who account for one quarter of overall overseas workers outflow, increased by 33 percent from 2008 to 2010 (POEA 2010).

In addition, a growing number of countries allow for permanent residency on the basis of the skilled-work category, including Canada, Australia, and the U.S., while in Europe, countries such as Italy, Spain, Austria, and the UK espouse family reunification among migrants. This shows the importance of destination-country policy changes for the future sustainability of remittance flows to the Philippines. In many of these countries, Filipinos who have acquired residency and contributed social security payments, have now become eligible for workers benefits and family tax credits.

Conclusion

Migration is a complicated and complex issue and concern. It is a development challenge, but one that poses a wide spectrum of opportunities for learning and growth. In his 16-point social contract with the Filipino people and his commitment to transformational national leadership, President Aquino specifically expressed it thus:

> From a government that treats its people as an export commodity and a means to earn foreign exchange, disregarding the social cost to Filipino families . . . to a government that creates jobs at home, so that working abroad will be a choice rather than a necessity, and when its citizens do choose to become Overseas Filipino Workers, their welfare and protection will be the government's priority. (Aquino 2010)

In ending this topic on remittances, let me paraphrase Robert Fulghum (2004), because everything that we needed to know, we learned from understanding migration and the economic crises that come our way.

And this is what we learned:

- Share everything. Play fair. Because improving the remittance environment encourages continued flow of remittances and so it is a win-win for everyone.
- Be aware of wonder. . . . Learn some and think some. . . . Financial literacy is a must for all migrants and their families if they are to look forward to a secure future whether in their host or home country.
- Remember that first book about Dick and Jane and the first word you learned, the biggest word of all: "Look." For when we look hard enough, there are many opportunities to return and reintegrate.
- When you go out into the world, watch the traffic, hold hands, and stick together. That is the key for collective remittances for development, which translate to savings, business, and investment, beneficial for the migrants themselves, their families, their communities, and the country.
- And finally: Live a balanced life, because, in the end, diversification in migrant skills, professions, profiles, and destination countries leads to resilience in remittance levels.

That is the wisdom learned from the Philippines' decades-long migration and global crisis experience. This is rooted in Filipinos' sense of family, love of country, and resilience that weather economic downturns and unexpected crises.

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