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**FACULTY OF REGIONAL DEVELOPMENT AND
INTERNATIONAL STUDIES**

The Migration-Development Nexus: Evidence from the Philippines

Diploma thesis

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ABSTRACT

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This diploma thesis is aimed to investigate both theoretically and empirically the impact of migration on the development of the sending countries. It applies the “Three R’s” approach to examine how migrants can shape development/reshape in their areas of origin via 3Rs: Recruitment, Remittances, and Return. Emphasis is put on remittances, the most visible aspect of international migration. In particular, regression analysis were carried out, using time series data over the period 1990-2014, to establish a relationship between remittances and development aspects such as economic and human development as well as comparing them with the effect of FDI and ODA. The findings indicate that migration through remittances play an influential role in the Philippines development but it comes at a price, too.

Key words: Migration, Remittances, Three R’s, Regression analysis, OFW, the Philippines, ODA, FDI

ABSTRAKT

HURAJOVÁ, Lucia. The Migration-Development Nexus: Evidence from the Philippines. Brno, 2016. Diplomová práca

Cieľom predkladanej diplomovej práce je výskum dôsledkov, ktorými migrácia ako fenomén pôsobí na rozvoj zdrojových krajín migrantov. Zvolenou optikou výskumu je prístup “*Three R’s*”, ktorý upriamuje pozornosť na tri kategórie, ktorými sú: náborová politika zamestnancov, remitencie a ich návrat do rodnej krajiny. Za kategóriu s najväčším indikačným potenciálom sú zvolené remitencie. Použitím regresnej analýzy sú skúmané dáta pokrývajúce obdobie medzi rokmi 1990 – 2014, čoho výstupom je stanovenie vzťahu remitencií s ukazovateľmi ekonomického a ľudského rozvoja. Porovnanie s tokmi FDI a ODA dopĺňa celkový analytický obraz. Nálezy indikujú výrazne pôsobenie prichádzajúcich remitencií na rozvoj Filipín, avšak má to aj svoju cenu.

Kľúčové slová: Migrácia, Remitencie, Three R’s, Regresná analýza, OFW, Filipíny, ODA, FDI

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INTRODUCTION

The world is on the move: today there are more than two hundred million international migrants across the globe. With such large migratory flows, the implications are far-reaching and there is no wonder that migration is regarded as one of the biggest challenges of nowadays. Furthermore, due to globalization, demographic shifts, conflicts, income inequalities and climate change it is expected that ever more people will cross borders in search of a better life. International migration, as a complex and dynamic process, has become integral part of the economic and social development in many countries across the globe. Whereas migration is often regarded as a consequence of imbalances in the development, as such, it may also appear as triggering point behind. Such reciprocal relationship has become subject of scholarly interest particularly in the last few decades. One of the reasons for proliferation of discussion on the development impact of migration on the sending countries is the increasing flow and significance of income transfers from migrants to their families back home, international migrant remittances. Given the growing prominence of remittances, as one of many dimensions of international migration, it is then natural to question whether remittances are simply a “*new development mantra*” (Kapur, 2003:1).

It is in this light the thesis takes the Philippines as a case study to examine the impact of international migration on the development process in the country with millions of Filipinos living and working abroad. In particular migrant workers are so widespread and many that they earned their own lexical entry: OFW (Overseas Filipino Worker). Being one of the world’s top migrant sending and remittance receiving countries, the Philippines is often reputed for emergence of “*culture of migration.*”

The thesis is divided into three main parts. First part begins with a review of relevant literature on approaches to migration-development nexus. Further is provided discussion on development implications of migration, reviewing both economic and social impacts on migrant sending countries. Emphasis is put on the theoretical background of remittances, the motives behind and particularly on its linkages with economic growth, poverty and inequality and human capital development.

The second part of the work examines migration-development nexus in the context of the Philippines through the “Three R’s” model. Following the country’s socio-economic and historical overview, subsequently there are three main subparts devoted to each of the R’s.

Based on the available evidence, firstly are described the main migration trends and socio-demographic characteristics of Filipino migrants, while particular attention is given to the labour migration. Secondly is within the macroeconomic context examined the role of remittance flows, whereas, from the microeconomic point of view is analysed the usage and distribution of remittances. The thesis further employs the regression analyses of the data on remittance flows against selected economic and social indicators. The third subpart mentions return migration aspects briefly.

The third part is a discussion where main findings are interpreted and recommendations are proposed. In the end, the thesis is summarized into a conclusion.

AIM AND METHODOLOGY

AIM

The main aim of the thesis is to analyse the development implications of migration and remittances on selected indicators with regard to the Philippines as a case study and based on it propose recommendation to policy makers. In order to reach the objective, the thesis intends to exploit Papademetriou and Martin's (1991) "*Three R's*" approach. The thesis proceeds under to the following set up:

METHODOLOGY

While the thesis focuses on the migration flows from the Philippines exclusively, it disregards those to the country. This is given by the limited extent of the thesis but also by its context, which is primarily the development impact of migration on the migrant countries of origin. Also compared to outward migration, international migration to the Philippine is a relatively small phenomenon and little is known about it.

The first part of the thesis uses a descriptive method to provide a theoretical background on migration-development related issues. It is based on the literature review of articles, books and research papers of foreign authors predominantly.

The second part is approached in the context of the "*Three R's*" conceptual framework. It draws on secondary data sources such as studies and reports from international agencies and other relevant subject such as World Bank, ADB, IMF, UN, IOM or ILO. Quantitative data were sourced from online databases of the Filipino government agencies and authorities such as POEA, PSA, CFO, and BSP as well as from World Bank (2016b) WDI Database. Such variety of data sources is at one hand advantageous because of its diversity but at the other hand, it poses a challenge to harmonize them. Moreover, empirical analysis has been challenged by data availability due to merging of previously five statistical offices into the new Philippine Statistical Authority. Even though this re-organization took place in 2013, many of the statistical records have not so far migrated to the centralized database and were not accessible.

Crucial for the elaboration of the second part of the thesis is to carry out the regression analysis of the secondary time series data for the 1990-2014 period to empirically analyse the relationship between remittances and selected development indicators and verify the following research hypothesis:

H1: There is a positive relationship between remittance flows to the Philippines and its GDP growth.

H2: There is a positive relationship between remittance flows to the Philippines and its level of HDI.

All data will be statistically treated for scientific, objective interpretations and presented in comprehensive charts and figures, over time periods for which the data has become available and could be accessed, with use of standard statistical software such as Microsoft Excel and IBM SPSS. Findings will be deduced from these, followed by logical conclusions which will form the basis for appropriate recommendations in the third part.

METHOD OF ESTIMATION

In order to investigate the impact of migration on the development of the Philippines and test for the proposed hypothesis, a regression analysis has been employed.

REGRESSION ANALYSIS

Regression analysis is one of the most commonly used econometric methods for estimating the relationships between variables. For the purpose of the thesis has been employed linear regression method, which is *“a technique in parametric statistics that is used for analysing how the mean of the response or dependent variable (denoted as Y) changes according to the value of one or more predictor or independent variables (denoted as X).”*

In accordance with Yan and Gang (2009) there are three main purposes of regression analysis:

- 1. Causality** – finding a relationship between y and regressors x_1, x_2, \dots, x_n
- 2. Predictability** – of y based on a set of values of x_1, x_2, \dots, x_n
- 3. Accuracy** – identification of more important x_i , which can impact the y in a stronger way than others so that the causal relationship can be determined more accurately

The simple linear regression model involves a single predictor variable and is written as follows:

$$Y = \beta_0 + \beta_1 X + \varepsilon \qquad \text{Eq. (1)}$$

Based on the principles of simple linear regression, in the multiple linear regression we extend the number of independent variables in order to analyse relationships between variables while controlling for the effect of other variables.

The multiple regression model involves two or more predictor variable and is written as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \varepsilon \quad \text{Eq. (2)}$$

Where Y is the response variable, X_n are distinct predictor variables, β_0 is a intercept (the value of Y when all of the independent variables are equal to zero) and β_1 through β_n are estimated regression coefficients. Each regression coefficient represents the change of the response variable Y to for a unit change in the respective independent variable X. The error term ε accounts amount of variation not taken into account by the regression equation.

MODEL SPECIFICATION

In order to investigate the effect of remittances on the selected indicators of the Philippines's development and test for the proposed hypothesis, empirical analysis is carried out, using time series data over the period 1990-2014. All variables are going to be specified as natural logarithms. Definition and data sources of variables used in the models can be found in the Appendix A. The following regression models have been specified by research done by Larsson and Ångman (2014) and employed also by Ustubici and Irdam (2012) as well as Mintah and Nikoi (2015).

Remittances-Economic Growth

The base model:

$$\ln GDP_{it} = \beta_0 + \beta_1 \ln RMT_{it} + \beta_2 \ln FDI_{it} + \beta_3 \ln ODA_{it} + \varepsilon_{it} \quad \text{Eq.(3)}$$

Where:

Dependent variable:

GDP = Gross Domestic Product (% annual growth)

Independent variables:

RMT = Migrant Remittances (% of GDP)

FDI = Foreign Direct Investments (% of GDP)

ODA = Official Development Aid (% of GDP)

The subscript it refers to the country index and time index, respectively.

Remittances-Human Development

The base model:

$$\ln HDI_{it} = \beta_0 + \beta_1 \ln RMT_{it} + \beta_2 \ln FDI_{it} + \beta_3 \ln ODA_{it} + \varepsilon_{it} \quad \text{Eq. (4)}$$

Where:

Dependent variable:

HDI = Human Development Index

Independent Variables:

RMT= Migrant Remittances (% of GDP)

FDI = Foreign Direct Investments (% of GDP)

ODA = Official Development Aid (% of GDP)

The subscript it refers to the country index and time index, respectively.

Knowing and establishing the specification of the models to suit the variables employed in the study, the following control checks would be used.

VERIFICATION OF MODELS

A very important issue in regression analysis is to check on the adequacy of the chosen regression models. To estimate its quality of fit we use the multiple coefficient of determination denoted as R^2 , which indicates the proportion of response variable variation "explained" by the model. It tells us how well a model can predict the data and it ranges from 0 to 1. The higher the value of R-squared, the better the model fits the data while perfect fit would result in an R squared value of 1.

$$R^2 = \frac{SS_E}{SS_{yy}} = 1 - \frac{\sum(y_i - \hat{y}_i)^2}{\sum(y_i - \bar{y})^2} \quad \text{Eq. (5)}$$

While R-squared provides an estimate of the strength of the given relationship, it does not tell us whether the model is statistically significant. Therefore, two types of test of statistical significance are to be carried out in the study. Firstly, we use the F-test of overall significance of the model, which null hypothesis is that all independent variables have no influence on the mean value of y . Rejecting this hypothesis confirms that at least one independent variable is having an impact on the dependent variable.

Secondly, since we are interested not only if the model is statistically significant, but also if each and every independent variable has a statistically significant impact on y we use a t test for every variable independently. It computes the partial effects of the independent variable, while still accounting for other variables in the model. Its null hypothesis is that the certain variable does not show influence on y and by rejecting it, it confirms that the variable has an effect on the mean of y .

For practical purposes, it is important to know that the final result of the above statistical tests is its significance, α level, measured by a P value. The “ P ” means probability and measures how likely it is that any observed association between variables is due to a chance. The null hypothesis is rejected if the p -value is less than the significance or α level. The α level is the probability of rejecting the null hypothesis given that it is true (type I error) and is most often set at 0.05 or 5 % (Yan and Gang , 2009).

1 REVIEW OF LITERATURE ON MIGRATION, REMITTANCES AND DEVELOPMENT

A comprehensive understanding of the linkages between development and migration requires an overview of some of the key thesis-related theoretical concepts. In particular, the following chapter reviews a relevant literature on the “Three R’s” model that serves as an analytical framework for the practical part, scientific approaches to migration-development nexus as well as empirical evidence and linkages between migration and development with particular emphasis placed on remittances and its development potential.

1.1 “THREE R’S” MODEL

In the early 1990s, Papademetriou and Martin (1991) identified three areas “Three R’s” as critical for analysing the development impact of migration: Recruitment, Remittances and Return. According to the model, international migrants can shape development in their areas of origin via these three fields: Recruitment - it deals with who migrates, Remittances - funds they send home and Return- when migrants go home and inject new ideas and energy into their home countries, or when they settle abroad and forge new trade and other links with their countries of origin, so called diaspora-led development. Each of these channels is examined in to greater detail in the following parts, but remittances are the focus of most attention because they can be measured and the sums are large.

The migration-development link is examined via the 3 R's of recruitment, remittances and returns because who goes abroad, how much they remit and how remittances are used, and when migrants return and what they do upon return affects development and thus future migration flows.

This analytical approach systematically examines the effects of migration on the development of migrants sending countries. It suggests that the link between migration and development is not straightforward and rather it is often uncertain or unsettled thus the impact of the 3Rs vary across the migrant-sending countries. (Skeldon, 2008 and 1997; Papademetriou and Martin, 1991) It suggests that economically motivated migration can actuate virtuous circles, as migration provides otherwise unemployed young workers with the opportunity to find jobs abroad and send home remittances that could be invested to stimulate economic development and create employment opportunities and return with new skills and technologies that lead to new industries and jobs (Martin, 2004).

1.2 THEORETICAL APPROACHES TO MIGRATION, REMITTANCES AND DEVELOPMENT

Due to its complexity, migration as a topic has been studied in rather multidisciplinary way by engaging geographers, sociologists, economists, historians, and demographers among other scholars. It is therefore logical that each of the disciplines, which deal with the migration, brings slightly different perspectives on the issues, often expressed by its own migration theory. Given the diversity of approaches, one could consider it as a fertile soil for the establishment of a single comprehensive migration theory, but the reality is somewhat different. In fact, no universal theory of migration has been built yet nor migration exists within a single scientific discipline. Rather there is a number of unconnected theories, which have been developed separately and within different disciplines, while each of them tries to explain only a certain aspect of migration and not a process as such (Massey et al., 1993; Arrango, 2000).

While migration entails both causes and effects of social changes, Taylor (1999) considers it as a mistake to study them separately as one could see it in existing migration literature. He points to the fact that not only developmental factors are affecting migration decisions but also vice versa. In this context De Haas (2010) assumes that general migration theories offer only a highly limited insight into the migration-development nexus with regard to the sending countries. He instead focuses on ongoing debate, which has been in place over the last couple of decades, on the impact of migration and remittances on

development of migrant communities and countries of origin. De Haas further suggests the need to see migration as “(1) a process which is an integral part of broader transformation processes embodied in the term “development”, but (2) also has its internal, self-sustaining and self-undermining dynamics, and (3) impacts on such transformation processes in its own right.” (Ibid:2)

Examining migration within a broader context of social and development processes, debate on migration and development can be classified under the three main periods, reflecting the shift in migration and social theories that have evolved since the WW II (Ibid).

The following part therefore examines theoretical background of these different strands of thinking on nature of migration impacts on development in sending societies, focusing firstly on conflicting views of the “migration optimists” and “migration pessimists”, followed by reviewing of “pluralist” views respectively.

1.2.1 OPTIMISTIC VIEW - NEOCLASSICAL AND “DEVELOPMENTALIST”

The thinking of migration optimists is rooted in neo-classical migration economy and “developmentalist” modernization theories that are aligned with the functionalist approach. Regardless of the dissimilarity between neo-classical and “developmentalist” views, they both tend to regard migration as having positive impacts on the development in the sending regions (De Haas, 2010).

Considering neo-classical approach to migration, it draws upon the classical economies of Adam Smith of the end of the 18th century and Ravenstein’s (1885) Laws of Migration from the late 19th century. The theory perceives migration as voluntary, rational choice made by individual grounded in the profit maximization. Individuals tend to react to the different wage levels between countries and weight the migration related costs and benefits. As long as the benefits of staying and working abroad prevail, under the neo-classical approach, there is no reason to return. As a result, return migration is seen as failure of maximizing experience abroad (Constant and Massey, 2002). In fact, neoclassical proponents believe that labour mobility and its outflow is beneficial for the country of origin because it is expected to promote a more balanced allocation of production factors, affirm that re-allocation of labour within the country or across the borders, is underlying presumption for economic growth, thus an indivisible part of development (Todaro, 1969). Assuming that wage differential drives migration, thus migration flow is expected

to discontinue in the long run, once there is a balance between the wages both in the country of origin and destination(Ibid).

Alongside the neo-classical perspective, “*developmentalist*” theory sees migration in a positive manner as well. In the post Second World War period of 1950s and 1960s, many labour surplus countries got involved in the migration process accelerating large scale labour migration. Governments of developing countries began openly exhorting emigration under the belief that it could trigger the national development (Adler, 1981). “*Developmentalist*” migration optimism assumed that “*labour gaps*” in the North could be in some way filled with the migrant workers and therefore foster the development in the South. The latter was believed to result from the transfer of capital such as financial remittances as well as the experience skills and knowledge from abroad. A Kindleberger suggested that not only remittances play important role in take-off of developing countries but also return migrants were regarded as, “*principal agents of change, innovators and investors*” that could possibly stimulate development and spread of modernization in their countries of origin (1967).

1.2.2 PESSIMISTIC VIEW – HISTORICAL STRUCTURAL AND DEPENDENCY

As of the late 1960s, thinking on migration and development became subject to complete reversal. Within the combined influence of a paradigm shift in social sciences towards historical-structural views, migration was seen to contribute to the “*development of underdevelopment*” (Frank, 1966:3). Accordingly, optimistic views were opposed by number of scholars ad empirical studies based on neo-Marxist, dependence, world system and at least to a certain extent, cumulative causation theory (De Haas, 2010).

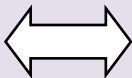
In fact, these new views turned the argument of neo-classical and “*developmentalist*” approaches completely upside down. During much of the 1970s and 1980s, assuming the unequal distribution of economic and political power, migration was seen as a process of capital and labour accumulation from “*peripheral*”, less developed areas, in order to benefit the “*core*” or economically developed part of the world, therefore unequal development was its inevitable result. It was argued that decision to migrate does not arise from individual’s free or rational choice but it is rather stemming from a lack of alternatives and growth of inequalities at the local level. As a consequence, in sending countries, migration was thought to maintain or even deepen the underdevelopment of these regions (Massey et al., 1993).

From this perspective, withdrawal of human capital deprives the originating areas of their most productive (well-educated, dynamic, healthy, skilled, young, able-bodied) members of their populations, thus leaving them more vulnerable, non-productive and dependant on remittances (Papademetriou, 1985). In this context, theorists expressed the concern about the “*brain drain*” (Adams, 1969:1), and “*brawn drain*” (Penninx, 1982). Migration was therefore said to undermine local, traditional economies and trigger further massive outflow of valuable labour force. One of the reasons behind the latter is that one could be easily discouraged from working in traditional sector at home through the example of relative wealth and success of migrants, therefore there would be an increased out-migration, leading to the “*culture of migration*” (Massey et al., 1993).

Regarding the role of remittances, it has become a thread of the migration-development debate until today with pessimist arguing that they are hardly used for productive investment, perceiving them as even dangerous, pointing to the fact that remittances are unstable and temporary source of revenue that will be halted once migrants return. Moreover, such “*unproductive*” expenses are expected to increase dependency and contribute to regional disparities. Further on holding such a pessimistic view in accordance with cumulative causation, theory postulates following: “*migration deepens underdevelopment in migrant sending societies through various negative feedback mechanisms (backwash effects) , which in its turn fuels further out-migration, thereby perpetuating the vicious circle of the “migrant syndrome.”*” (De Haas ,2010:32)

Table 1 below provides an overview of the contending views on migration and development together with more general strands of social theory within which they should be situated.

TABLE 1: CONTENDING VIEWS ON MIGRATION AND DEVELOPMENT

Migration optimists		Migration pessimists
Functionalist		Structuralist
Neo-classical		Neo-Marxist
Modernization		Disintegration
Net North-South transfer		South-North transfer
Brain gain		Brain drain
More equality		More inequality
Remittance investment		Consumption
Development		Dependency

Less migration

More migration

Source: own work based on Haas (2010)

1.2.3 PLURALISTIC PERSPECTIVE: NELM AND LIVELIHOOD APPROACHES

As a response to previous fundamental approaches, since the late 1980s and 1990s, there was a shift towards more pluralist, hybrid approaches that pointed to rather heterogeneous, less deterministic nature of migration impact on development. The pluralist perspectives are discussed in three strands: New Economics of Labor Migration (NELM), Migration as a Livelihood Strategy and a Transnational Perspective on Migration and Development (De Haas, 2010).

Challenging both neoclassical and structuralist views, NELM brought into the light a new thinking on migration-development nexus, linking its causes and consequences more clearly. Basically, it shifts the focus of migration from individual and adopts a more complex, household-based approach. It suggests that individual needs to be studied within a broader societal context in which he operates and interacts such as household (family) or even community. Therefore, based on NELM, decision to migrate is not done solely on individual basis but in a rather collective way, by household, a main decision making unit. In this context, migration households does not seek only profit maximization but also minimization of risk of income loss arising imperfections of local market characteristic for developing countries (Stark, 1991).

Followers of NELM therefore see migration as income diversification strategy of households, highlighting the role of remittances, which serve as a kind of “insurance” of a given household towards unexpected events, helping them to cope with the development constraints in places of origin. From this perspective remittances are one of the main motives for migrating, playing a crucial role in allowing for accumulation of investment capital and eventually having a positive impact on development (Ibid) Moreover, NELM suggests that return migration is a logical outcome of the migration process, once the migrants have achieved their goals and targets in terms of fulfilment of household needs (Cassarino, 2004).

Migration is therefore seen as a part of livelihood strategy enabling households to invest in productive manner and improve their livelihoods. De Haas (2010:18) defines a livelihood strategy as “a strategic or deliberate choice of a combination of activities by households and their individual members to maintain, secure, and improve their livelihoods. “ He well noticed a conceptual parallel between NELM and livelihood approaches of 1970s since

both concepts agree that the migration-development nexus cannot be properly studied in isolation from migrants' relationship with their wider social and economic environment (Ibid).

The third of the pluralistic strands is the transnational perspective on migration and development, a trend drawing on the "*transnational turn*" in the migration-development nexus (Levitt and Sørensen, 2004; Faist, 2004). Proponents of a transnational perspective, tend to refer to the development of new transnational identities and transnational communities (Portes, 1997) or to the concept of "*diaspora*" (Bauböck and Faist, 2010). Such types of transnational relationships are not entirely new and although migrants maintained close links with their communities of origin even before, Faist (2004) mentions that globalization and technological revolutions in particular, allowed for it increased scope and intensity. Indeed, there has been a radical increase in possibilities for migrants to keep ties with their families and societies of origin through remitting money and ideas, telecommunications, holiday visits and pendular migration patterns. From this implies that migrants may maintain transnational ties over lasting periods, through sustained contact with their places of origin. In fact this rebuts the previous assumptions on sustainability of remittances and belief that incorporation of the migrants into receiving societies will as a result weaken its tie to the region of origin and represent a "loss". In this context, De Hass argued that "*migrants' integration in receiving societies and commitment to origin societies are not necessarily substitutes, but can be complements.*" Moreover, from transnationalists point of view, the return does not represent the end of a migration cycle (Cassarino, 2004).

Clearly, all the three pluralistic approaches (NELM, livelihood approach, transnationalism) have many parallels and complement each other. They all share a view that migrants are likely to organize their livelihoods not individually but within wider contexts, shifting the focus from individual independence to mutual interdependence. Migration is then seen as part of a broader household livelihood strategy to overcome the constraints in places of origin whereas transnationalism further extends is to "*transnational livelihood strategy*" what has fundamental implications for the study of migration and development since development contribution of migration is not then necessarily conditioned by the return of migrants.

1.3 DEVELOPMENT ASPECTS OF INTERNATIONAL MIGRATION

Migration is a decision that impacts the welfare of the household, the home community, and in the end the whole economy in various ways. Looking at the relationship between

migration and development is in fact nothing more than looking at the globalized world as a whole, how migration affects the migrants sending and receiving countries and how the situation in specific countries or regions in turn affects migration. The existence of such interplay has been already recognized and particularly over the last few decades there has been a growing debate on the migration related costs and gains that are presented in the Table 2 below.

TABLE 2: GAINS AND COSTS OF INTERNATIONAL MIGRATION

Author, year	Gains	Costs
Appleyard, 1991	<ul style="list-style-type: none"> relieves labor market pressures generates remittance earnings improves quality of life contributes to societal change in origin countries 	<ul style="list-style-type: none"> hampers the pace of development breeds brain drain that hinders economic growth spurs inflation problems in communities impacted by remittances
Oxfam Great Britain, 2003	<ul style="list-style-type: none"> reduces unemployment and generates higher wages generates return of financial, human and social capital that can be invested can supply remittance flows promotes stronger trade links 	<ul style="list-style-type: none"> causes brain drain
Stalker, in NOVIB, 2003	<ul style="list-style-type: none"> remittances population / employment skills transfer 	<ul style="list-style-type: none"> family strain Inequality brain drain culture of emigration
Sorensen, Van Hear, and Engberg-Pedersen, 2002	<ul style="list-style-type: none"> improve household earnings giving people better food, health, housing and educational standards hometown associations may serve as platforms resulting in significant development in communities, and this benefits migrant and non-migrant households 	<ul style="list-style-type: none"> depletion of labour force in sending communities of migrants inflationary influence of remittances to the home economy, especially on land and real estate prices

Source: own work based on Opiniano (2004)

Apparently, much of this debate takes the perspective of the migrant countries of origin, which has been also employed by the thesis. In particular, the development impact of migration has become a subject of increased attention particularly with respect to remittances that are to be discussed in following part.

1.3.1 REMITTANCES

While remittances are relatively well-known issue in migration debate, they just received increased attention particularly in recent years given their ever rising inflows to developing countries and recognition of potential as a tool for development, what has been often downplayed in the past (Ghosh, 2006). In fact, according to Ratha (2007:2), migrant remittances are *“the most tangible and perhaps the least controversial link between migration and development.”*

Generally speaking, the term *“migrant remittances”* is used to refer to the transfers in cash or in kind from a migrant to household residents in the country of origin. Yet, the comprehensive international classification of remittance flows seems to be difficult to reach in practice (Ghosh, 2006). The official flows are reported in the IMF’s balance of payments (BOP) records, under which, remittances classification has been changed several times. According to the newest concept revised under the Balance of Payments Manual 6th Edition (BPM6), remittances are defined as *“the sum of compensation of employees personal transfers”* (IMF, 2013). This broader definition is taken over by related institutions and central banks and derives remittances from these two main categories:

a) Compensation of employees

Compensation of employees refers to the income of border, seasonal, and other short-term workers who work in a country other than where they legally reside. Compensation of employees constitutes remuneration for work performed.

b) Personal transfers

Personal transfers comprise all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers hence represent all current transfers between resident and non-resident individuals. They replace the *“workers’ remittances”* item accounted in previous BOPs.

Furthermore, there are several supplementary data items in the international accounts consisting of *“personal remittances, total remittances, and total remittances and transfers to*

non-profit institutions serving households (NPISHs)” while their accounting is upon voluntary basis (Ibid).

Additionally, besides economic remittances, Levitt (1998:926) pointed to the “*social remittances*” to emphasize that remittances are not just about the economy. She defined the social remittances as “*social norms, practices, identities and social capital toward and from migrants sending countries*” (Levitt, 1998:26). Such exchanges are closely tied to the paradigm of transnationalism, thus circular in nature. When compared to monetary remittances, social remittances are expected to be more durable as they continue to shape origin societies long after monetary remittances discontinue to inflow. This is said to be primarily enabled by return migration as diffusion of social remittances by individual continues or is even further spread upon his return as result of his physical presence (Adams , 2012).

1.3.1.1 TYPES OF CHANNELS

In general, under international standard are recognized two types of remittance transfer systems: formal and informal. Formal channels refer to banking channel, credit unions, money transfer operators and other wire transfer services, and postal services. These are part of regulated financial sector and might pose high transaction costs and exchange loss. Hence migrants often turn to informal channels; in which money is transferred through private, unrecorded channels involving hand-delivery by migrant himself or via third party. In particular, many migrants choose to rely upon informal value transfer systems defined as “*any system, mechanism, or network of people that receives money for the purpose of making the funds or an equivalent value payable to a third party in another geographic location, whether or not in the same form*” and which has various regional equivalents such as “*hawala*” (Middle East), “*hundi*” (India) and “*padala*” (Philippines) (IMF, 2009: 4-13).

1.3.1.2 DETERMINANTS AND MOTIVES

Question on what determines remittance flows has received significant attention in recent literature. The level and likelihood of remittances is broadly shaped by both migrants’ ability (i.e. to earn and save) and their motivation (i.e. to remit back to the country of origin). One way of looking at the determinants of remittance flows is by analysing the motives that migrants have to remit money (OECD, 2006).

Likewise the motives for migration, motivation for sending of remittances vary. Yet, in general, such motivation can be grouped into two separate categories: “*altruism*” and “*self-*

interest". Altruism refers to behaviour where the migrant sends remittances to relatives in the country of origin, to help those left behind (e.g. to supplement a family's modest income or in case of natural disaster) and actually strengthen the mutual ties. Basically, such behaviour is of emotional and social character as one place the family's interests before own. Other significant motive to remit, self-interest, refers to situations where remitter's own interest (e.g. to invest in country of origin with intention to grasp benefits later upon return or to strengthen reputation and thus prospects to inherit) is the main motivation behind (Ghosh, 2006).

In reality, however, these motives are not mutually exclusive, they may coexist and overlap. Lucas and Stark (1985, 905-912) state that "*In the end one cannot probe whether the true motive is one of caring or more selfishly wishing to enhance prestige by being perceived as caring.*" They thus developed an intermediate form of motivation called "*the enlightened self-interest*" or "*tempered altruism*", which has considerably influenced remittance related literature. From this perspective, remitting behaviour is interpreted as "*part of inter-temporal, mutually beneficial, contractual arrangements between the migrant and the family at the origin*" (Ibid). In fact, this new concept contributed significantly to the development of the NELM under which remittances are part of migration based strategy at the household level as was mentioned previously.

1.4 MIGRATION-REMITTANCES-DEVELOPMENT: EVIDENCE AND LINKAGES

Migration and remittances affect the migrant societies of origin in several ways. Some of the most significant effects on poverty and inequality, economic growth and human capital development are further mentioned. Both light and dark sides are to be mentioned but not strictly drawing a line between them as it can differ case by case.

1.4.1 REMITTANCES, POVERTY AND INEQUALITY

Regarding remittances as a potential tool for poverty reduction, it has been argued that "*remittances are a safety net for relatively poor areas*" (Jones, 1998). Since one would hardly send part of his salary to those not in need, such "*private foreign aid*" tends to flow to those who are truly in need. Also, remittances go directly into pockets of ordinary people so "*far less of it is likely to be siphoned off into the pockets of corrupt government officials*" (Kapur, 2003:10). As such, increased household's income from remittances is considered as one of the most obvious channels through which migration can contribute to poverty alleviation, at least in the short term as they translate into improved recipient household's standard of living (Kapur, 2003).

From the macroeconomic point of view, remittance flows are a less volatile source of external finance when compared to other private capital flows and they tend to be counter-cyclical with respect to remittance recipient country. Historically, remittances tended to increase in time of crisis as migrants send more money to help their beloved in their places of origin. Indeed, it was argued that there is unambiguous, plentiful evidence that remittances function as a shock-absorber in low-income countries by providing critical income support after economic shocks, natural disasters and civil conflict (Kapur, 2003). Such evidence validates the NELM hypothesis that remittances serve as a crucial insurance (Acosta et al., 2007).

While one can hardly generalize, understanding the impact of remittances on poverty has been subject to several empirical studies, both of a cross-country and country-specific character. Adams and Page (2005) used a data set containing 71 developing countries and found out that international migration and remittances significantly contribute to lower level, depth and severity of poverty in the given countries. Similarly, some other authors such as Gupta et al. (2009) or Jongwanich (2007), among others, came to the same conclusion that higher remittances inflows tend to reduce the severity of poverty rather than its scale as well as influence positively human development indicators of the recipient countries.

However, examining impact of remittances on income distribution in receiving countries, some cross-country analyses found remittances to be related to increase in income inequality (Anyanwu 2010; Barham and Boucher, 1998). One of the reasons behind is that there are certain costs and risks related to migration and especially to international migration, and in practice, the poorest (from the lowest income quintiles) usually do not possess the resources to bear them (De Haas, 2007). In this regard, it has been argued that, in the end, all income classes may become involved in international migration since its costs and risks decrease once networks between migrants and people staying behind are established (Taylor, 2006).

Moreover, Jongwanich (2007) using data on Asia-Pacific countries, found that negative impact from inequality is unlikely to dominate positive impact arising from growth and human capital. Therefore multiplier effect of expanded spending “*could lead to poverty reduction even some poor families do not directly get remittance inflows.*” In this context, Chimhowu et al. (2003:6) further notes that “*remittances alone are unlikely to lift people out of poverty; rather, it is their interplay with other economic, social and cultural factors*

which determine the scale and type of impact that remittances can have on poverty reduction.”

1.4.2 REMITTANCES AND ECONOMIC GROWTH

Given the remittances significance as a source of external financing, one could expect them to play a significant role in economic growth and development of recipient countries. Yet, in fact, whether remittances promote economic growth is an issue of on-going debate and subject to contradictory findings (Ratha, 2013).

Some empirical studies (Solimano, 2003; Ratha, 2007) have recognized remittances to have potential to boost a country's economic development. Indeed, at the national level, its economy may benefit through increased savings and investments as well as through demand and consumptions. In this context, multiplier effects are expected to take place and promote growth if remittances are spent on domestically produced goods and services (Das and Serieux 2010).

Scholars also argued that where there is insufficient financial system, remittances can act as an alternative means of financing and help to overcome credit or liquidity constrains. Albeit, at the same time, it has been argued that such claims on contribution of remittances to economic development of the recipient countries are often limited to “could” and “should” terminology, lacking conclusive evidence (Giuliano and Ruiz-Arranz, 2006). Accordingly, the positive impact of remittances on growth has been questioned by others, claiming that remittances are spent on consumption primarily, generating minimal domestic savings for investments (Kireyev, 2006; Chami et al., 2005). Additionally, it has been pointed out that the growth in consumption may escalate the local market price and lead to the exchange rate appreciation thus loss of competitiveness (Barajas et al., 2012). Yet, according to Ratha (2013) *“there is little empirical evidence sustaining the hypothesis of Dutch Disease.”* It has been also suggested that remittances can have negative impact on labour market participation. Truly, if perceived as a permanent source of income they may reduce recipients' likelihood and effort to work domestically thus hindering long-term growth (Azam and Gubert, 2006; Chami et al., 2005).

All in all, quite comprehensible answer for question whether remittances alone can trigger economic growth is provided by De Haas (2007) who noted that *“It would be naive to expect that remittances alone could solve more structural development obstacles (...) if states fail to implement general social and economic reform, migration and remittances are unlikely to contribute to nationwide sustainable development.”* In the same vein, Chami and

Fullenkamp (2013) argued that the “*broader net economic impacts of remittances on national growth will strongly rely, on the one hand, on government policies to enhance their potentials and, on the other hand and on how recipients use them.*”

1.4.3 REMITTANCES AND HUMAN CAPITAL DEVELOPMENT

One of the most commonly argued negative aspects of migration and remittances impact on development is that it deprives source countries of their valuable human resources. In this context is often discussed brain drain phenomenon, referring to emigration of highly skilled and well educated individuals, causing loss to countries of origin that invested in their education and skill formation (Ozden and Shiff, 2006). Nevertheless, such human capital flight hypothesis has been challenged in recent years. In this context De Haas (2010) pointed out that if being the case (of mass migration of high-skilled workers) it should primarily be seen as a symptom of development failure rather than the cause of this failure as such.

Many scholars argue that emigration of highly skilled does not need to necessarily translate into loss and that remittances can lead to human capital formation in the country of origin (Edwards and Ureta, 2003; Yang and Martinez, 2006). Depending on the specific conditions in the sending country, immediate costs of migration can be possibly compensated by the benefits in the long run. Indeed, evidence suggests that “*brain drain*” can turn into a “*brain gain*” by two main channels (Lowell and Findlay, 2002). At one hand, stay-behinds may be motivated to pursue education in order to increase their prospects of migration. However, not all of these individuals will actually migrate. At the other hand, through remittances, relaxation of income constrains may lead to increased schooling; health care and reduction of child labour thus improve educational outcomes. In this way, country can eventually end up with more educated people (Stark et al., 1998).

Furthermore, although remittances may provide for optimal human capital investment, they often come at emotional cost, arising from family separation. It has been argued that migration and remittances alters family structure and roles within the family. In this context, “*care drain*” phenomenon is becoming increasingly visible and concerning (Lutz and Palenga-Möllnbeck, 2012). Parental absence can affect adversely particularly children as they may experience lack of care resulting in psychological distress that may eventually cause them schooling, studying and health difficulties (Ibid).

2 HOW DOES THEORY LOOK LIKE IN A REAL LIFE?

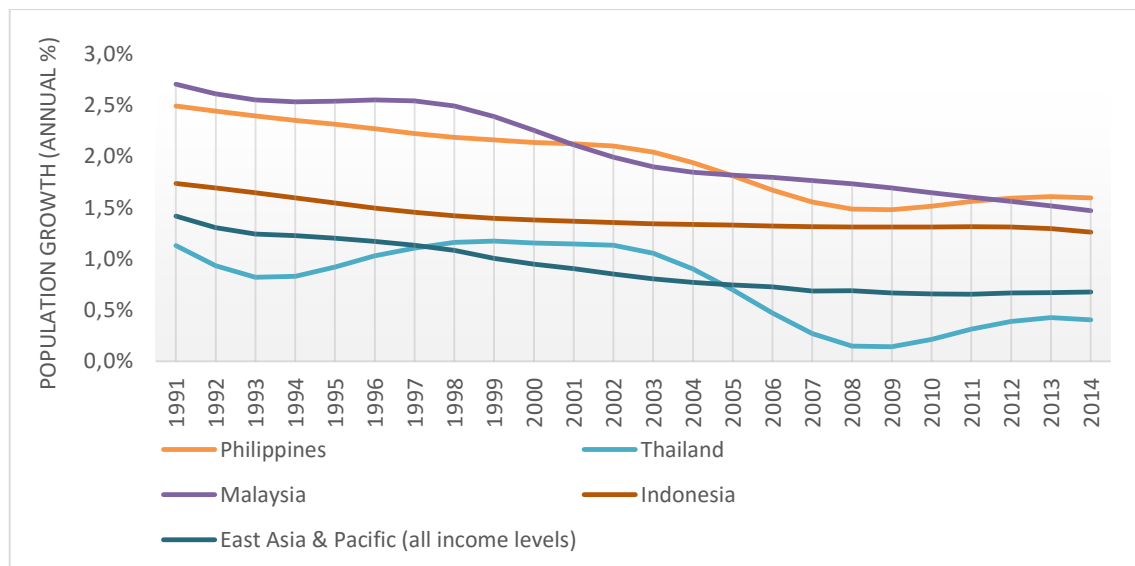
The following part takes the Philippines, a country with long history of migration, as a case study to examine the impact of migration on development in a country specific context.

Firstly is set a scope by briefly characterising the Philippines demographic, socio-economic and historical background and the practical part further proceeds with the “Three R’s”, devoting a single chapter to Recruitment, Remittances and Return respectively.

2.1 THE PHILIPPINES OVERVIEW

The Philippines is an archipelago in South-East Asia, made up of more than seven thousand islands that are clustered into three island groups, Luzon, Visayas, and Mindanao. With a population of about 101 million people in 2015, the Philippines is one of the most populous countries in the world (CIA, 2015). Notably, it is home to one of the Asia's youngest and fastest growing populations. In fact, the Philippines’ population growth rate had never fallen below the 2 % prior to 2003, while in 2014 it was estimated at 1.59 % (see Figure 1).

FIGURE 1: POPULATION GROWTH, 1991-2014

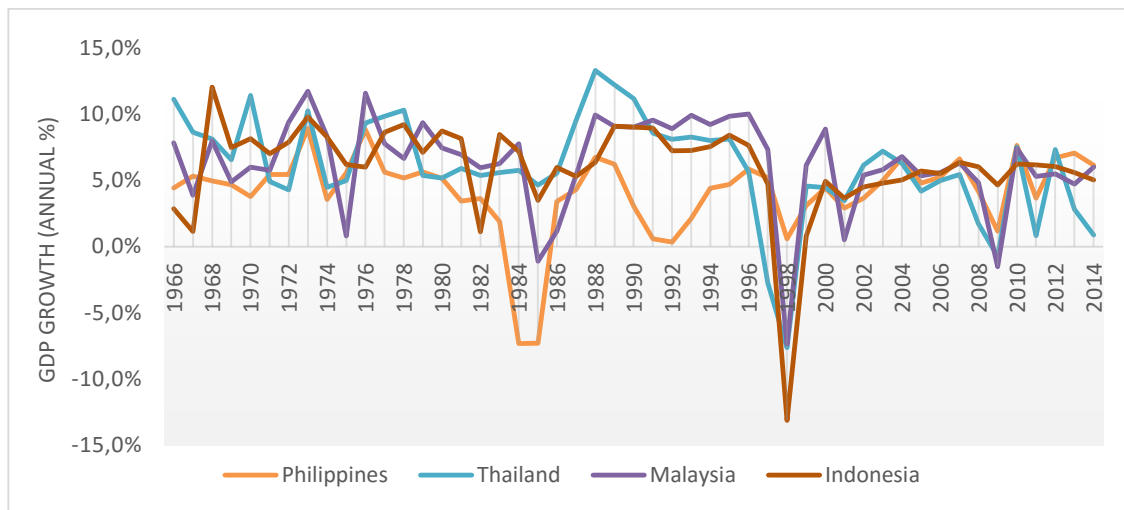


Source: own work based on World Bank (2016a)

Despite its legacy as a colony of Spain, and then the United States, the Philippines was the fastest growing and second largest economy in Asia until the 1960s. O’Niel (2004) states that, “A high literacy rate was achieved early on with the adoption of free universal primary education and many thought that Asia’s first democratic country would be the model for political and economic development.” However, under the long-lasting Marco’s regime

(1965-86), the country had gone from relative prosperity to becoming the “*sick man of Asia*.” And still, years after the Marcos removal, the Philippines’ economy has been experiencing difficulties related to ballooned foreign debt as a legacy of dictatorship, high level of corruption and failure to pursue structural reforms above all. As a result, the Philippines lagged behind its peers in the Southeast Asia. Nevertheless, during the late 1990s Asian financial crisis, as evident from the Figure 2, that “*sick man*” proved more resilient than his regional neighbors (Noland, 2000).

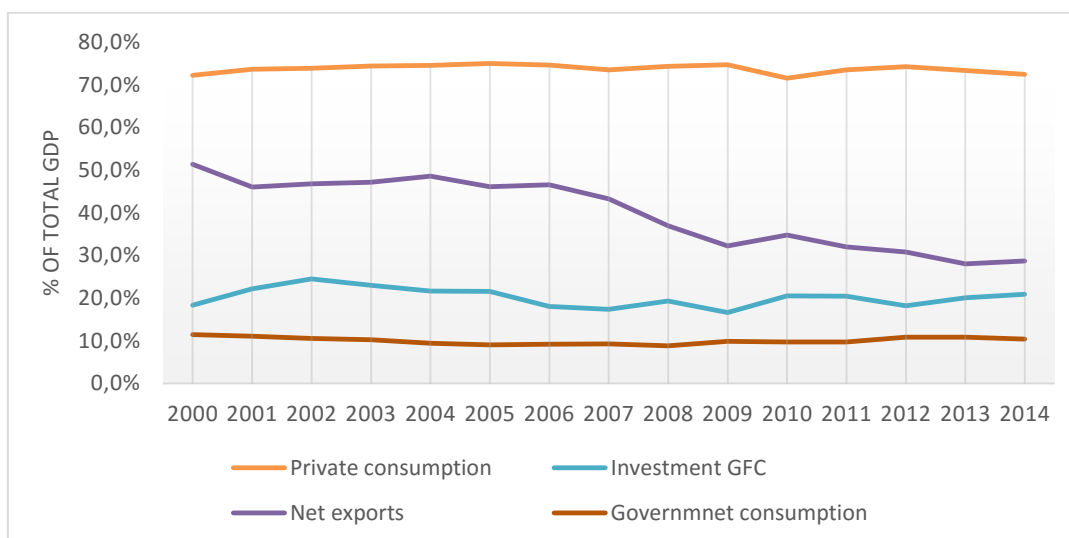
FIGURE 2: GDP GROWTH, 1966-2014



Source: own work based on World Bank (2016a)

Albeit the boom-and-bust pattern has prevails, the Philippines’ economy has experienced moderate growth and in the last few years, it has emerged as one of the fastest growing economies with GDPs’ annual growth rate being more than 6 % for a fifth consecutive year in 2016 (Caraballo, 2016). Consequently, the Figure 3, illustrating a percentage breakdown of GDP, reveals that household consumption has over the period 2000-2014 remained above 70 %. This supports the fact that the Philippines’ economy is primarily driven by private consumption whose share exceeds all other components.

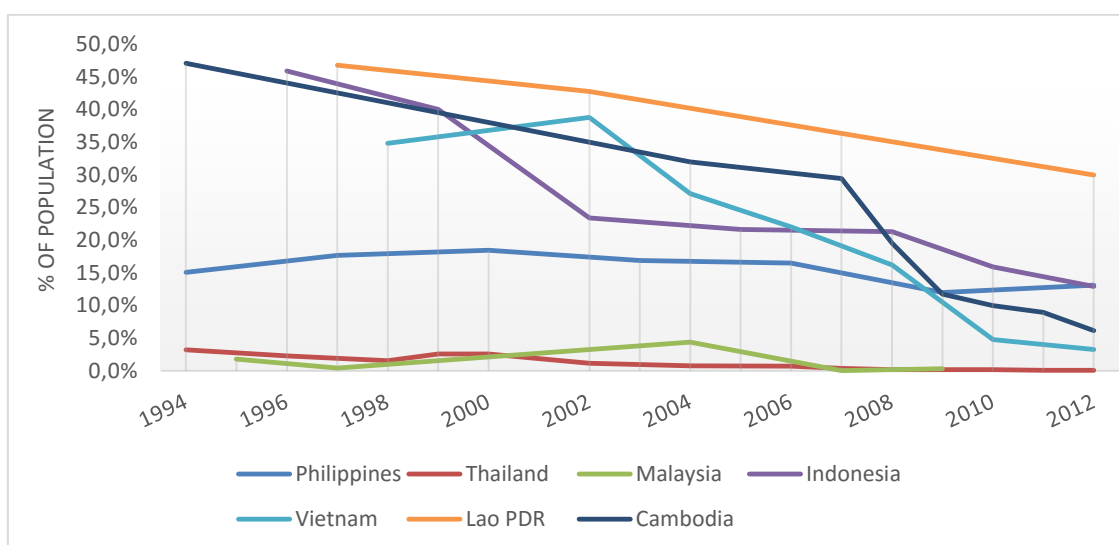
FIGURE 3: SHARE OF GDP BY MAIN COMPONENTS, 2000-2014



Source: own work based on World Bank (2016a)

Despite an economic progress, one quarter of the population still lives below the national poverty line. Poverty incidence of the population has only decreased by 0.3 % over a decade, from 26.6 % in 2006 to 26.3 % during the first half of 2015 (Remitio, 2016). Moreover, when looking at the global poverty line at \$1.90 a day (see Figure 4), compared to other countries in the region, the Philippines appears to be the slowest in the extreme poverty reduction. Its slow pace demonstrates also fact that although both Indonesia and Malaysia had twice the poverty rate of the Philippines in the 1990s, they succeeded to reduce it much faster.

FIGURE 4: POVERTY HEADCOUNT RATIO AT \$1.90 A DAY (2011 PPP), 1994-2012

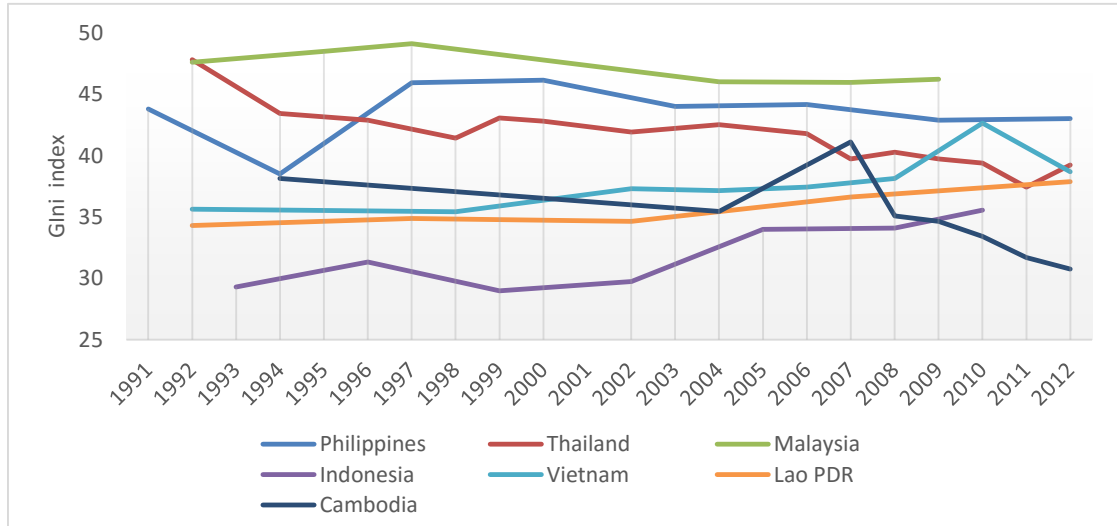


Source: own work based on World Bank (2016)

Note: Some countries have missing values during certain years

The Philippines also struggles with one of the highest inequality rates in the region with a Gini index of high 43.04 in 2012 (see Figure 5).

FIGURE 5: GINI COEFFICIENT, 1991-2012

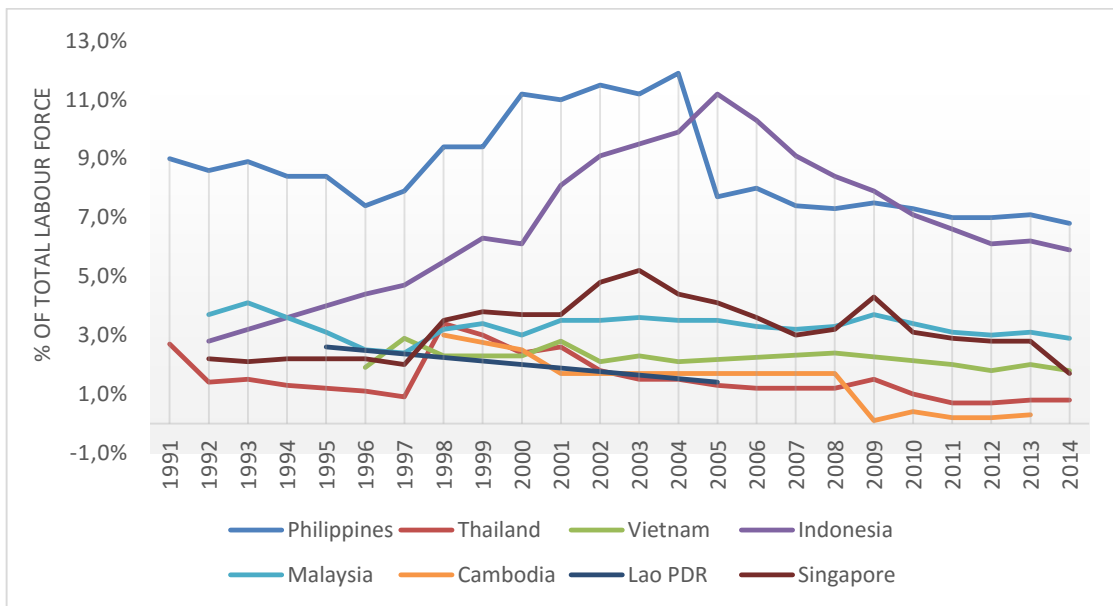


Source: own work based on World Bank (2016)

Note: Some countries have missing values during certain years

Furthermore, though still developing, the Philippines have been classified as one of the newly industrialized countries. However, the country almost left out the industry-based stage when it switched from agriculture to service driven economy. As a result, it was unable to keep pace with an expanding population and generate much needed domestic employment opportunities. In this context it is often referred to the “*jobless growth*” of its economy (Pitterle and Zhang, 2014). Although its unemployment rate fell to 6.8 % in 2014, down from more than 7 % in previous years (see Figure 6), the Philippines’ has the highest unemployment rate within the region. Unemployment is particularly high among the youth with in average about 17 % of labour force aged 15-24 being unemployed over the past decade (World Bank, 2016a).

FIGURE 6: UNEMPLOYMENT, TOTAL, 1991-2014

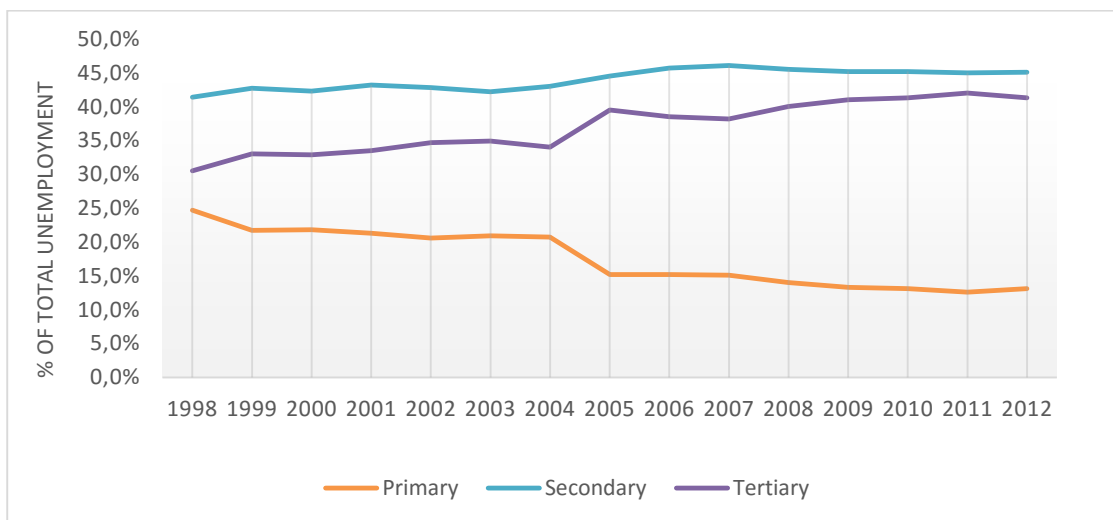


Source: own work based on World Bank (2016a)

Note: Some countries have missing values during certain years

In addition, Figure 7 indicates the unemployment is the mostly widespread among those with higher education level completed and it has even increased in time, pointing to a mismatch between existing talent pool and labour market demand.

FIGURE 7: UNEMPLOYMENT BY COMPLETED EDUCATION, 1998-2012



Source: own work based on World Bank (2016)

As a result, many Filipinos seek employment overseas and Philippines is widely known for its culture of migration as described to more details in next chapter.

2.2 HISTORICAL BACKGROUND OF FILIPINO MIGRATION

The first historical reference to Filipino migration dates back to the 16th century when the city of Manila opened its door to the world trade and Filipino seafarers became the pioneer migrants. Over time and particularly during much of the 20th century, the United States and its Pacific territories became by far the main destination for Filipinos. The international migration have just intensified and diversified as soon as early 1970s that saw a beginning of a large-scale migration from the Philippines that lasts till today.

The inability of labour market to create enough jobs to absorb its highly educated population (education has been always valued high in the Filipino society) and need for workers by the Gulf countries during the oil crisis in 1973, paved the way for the Philippines to launch overseas employment in a more organized system. Marcos government seized the opportunity and established framework for organized exporting of labour overseas with the passing of the 1974 Labor Code of the Philippines (IOM, 2013).

Since then, both the government and the private sector have become involved in the labor export process. Government has established a number of institutions, legislation, policies and programmes to facilitate and regulate the flow of migrants from pre-departure to return stages. While there is no single government institution on behalf of migration, policies are implemented via various government agencies at different levels (see Appendix B).

Due to huge demand, government handed over recruiting and matching workers to the private sector that stepped in the process in the 1976. Government still do has a placement branch within POEA but POEA above all oversee the private recruitment and manning agencies that today account for more than 3500, of which only some 1200 is licensed (POEA, 2016).

2.2.1 CULTURE OF (E) MIGRATION

In a span of several decades, international migration has changed from a rarity to an entrenched reality in the Philippines. Going abroad to work, a predominant reason for migration, has become routine and is now incorporated in the strategies of Filipino families to better their lives (Asian Development Bank, 2009). Such trend, increasingly visible also at the global scale, reflects the emergence of the growing “*culture of migration*” or better said “*culture of emigration*” (IOM, 2013).

Tadeo found that in some regions, such as in the Ilocos overseas work has become valued as a main way how to achieve a “*good life*”, because of the observed change in economic status of those who went first to work abroad (Tadeo, 2012). Moreover, the most recent nationwide survey by Pulse Asia from March 2010 found some 20 % of adult Filipinos expressing a wish to migrate if given a chance. Such desire went as high as 29 % in 2006. Besides the adults, children have migration aspirations as well. According to the 2003 survey of children (10-12), 47 % reported a wish to work abroad someday, with children of OFWs registering higher share (Dizon, 2010).

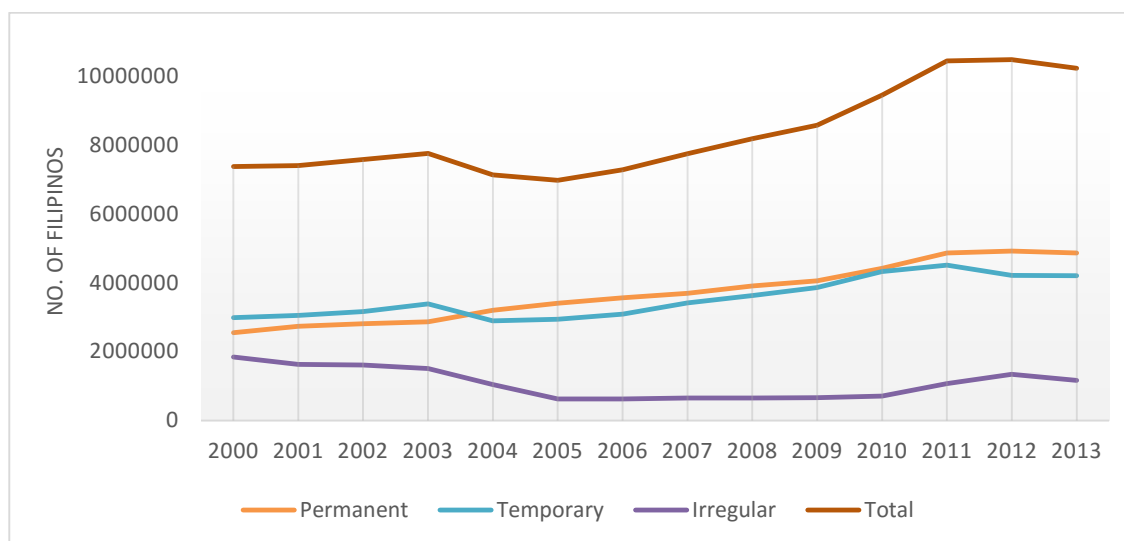
2.3 RECRUITMENT

The following section exploit the first “R” - Recruitment to answer the question “Who migrates?” It provides both demographic and socio-economic profile of Filipino migrants with emphasis put on overseas employment but not exclusively, in order to get a more complex view.

2.3.1 MIGRATION TRENDS FROM THE PHILIPPINES

According to the most recent data from the CFO, as of the December 2013, the stock estimate of overseas Filipinos was approximately 10.2 million. Focusing on the overseas migration trends, Figure 9 shows stock estimate of the overseas Filipinos by category from 2000 to 2013. Over this period the overseas Filipino population increased from 7.4 million to 10.2 million. Such trend corresponds with the population growth so the share of the Philippine-born Filipinos residing or working overseas was all the time about 10%. By category, out of the total stock, between 2000 and 2013, majority of migrants was permanent settlers (48% or 4.86 million in 2013). From 2004, they slightly outnumbered temporary migrants, a category comprising OFW’s, which in 2013 accounted for 41% or 4.2 million. Irregular migrants formed a minor category (11 % or 1.1 million in 2013).

FIGURE 8: ESTIMATE OF THE STOCK OF OVERSEAS FILIPINOS BY MIGRANT CATEGORY, 2000–2013



Source: own work based on CFO (2016)

Note: *Permanent Migrants* - Filipino immigrants and legal permanent residents abroad, Filipino spouses of foreign nationals, Filipinos naturalized in their host country, Filipino dual citizens, and their descendants. *Temporary Migrants* - Filipinos whose stay overseas, while regular and properly documented, owing to the employment-related nature of their status in their host country. Include land-based and sea-based Filipino workers, intra-company transferees, students, trainees, entrepreneurs, businessmen, traders and others whose stay abroad is six month or more, and their accompanying dependents. *Irregular Migrants*- Filipinos who are not properly documented or without valid residence or work permits, or who may be overstaying in a foreign country

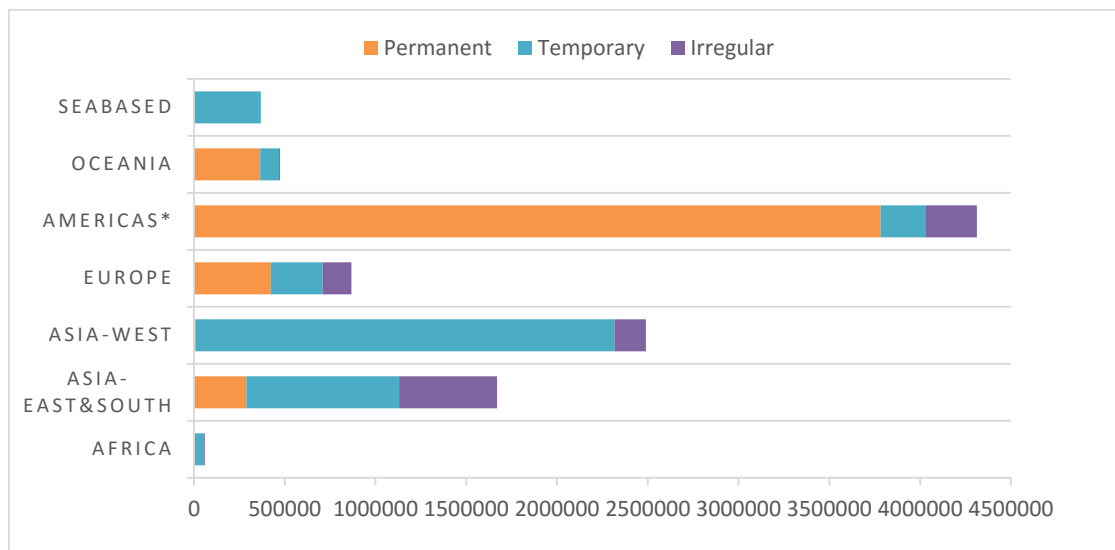
Regarding the regional distribution of overseas Filipinos, from Figure 10 is evident that Filipinos can be found all over the world but mostly in the Americas, North America especially, which has the Filipino population of about 4.3 million. The second highest concentration of Filipinos is in Asia and if taken the region as a whole, the number of Filipinos account for 4.2 million. These are followed by Europe, Oceania and Africa with the lowest number of Filipinos present. Worth mentioning is also the fact that in 2013 there were more than 367 000 sea-based Filipinos.

Figure 10 also presents the distribution of overseas Filipinos by category with respect to each of the regions. Regarding the Americas, it has the predominance of permanent migrants while in case of Asia it is just the contrary. This clearly reflects historical development, mentioned in previous chapters. Since the early 20th century, the number of Filipino immigrants to Americas has constantly risen and Filipinos are well-known as one

of the largest foreign-born groups in the United States. Since Filipinos put high value on family, family reunification could be a possible reason behind.

Unlike Americas, Asia and in particularly West Asia has since the 1970s figured as a major work destination for the Filipino labour and such trend prevails till today. As outlined in Figure 10, Asia has the highest proportion of temporary migrants. Irregular migrants could be found mainly in Asia Americas.

FIGURE 9: REGIONAL DISTRIBUTION OF OVERSEAS FILIPINOS, 2013

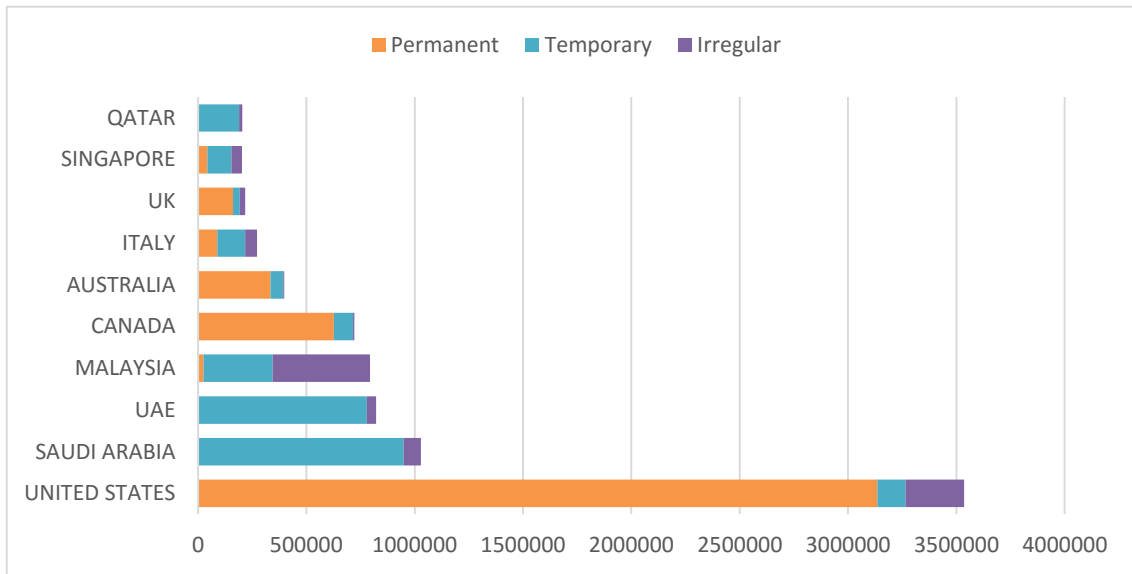


Source: own work based on (CFO, 2016)

Note: trust territories included

The top 10 destination countries of Filipinos as of 2013 were USA, Saudi Arabia, UAE, Malaysia, Canada, Australia, Italy, UK, Qatar and Singapore in that order (see Figure 11). These are a mix of the traditional settlement countries (United States, Canada and Australia) and the rest are destination countries of labour migrants. Such distribution applies also for previous years (CFO, 2016).

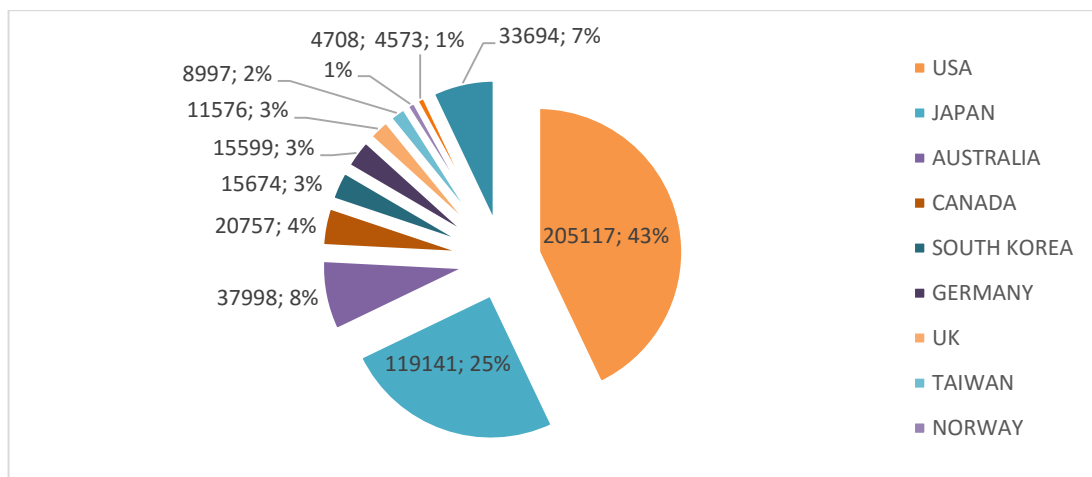
FIGURE 10: STOCK ESTIMATE OF OVERSEAS FILIPINOS, TOP 10 DESTINATION COUNTRIES IN 2013



Source: own work based on CFO (2016)

Moreover, the Philippines has been recognized as a source of brides. According to the CFO, Filipinos that left the country between 1989 and 2011 for marriage reasons accounted for 477 834. Out of this number, 91 % were women. The Figure 12 shows Filipinos as partners of foreign nationals by country, they are mostly spread in USA, Japan and Australia.

FIGURE 11: NUMBER OF FILIPINO SPOUSES AND OTHER PARTNERS OF FOREIGN NATIONALS BY MAJOR COUNTRY: 1989 - 2014

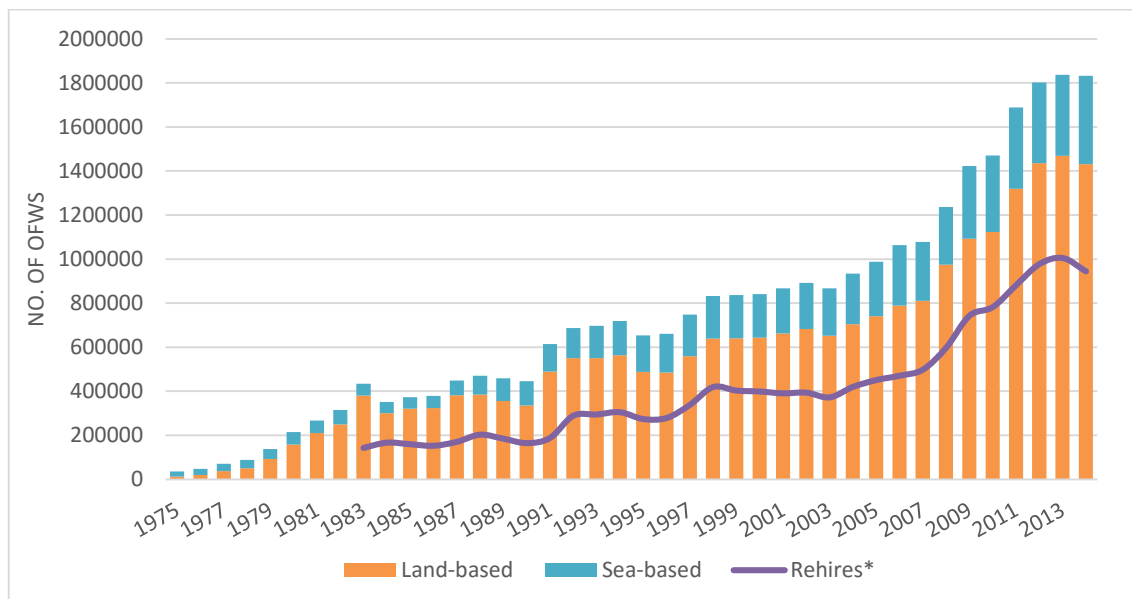


Source: own work based on CFO (2016)

2.3.2 OVERSEAS EMPLOYMENT

Statistical records on overseas employment can be traced back to the. As shown in Figure 13, while the number of deployed Filipinos accounted only for 36 035 in 1975, in a decade it increased ten-fold to 372 784 in 1985 and then nearly doubled by the beginning of the 90s. According to the most recent data as of 2014, the number of deployed OFW increased to 1.83 million. Clearly the growing trend prevailed most of the time, turning blind eye to global or regional crisis. Behind such resistance was the great diversity of deployment that kind of eliminated the effect of economic, political or environmental shocks. Figure 13 also outlines that when it comes to deployment by category, besides the first two years of records, land-based workers have always outnumbered the sea-based. Since 1977, sea-based OFWs made up annually about 20 % to 30 % of total OFWs deployed. Further, it is interesting to look at the share of rehires within OFWs deployed. Figure 13 shows that over the period 1983-2014, rehires ranged from 37 % to 68 % of land-based workers what tell us something about OFW as well as the employers' preferences.

FIGURE 12: ANNUALLY DEPLOYED OFWS BY CATEGORY AND REHIRS, 1975–2014



Source: own work based on POEA (2016)

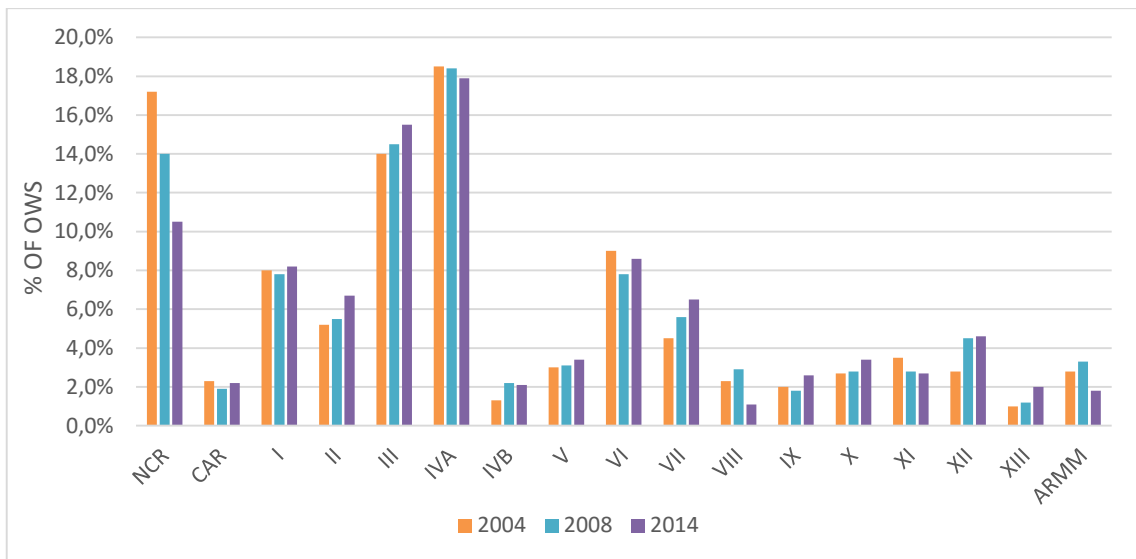
Note: * The percent rehires is computed for land-based workers only

2.3.2.1 OVERSEAS FILIPINO WORKERS BY REGION OF ORIGIN AND INCOME DECILE

As far as it concerns OFWs by region of origin, their distribution is rather uneven. As shown in Figure 14, over the last decade, the top origin regions have been Calabarzon (Region IV A), followed by Central Luzon (Region III) and the NCR. These three regions,

which are the most populated in the Philippines, in average, all together made up nearly half (46.8 %)of the total number of OFWs. On the contrary, the smallest number of OFWs has originated from Caraga (Region XIII) and Mimaropa (RegionIV-B) regions. The distribution has not changed much over the period 2004-2014, the number of OFWs either increased or decreased only to a small degree for most of the regions but NCR. While in 2004 17.2 % of OFWs originated from NCR in 2014 it was only 10.5 %.

FIGURE 13: DISTRIBUTION OF OFWS BY REGION, 2004,2008,2014

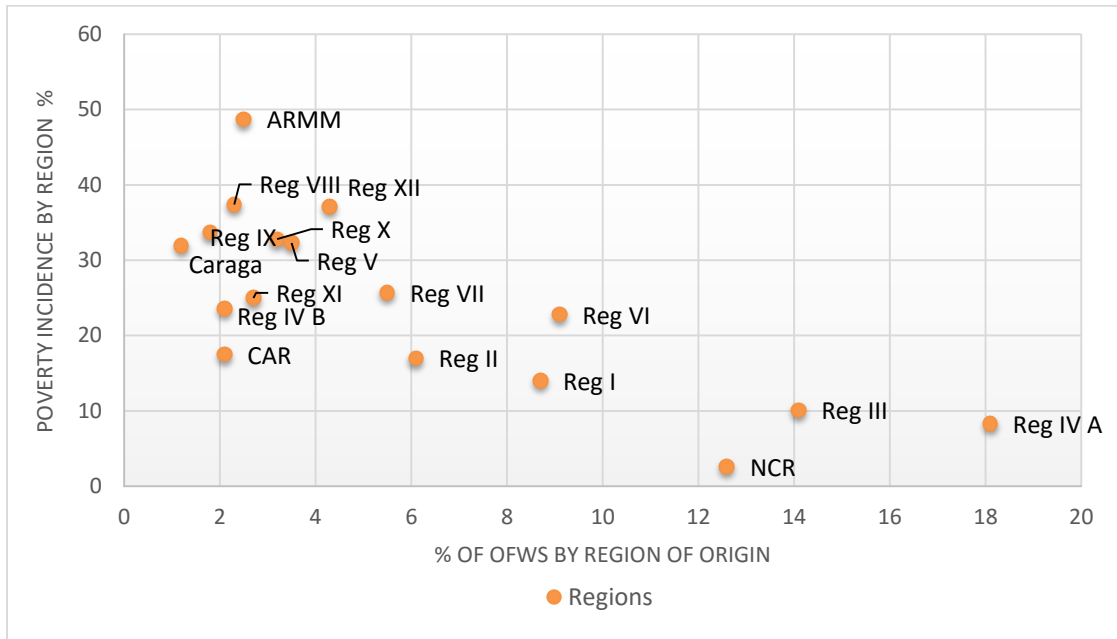


Source: own work based on PSA (2016)

Note: *Regions full names and distribution can be find in Appendix C*

Additionally, it is worthy to plot the relationship between the distribution of OFWs and poverty incidence with respect to particular regions. From Figure 15 is evident the inverse relationship - the higher the poverty incidence, the lower share of OFWs originating from that region.

FIGURE 14: POVERTY INCIDENCE VS OFWS BY REGION, 2012



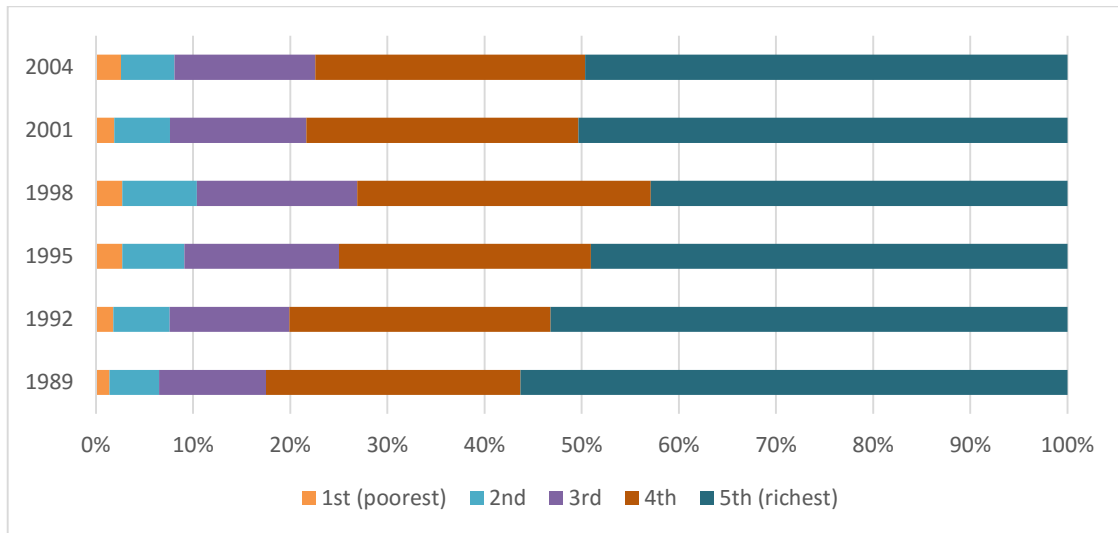
Source: own work based on PSA (2016)

Note: share for OFW by region used from SOF*

*The Survey on Overseas Filipinos (SOF) is a nationwide survey that seeks to gather information on Filipino citizens including overseas workers who left abroad during the last five years. Data on their remittances as well as data for most part of this bulletin are gathered using the past six months' reference period.

Moreover, from Figure 16 is evident that the households with higher per capita income had higher shares of OFWs over 1989-2004. While the poorest households comprised less than 5 % of OFWs, about 50 % of OFWs came from the richest households indicating the unequal distribution of OFWs.

FIGURE 15: SHARE OF OFWs BY HOUSEHOLD PER CAPITA INCOME, 1989 - 2004

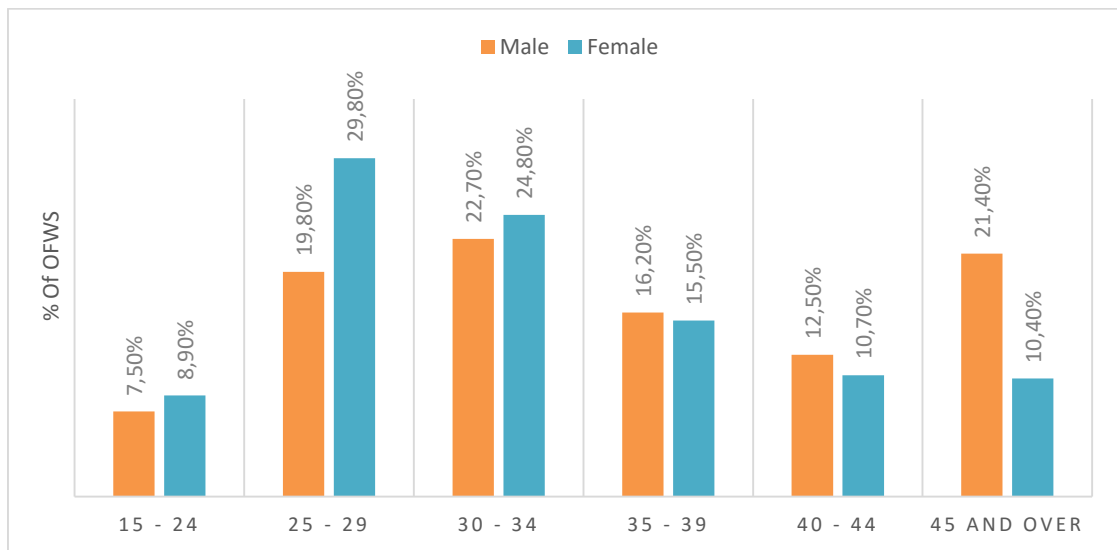


Source: own work based on PSA (2016)

2.3.2.2 OVERSEAS FILIPINO WORKERS BY AGE AND SEX

According to survey data available from SOF, displayed in Figure 17, regardless of sex, majority of the OFWs fell between 25 and 34 years, while together these two age categories (25-29 and 30-34) comprised half of the OFWs. With respect to gender, OFWs aged less than 35 were mostly women but older than that were men. By comparison, 63.5 % of women OFWs and just 50 % of man was younger than 35. Moreover, female OFWs (50.5 %) slightly outnumbered the male OFWs (49.5 %), a trend visible in last couple of years.

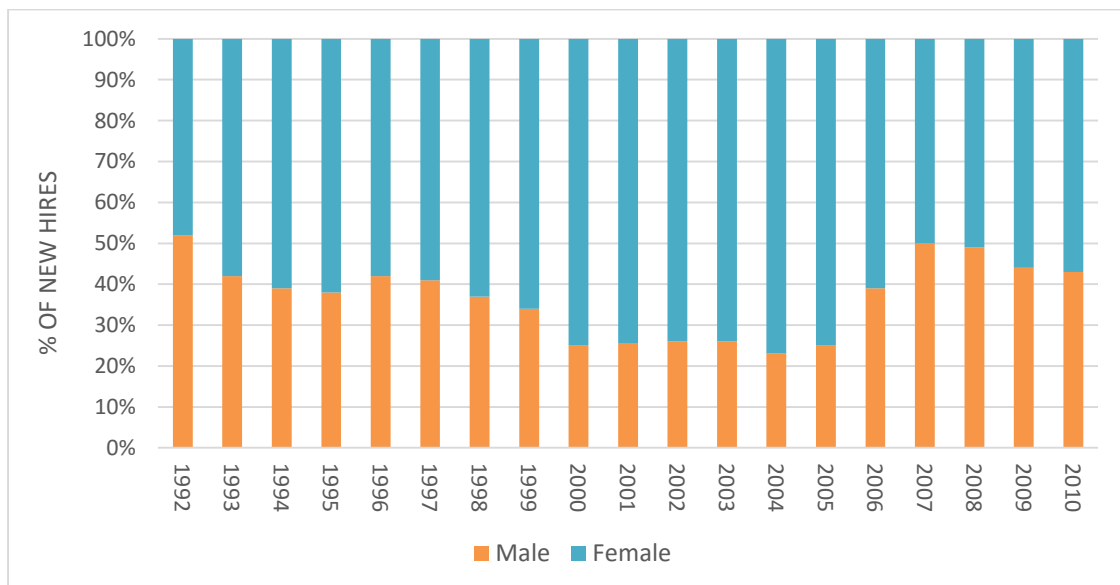
FIGURE 16: DISTRIBUTION OF OFWs BY AGE GROUP AND SEX, 2014



Source: own work based PSA (2016)

Looking at the sex composition among OFWs over 1992-2010 in Figure 18, new hires were mostly women what reflect a feminization of migration (UN, 2006). Such regional trend could be attributed to increased demand in domestic work sector abandoned by local women as well as to globalization.

FIGURE 17: NEW HIRES BY GENDER 1992-2012



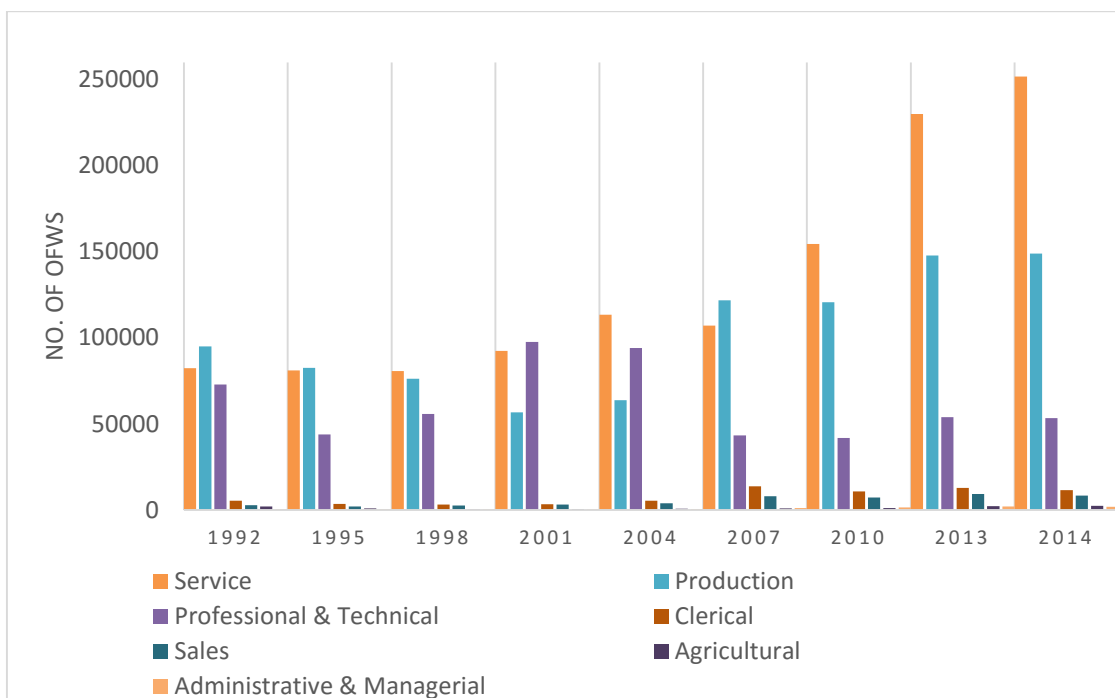
Source: own work based on POEA

2.3.2.3 OVERSEAS FILIPINO WORKERS BY OCCUPATION

If classified into 7 major occupational categories as in Figure 19, most of the land based new hires OFWs (80 %) found employment in services (e.g. household workers,

caretakers, cooks, and waiters) and production (e.g. labourers, plumbers, sewers, welders, wiremen, foremen). These two categories have been followed by professional and technical category (e.g. nurses, engineers, doctors, teachers, dancers or singers) with others lagging behind. Over time, most of the categories increased in number with exception of professional and technical workers' category. The reason behind such reduction is the decline of initial high demand for Filipino entertainers (IOM, 2013). Not taking them into consideration, the share of OFWs employed in professional and technical occupations actually increased.

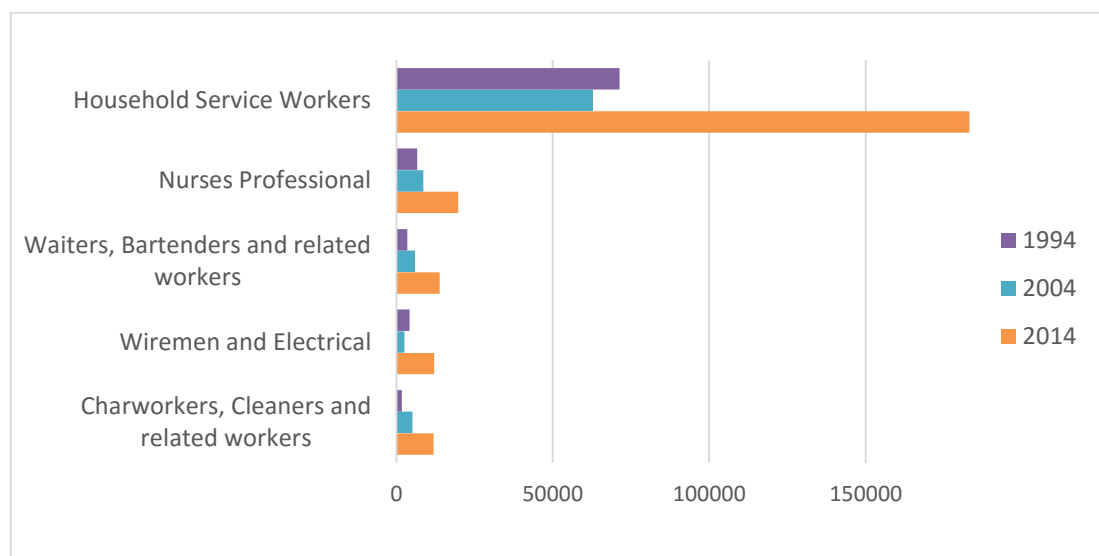
FIGURE 18: DEPLOYMENT OF LAND - BASED OFWS BY TOP TEN OCCUPATIONAL CATEGORIES, NEW HIRES, 1992-2014



Source: own work based on POEA (2016)

Furthermore, the Figure 20 sums up the top five OFWs occupations in 2014. Apparently, the household employment dominated by far the category (183 101 of OFWs). The second most common occupation was nurse (19 815 of OFWs).

FIGURE 19: DEPLOYMENT OF LAND BASED OFWs BY TOP FIVE OCCUPATIONAL CATEGORIES, NEW HIRES, 2014



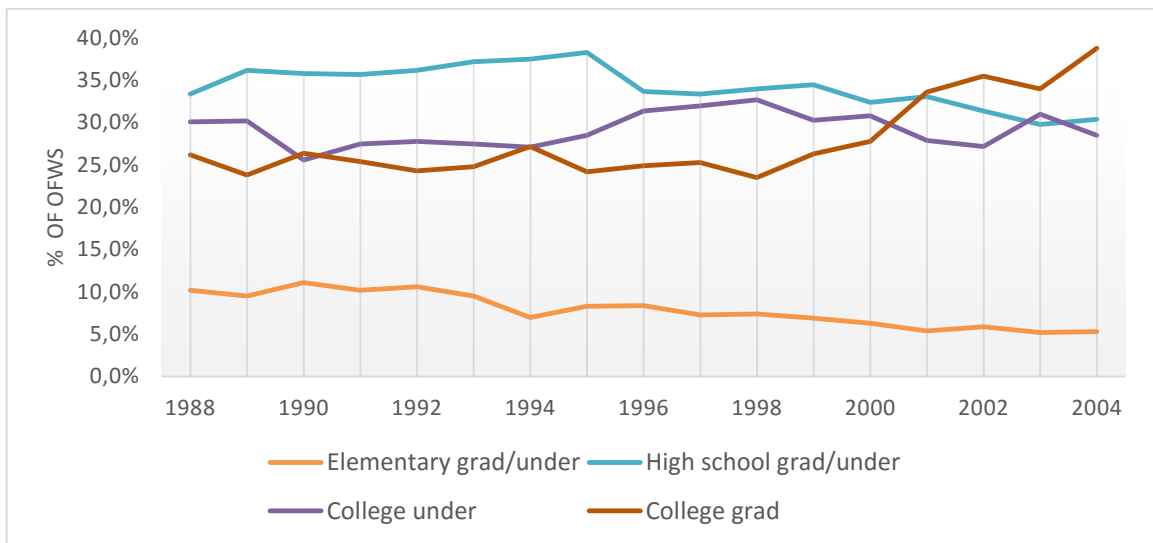
Source: own work based on POEA (2016)

Both permanent and temporary migration of skilled Filipinos has raised concerns about the brain drain issue. In this context has been mostly debated the outflow of nurses. *“If you go into an American hospital, a Japanese elderly care centre, a British hospice or even the clinics at the centre of the recent violence in Libya and Syria, you are likely to find a nurse from the Philippines working there”* (McGeown, 2012).

According to the latest data available by POEA (see Figure 20), in 2014, about 19 000 of Filipinos was hired to work as a nurse overseas. Accounting also for rehires, indeed there are thousands of Filipino nurses working abroad in countries such as USA, UK or Saudi Arabia. However, it is not the drain of the nurses that worries the Philippines, but their unemployment. The figures of unemployed nurses vary according to source from some 80 000 to 400 000 as schools produce thousands of nurses graduates each year (Howard, 2013).

Besides nurses, engineers and other skilled Filipinos are regularly deployed abroad but no relevant data are available to compare them with labour market entrants within the same qualification that would allow for comprehensive brain drain analysis. However, considering that country devoted some time and resource to training and expertise of its labour force, when such professionals leave it certainly means a loss of resources. This validates also Figure 21 that shows that most of the OFWs deployed within 1988-2004 were highly educated.

FIGURE 20: OFWS BY EDUCATIONAL ATTAINMENT, 1988-2004

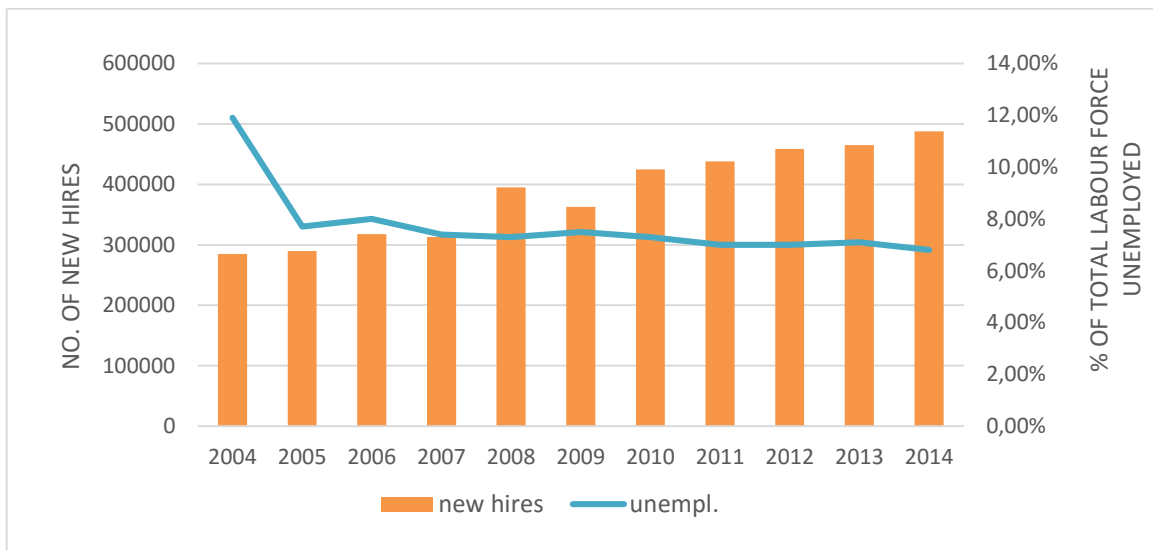


Source: own work based on Ducanes and Manolo (2008)

2.3.2.4 OVERSEAS FILIPINO WORKERS AND DOMESTIC LABOUR MARKET

Regarding the impact of overseas employment on the labour market, the fact that official statistics does not count OFWs as part of the Philippine labour force makes it difficult to establish a direct correlation between new jobs added through migration (new hires) and the number of unemployed. Yet, overseas deployment (due to remittances) is said to have impact on the economic growth and the latter one further on job creation thus reduction of unemployment. However, in case of the Philippines, GDP growth has not translated in the unemployment reduction. Also when looking at the relationship between new hires and unemployment, as displayed in Figure 22, from 2004 to 2014 annually deployed new hires modified unemployment rate only to a very small degree. In 2014 the number of new hires was 487 776, which if added to about 2.7 million unemployed persons for that years corresponds to 15 % what is a relatively small proportion to have a significant impact.

FIGURE 21: DEPLOYMENT OF NEW HIRES AND UNEMPLOYMENT, 2004-2014



Source: own work based on World Bank (2016a) and PSA (2016)

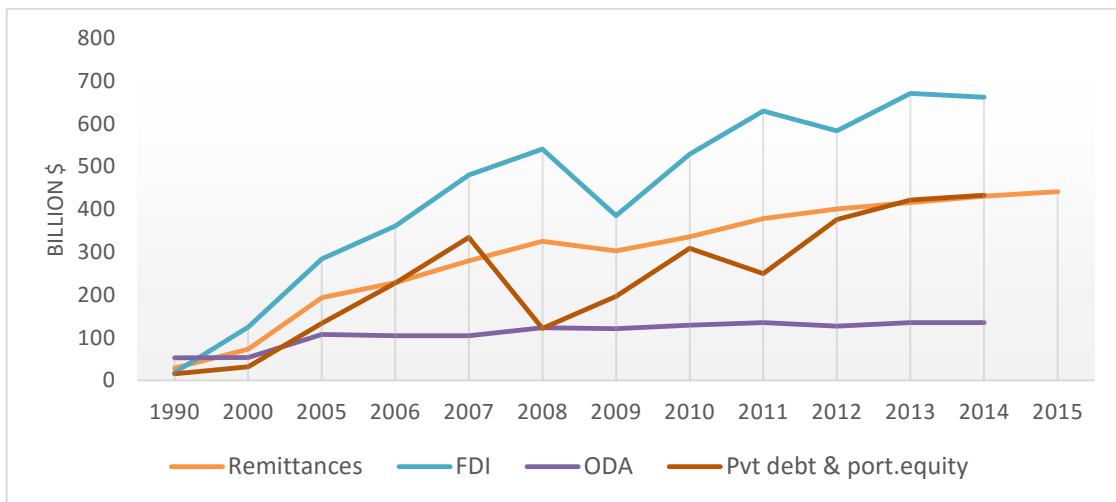
2.4 REMITTANCES

Perhaps more than in any other country, in case of the Philippines, migration has generated substantial personal remittances that play a vital part in the country's development. Millions of Filipino migrants living or working overseas maintain ties with their families at home and periodically send them remittances that are subject of analysis in the following sub-part analyzing the second "R" – Remittances.

2.4.1 GLOBAL TRENDS

With ever rising migration, the inflow of remittances to developing economies has grown tenfold over the last two decades. International migrants estimated to have sent \$601 billion to their families in their home countries in 2015, with developing countries receiving \$441 billion (see Figure 23).

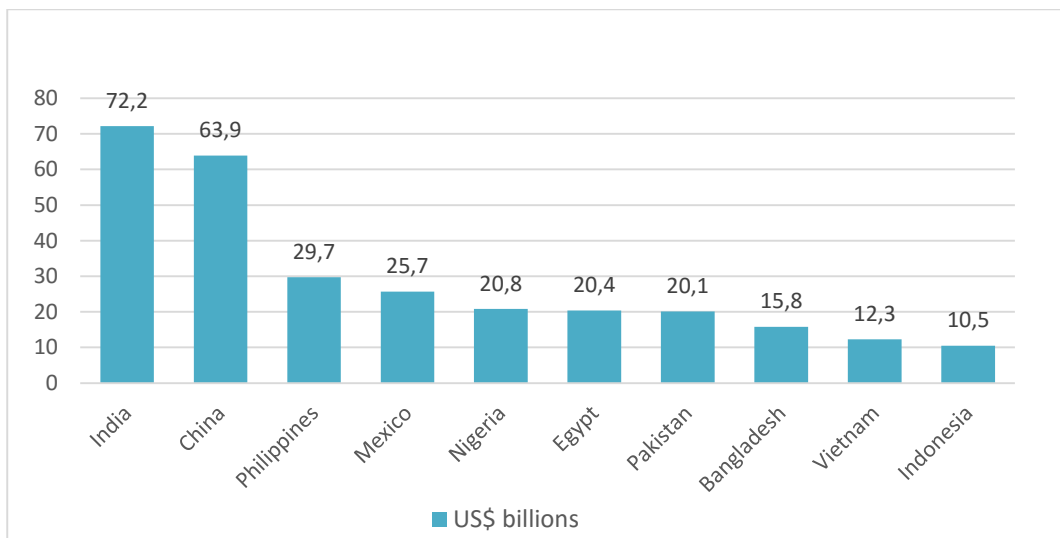
FIGURE 22: EXTERNAL FINANCING FLOWS TO DEVELOPING COUNTRIES



Sources: own work based on World Bank (2016a)

Looking at the top three recipients of remittances, India ranks first with an estimated \$72.2 billion in 2015, followed by China (\$63.9 billion) and the Philippines (\$29.7 billion) (See Figure 24). Compared to GDP, some countries reach extraordinarily high remittances/GDP-ratios, particularly in Central Asia and Pacific islands.

FIGURE 23: TOP REMITTANCE-RECEIVING COUNTRIES, 2015



Source: own work based on World Bank (2016a)

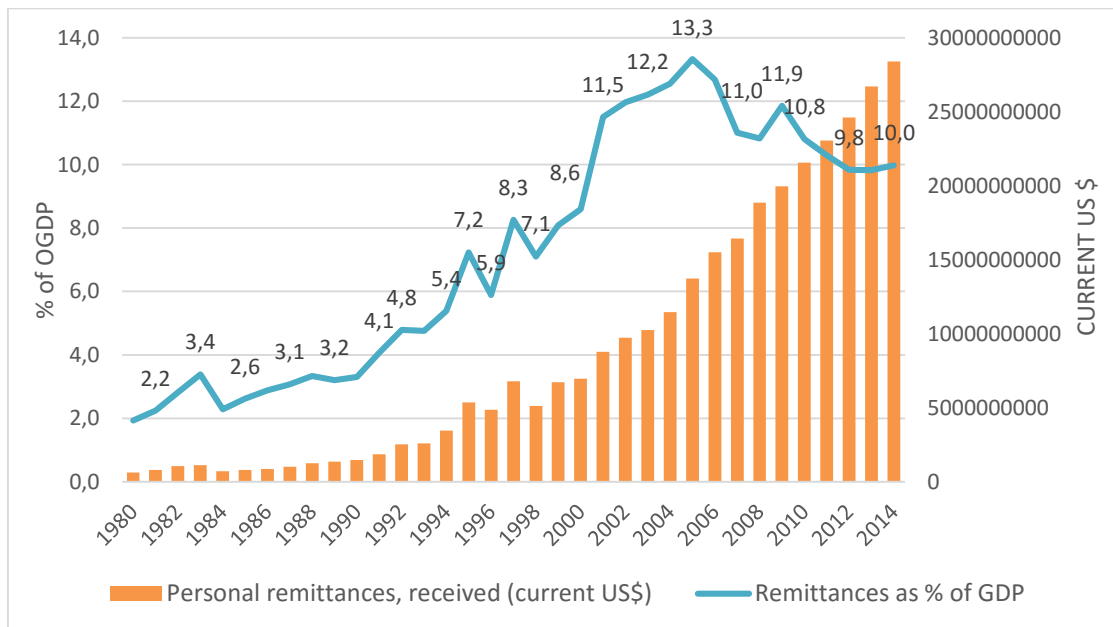
2.4.2 REMITTANCES TO THE PHILIPPINES

Alike the global trend when looking at the annual flow of remittances in time (Figure 25), for much of the 1980-2014 period, remittances to the Philippines had an increasing tendency with a sharper decline only in 1996 that corresponds with a decrease in OFWs deployed and in 1998, as a result of Asian financial crisis. While over the end of the 20th

century, remittances experienced just a moderate growth, it has accelerated by the beginning of the 21th century. Between 2000 and 2014, remittances to the Philippines have increased fourfold, from 6.9 billion to 28.4 billion USD in 2014. Such grow reflects increase in stock of OFW deployed but mostly the changes in recording at the global level, especially higher use of formal channels as a result of control measures adopted by the international community after events of September 2011 (IOM, 2013).

Regarding its share to the GDP, in the last few years, remittances from overseas Filipinos have in average made up about 10 % of the country’s GDP (see Figure 25). Remittances are considered vital to economic growth especially because they serve as a driver of consumer spending that makes up more than 70 % of the Philippines economic output (World Bank, 2016a).

FIGURE 24: REMITTANCES FLOW, REMITTANCES AS % OF GDP, 1980-2014

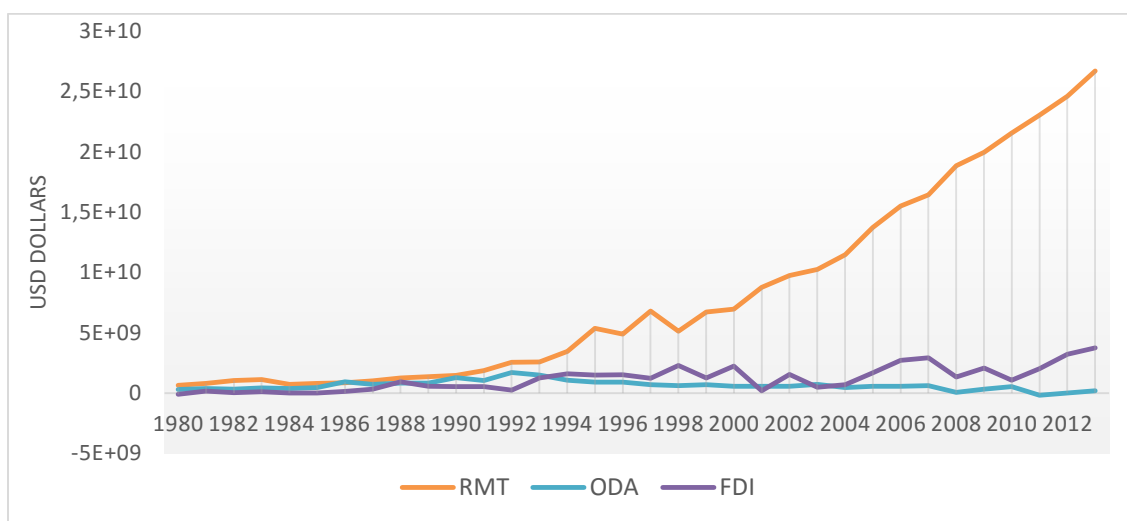


Source: World Bank (2016b).

Furthermore, remittances have been acknowledged to be important source of foreign exchange for developing countries and a case of the Philippines makes no exception. As clear from Figure 26, over the last two decades, the growth in flow of remittances to the Philippines has been far more significant than that of ODA or FDI. In particular, when compared to other countries in the region that harnessed FDI to boost their economies, FDI flows to the Philippines have been more fluctuation and far less significant. As of 2013, remittances were about 140-times of ODA and about 7-times of FDI, outperforming them significantly. Also remittances have proved to be far more stable, flowing also in

times of crisis, what correspond with their countercyclical nature evident also at global level and lend support to the altruistic motive (see Figure 26),

FIGURE 25: COMPARISON OF MAJOR FOREIGN CAPITAL FLOWS, 1980-2012



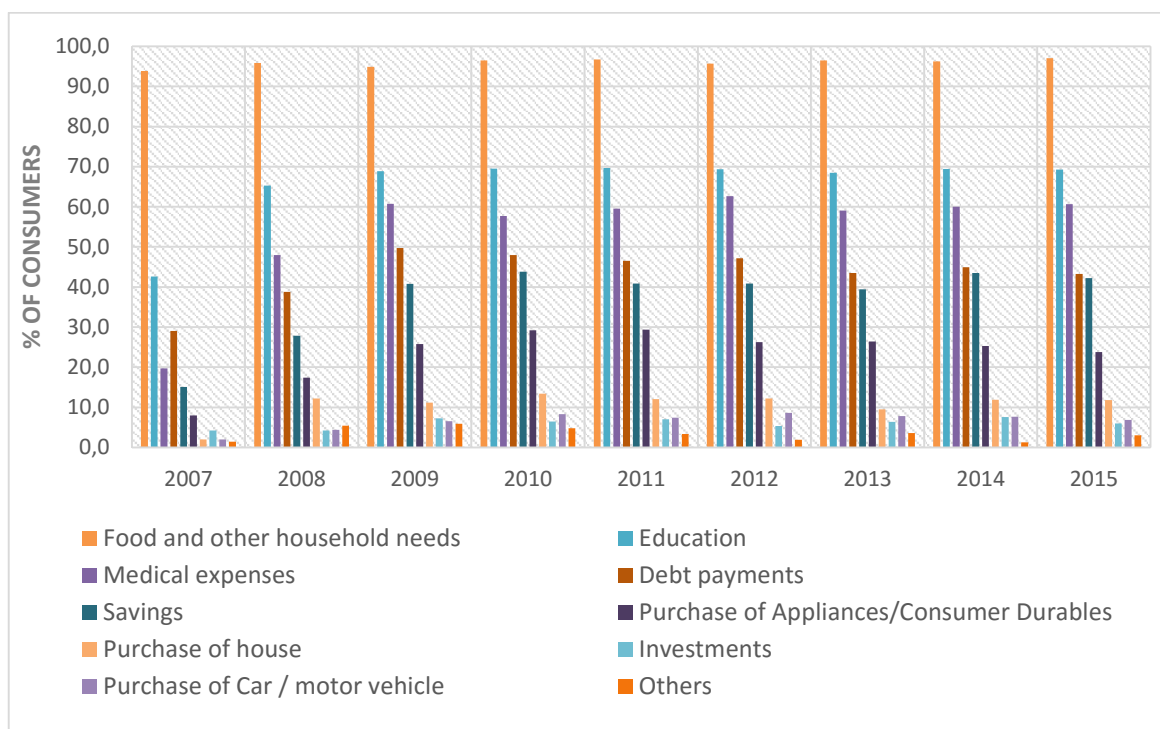
Source: own work based on World Bank (2016a)

2.4.3 USE OF REMITTANCES

The uses of remittances have been a subject of great concern in debates with respect to its development potential. In case of the Philippines, their use is not properly documented but some suggestions can be made examining the data from Consumer Expectations Survey (CES) provided by BSP.

Based on 2007-2015 CESs*, the Figure 27 indicates that most of the respondents used remittances for food and other household needs for which the share was more or less constant about 95 %. Yet, at the same time more than half of consumers expressed expectations to spend on education and medical care with 69 % and 59 % average share respectively. Also, in 2015, 42% would use remittances for savings what is almost three times more than in 2007 (15 %). When it comes to investments, it must be admitted that remittances use for investments have been indeed low but one should focus on the broader context. Doing business in the Philippines can be a tricky task. According to the World Bank's Doing business 2016 report, the Philippines ranked 103rd out of 189 economies, significant improvement when compared to its 136th place in 2012 report. Among other indicators tracked by the survey, the most painful seems to be to start a business, requiring 16 long-lasting procedures (World Bank, 2016a).

FIGURE 26: CONSUMER EXPECTATIONS PER CATEGORY, 2007-2015



Source: own work based on BSP (2016)

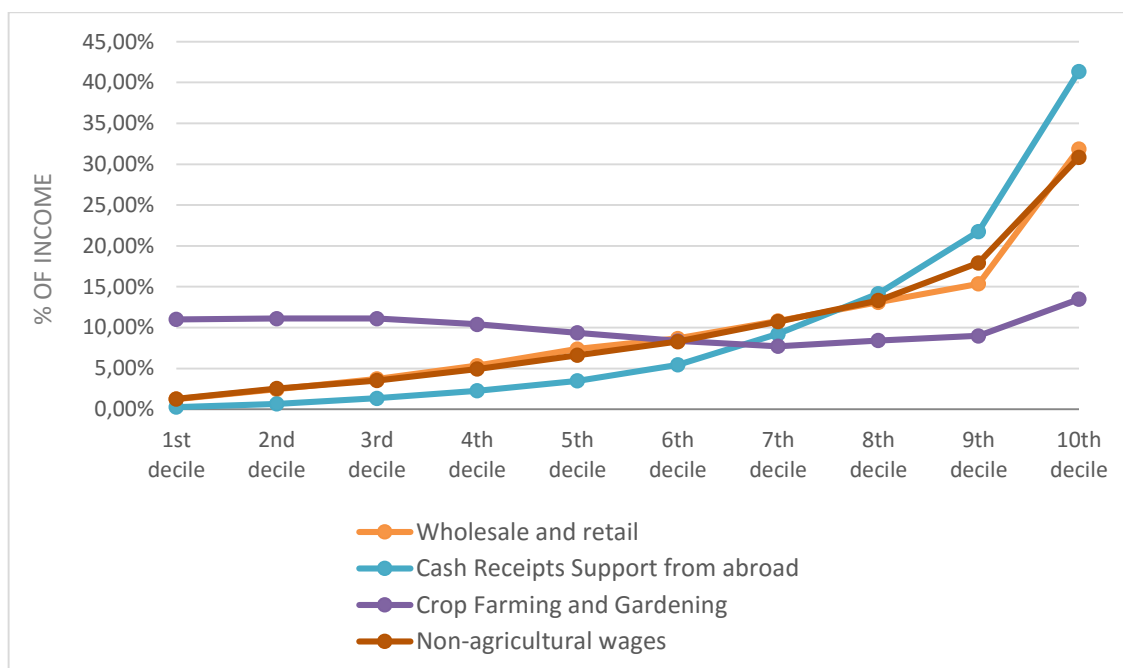
Note: CES* measures consumers' sentiment for the current and next quarters and for next year as captured by the overall confidence index and other economic indicators. It provides at least some indications on the uses of remittances.

2.4.4 DEVELOPMENT IMPACT OF REMITTANCES

Since poverty is quite persistent in the Philippines (see Figure 4), looking at the remittances poverty nexus, data on total remittances share by region are not available and makes comparison with regional poverty incidence highly limited. However, to see who benefit the most from the remittances, Figure 27 outlines the income distribution by amount of four major sources of income per income deciles. Based on data, in aggregate, the main source of income was non agricultural wages and salaries that accounted for 40 % of the total income within all income deciles, followed by assistance from abroad, wholesale and retailing and crop farming and gardening. While the first three groups represent the income for the upper deciles the latest one is the main source for the lower deciles.

Remittances, covered by cash receipts from abroad that correspond to 11 % of total income received, seem to be the most unequally distributed income source favoring the richer deciles. More than half of its total amount goes to the two highest income deciles.

FIGURE 27: THE DISTRIBUTION OF THE FOUR LARGEST INCOME SOURCES PER INCOME DECILES, 2012

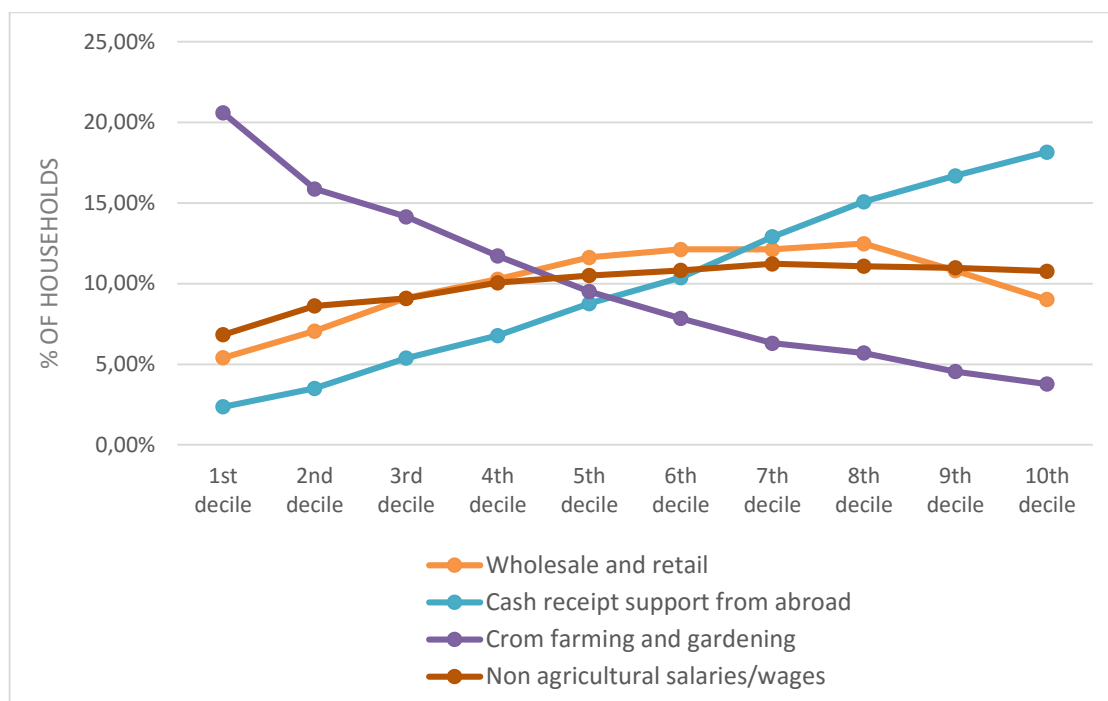


Source: own work based on PSA (2016)

Note: *Remittances are covered by “Cash receipts, Support and other forms of Assistance (CRSA) from abroad” category. Since CRSA from abroad mostly consists of remittances this variable alone should work well to illustrate the patterns of remittances.*

In this context is important to look also at the distribution of major income sources with respect to the number of households displayed in Figure 28. Out of total, 27 % of Filipino households reported to receive income from abroad. Although, most of these households can be found in the upper income deciles, the distribution of households with remittances seems to be more balanced across the deciles than the amount of remittances received.

FIGURE 28: THE DISTRIBUTION OF THE FOUR LARGEST INCOME SOURCES PER INCOME DECILES, 2012,
HOUSEHOLDS



Source: own work based on PSA (2016)

2.4.5 ANALYSIS OF MODEL, RESULTS AND INTERPRETATION

The following section employs an econometric analysis of time series data over period 1990-2014 to examine a relationship between remittances and the Philippines rate of GDP growth and level of HDI. It is worth comparing remittances to the FDI and ODA to get closer to the true effect of remittances on development, as measured below. Since the variables are defined as natural logarithms, the interpretations of the coefficients are elasticities (Baum, 2006).

2.4.5.1 REMITTANCES AND ECONOMIC GROWTH

The base model:

$$\ln GDP_{it} = \beta_0 + \beta_1 \ln RMT_{it} + \beta_2 \ln FDI_{it} + \beta_3 \ln ODA_{it} + \varepsilon_{it} \quad Eq.(3)$$

Hypothesis (Null and alternative)

H₀: There is no relationship between remittances and GDP growth.

H_{1a}: There is a relationship between remittances and GDP growth.

Results:

The Table 3 shows the above multiple linear regression model summary and overall fit statistics. We find that the multiple coefficient of determination, R^2 , of our model is 0.313, which means that the given regression model is able to explain only 31.3 % of variation in dependent variable, GDP growth.

TABLE 3: MODEL SUMMARY ON ECONOMIC GROWTH MODEL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,560 ^a	,313	,215	,7492537

a. Predictors: (Constant), lnODA (% of GNI), lnFDI (% of GDP), lnRMT (% of GDP)

Subsequently, the Table 4 is the F-test, which tell us whether the overall effect of three independent variables on GDP growth is significant. The F-statistic is significant at 5% significant level since p-value obtained (.045) < 0.05, therefore we conclude that the overall model is statistically significant. The three independent variables (RMT, FDI, ODA) have a significant combined effect on GDP growth.

TABLE 4: ANOVA ON ECONOMIC GROWTH MODEL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,376	3	1,792	3,192	,045 ^a
	Residual	11,789	21	,561		
	Total	17,165	24			

a. Predictors: (Constant), lnODA (% of GNI), lnFDI (% of GDP), lnRMT (% of GDP)

b. Dependent Variable: lnGDP growth (annual %)

Considering effect of independent variables separately we are particularly interested in p-values and Standardized Coefficients (Beta), showed in the Table 5, that expresses the significance and relative importance of each independent variables in standardized terms. Firstly, looking at the p-values we find that the remittances are the only significant predictor of GDP growth, since its p-value obtained ($.05 \leq 0.05$). Neither FDI nor ODA are

significant determinants of economic growth hence no interpretations can be made without significance in the results with respect to these two variables.

TABLE 5: COEFFICIENTS ON ECONOMIC GROWTH MODEL

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-,910	,969		-,938	,359
lnRMT	,921	,466	,431	1,978	,050
lnFDI	,264	,248	,195	1,062	,300
lnODA	-,090	,102	-,190	-,880	,389

a. Dependent Variable: lnGDP growth (annual %)

Based on above results, higher level of remittances is positively associated to higher level of GDP growth. Using a significance level of 0.05, we do reject the null hypothesis and accept the alternative hypothesis H1_a.

2.4.5.2 REMITTANCES AND HUMAN DEVELOPMNET

The base model:

$$\ln HDI_{it} = \beta_0 + \beta_1 \ln RMT_{it} + \beta_2 \ln FDI_{it} + \beta_3 \ln ODA_{it} + \varepsilon_{it} \quad Eq.(4)$$

Hypothesis (Null and Alternative)

H₀: There is no relationship between remittances and HDI level.

H2_a: There is a relationship between remittances and HDI level.

Results:

The Table 6 shows the above multiple linear regression model summary and overall fit statistics. We find that the multiple coefficient of determination, R², of our model is 0.856 that means that the given regression model is able to explain 85.6 % of the variation in dependent variable, HDI.

TABLE 6: MODEL SUMMARY ON HUMAN DEVELOPMENT MODEL

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	,925 ^a	,856	,836		,01632678787

a. Predictors: (Constant), lnODA (% of GNI), lnFDI (% of GDP), lnRMT (% of GDP)

Subsequently, the Table 7 is the F-test which tells us whether the overall effect of three independent variables on GDP growth is significant. The F-statistic is significant at 5 % significant level since p-value obtained (0.000) < 0.05 therefore we conclude that the overall model is statistically significant. The three independent variables (RMT, FDI, ODA) have a significant combined effect on HDI.

TABLE 7: ANOVA ON HUMAN DEVELOPMENT MODEL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,033	3	,011	41,650	,000 ^a
	Residual	,006	21	,000		
	Total	,039	24			

a. Predictors: (Constant), lnODA (% of GNI), lnFDI (% of GDP), lnRMT (% of GDP)

b. Dependent Variable: HDI

Considering effect of independent variables separately we are particularly interested in p-values and Standardized Coefficients (Beta), showed in the Table 8, that expresses the significance and relative importance of each independent variables in standardized terms. Firstly looking at the p values we find that the both remittances and ODA are significant predictors of HDI since they are both significant at 5 % and its p-value obtained (.000) < .05. Secondly, we find that remittances have a higher impact on HDI than ODA given its Beta= .576. Moreover, according to the results, an increase in ODA has a significant but negative impact on the HDI. No significance is found with respect to FDI, so no interpretation can be made.

TABLE 8: COEFFICIENTS ON HUMAN DEVELOPMENT MODEL

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-,604	,021		-28,590	,000
lnRMT	,059	,010	,576	5,779	,000
lnFDI	4,132E-5	,005	,001	,008	,994
lnODA	-,011	,002	-,476	-4,823	,000

a. Dependent Variable: HDI

Based on the above results, higher level of remittances is positively associated to higher level of HDI. Using a significance level of 0.05, we do reject the null hypothesis and accept the alternative hypothesis H2_a.

2.5 RETURN

Within the third “R” – Return, three major return question to answer are how many migrants return, what do they upon return and effect of those who do not return. However, this section is limited by the lack of data since return is largely undocumented with respect to the Philippines and very little is known about the phenomenon.

2.5.1 RETURNS MAGNITUDE, MOTIVATION AND PROGRAMMES

The return on Filipinos can be involuntary, because of crisis, such as war and forcible deportation, intolerable working conditions and family issues or voluntary as a result of completion of a work contract or fulfilment of the migrant’s goals (Go, 2012). Results from survey undertaken by Asis (2001) show that the most common reason for return among respondents was end of the contract (38 %), followed by family (32 %) and work-related (10 %) problems. Those who returned as a result of accomplished migration goals accounted only for 6 %. Remarkably, 76 % expressed a desire to work abroad again. The same aspirations were found (Ibid), which mentions on behalf of interviewed returnees that, “All were in agreement that had circumstances not made it necessary for them to return, they would have wanted to continue working abroad” (Ibid). Furthermore, the report she revealed that for almost all of the respondents, the return to the Philippines was not a freely made choice but rather a decision forced by unpleasant circumstances.

In addition, several efforts have been made to lure the Filipinos to return. The earliest initiative is Balikbayan (homecoming) program, since 1985, which offer benefits such as travel tax exemption, duty free shopping or visa free entry in order to encourage Filipinos (expatriates) to visit and invest their resources in the Philippines. However, little is known about its effectiveness (Embassy of the Philippines, 2016). The only available data are on figures of the airport duty free shop indicating that that about 185 000 Filipino returnees purchased an estimated \$36 million worth of goods, a low figure compared to previous years when at least 250,000 visitors made purchases annually from 1996 to 2000. However, it was also observed that, “*most purchases were on liquor, cigarettes, chocolates, signature items*” which are imported good and leaving little impact on Philippines-made products (ADB, 2004).

2.5.2 DIASPORA

Even if migrants do not return, Papademitriou and Martin have emphasized the role of diaspora-led in the development of country of origin. Recently, there has been an increased interest in deriving resources and knowledge from diasporas, such as philanthropic donations and fund mobilization by Filipino Overseas Associations that are send to finance humanitarian, infrastructure or other projects that impact development in needy areas. This is enabled by CFO initiative, Lingkodsa Kapwa Pilipino Program, which matches donations from Filipino overseas to particular project and beneficiaries in the Philippines. But still diaspora philanthropy remains largely undocumented and its development effect has not been and cannot be well researched so far due to the lack of data (CFO, 2016).

3 DISCUSSION AND RECOMMENDATIONS

Given that about one out of ten Filipinos work or live overseas, international migration has become an indivisible part of daily life of the Philippines, providing it with a mix of opportunities and challenges.

Filipinos are dispersed all around the world however when considered by their migrant status their distribution is far more concentrated. While majority of permanent migrants can be found in Americas, temporary migrants tend to concentrated in Asia. Moreover, the number of Filipinos that leave permanently or temporarily abroad appears to be more or less balanced over the last years. Such results confirm the view that besides better employment prospects, reasons to leave range from “*marriage migration, to family*

reunification, from educational and business opportunities to professional advancement” (Nicolas, 2013:4).

Nonetheless, Philippines is particularly known as a labour export country. Indeed, the number of deployed OFWs has doubled in the last decade. Such sharp increase however is primarily due to the growth of rehires, a trend visible from Figure 13. From this implies that temporary labour migration is far from being temporary as it evolves into a longer-term phenomenon.

Filipinos are apparently willing to accept jobs and adapt wherever in the world hence OFWs earned a nickname “*modern day heroes*” (Opiniano, 2008). Certainly, they are “*heroes*”, at least for recruitment industry, but at the same time this points to the inability or reluctance of government to prevent a permanent loss of substantial groups of citizens what has been quoted as a “*national shame*” by Aguilar (1996).

Furthermore, as the most striking feature of Philippine’s migration profile was found feminization of migration, a phenomenon that coincides with the overall regional trend that the share of female labour migrants have increased. (Piper, 2005; Yamanaka and Piper, 2005) It is evident from the Figure 18, showing that the gender distribution of new hires has been dominated by females since 1992. It was also found that female OFWs were younger than male OFWs, however as such; majority of the OFWs is around the age of 30 confirming that young people are more likely to migrate.

The above result that there is higher number of OFWs can be explained by outcome of the Figure 19, from which can be assumed that the two most common occupations (domestic workers and nurses) are dominated by women. Based on evidence from Figure 12, feminization is also highly present in marriage migration, which is a distinct feature of international migration of Asian women as pointed out by (Siddiqui, 2008).

Another phenomenon that is often cited in the context of labour migration is a brain drain (see Table 2). In a broad sense, there is no doubt that country loses valuable human capital but to make conclusion about brain drain require more complex analysis, which has been however hindered by the lack of data. Nevertheless, the fact that OFWs are often highly educated (see Figure 21) has not been found as alarming as far as Filipinos are well educated in general, what coincide also with results from Figure 6, where the highest share of unemployed is by those with higher education attained. Though, assuming that a bulk of Filipinos is working as household service workers, waiters or cleaners that were among the top 5 occupations, instead of brain drain, brain waste was found more evident.

In the above context must be mentioned also Filipinos nurses. Many have expressed concerns over nurse brain drain (Joyce, 1982 ; Dimaya et al., 2012) and although this might be true, the recent evidence shows that there does not seem to be drain of nurses despite and because of their persistent production for the global market. Proliferation of nursing courses got to the point that that labour market is unable to absorb high number of nurse graduates, paradoxical resulting in nurse unemployment. One of the reasons behind such "surplus" is certainly the aspiration of Filipinos to pursue nursing degree primarily to get a work abroad, what illustrates the following findings by Dimaya et al., (2012:17). At one hand has been identified pull factors that attract nurses away from the Philippines. *"The 'holygrail' for nurses is to get to the US, because you have the doctrine of family reunification [that] ensures that you can petition for your family members to join you once you work in the US."* At the other hand, pushing social pressures were found as well, as described by interviewed nurse: *"In the first place, I really did not like to take up nursing, but my parents encouraged me...so I can go abroad and send money to my family."* At this point some argue that the advance of nursing in the Philippines stems also from a culture of care intrinsic in Filipinos. This cannot be disproved; however, the observation of senior nurse staff based in the Philippines plays against it: *"We can't find empathy and caring among these new nurses. There's only one motivation for why they took nursing: to go abroad...not to deal with the patients, just to deal with dollars. It's far different from the motivations that we had."* The above statements clearly reflect the "culture of emigration" in the Philippines.

In this sense, migration shapes the labour market as it attracts Filipino students to register in programs that prepare for occupations abroad hence it can be suggested that overseas employment contribute to the mismatch between the existing talent pool and labour market demand. Such observation, together with a high rate of population growth contributes to the persistent unemployment, which, even despite the accelerated economic growth, has been a perennial challenge to the country. As Ogena (2003:56) claims, *"The growing labour force challenges the government to generate more employment opportunities, but until when the country when continue deploying Filipinos abroad?."*

In general, it can be argued that increase in overseas employment could translate into lower unemployment rates. Comparing domestic unemployment and new hires deployment trends, it seems that the actual impact minimal (see Figure 22). Nevertheless, such relationship is not straightforward and it would require more in depth research to examine whether OFWs originate from the unemployed part of the population.

Considering impact of migration on poverty, Kapur (2003), Gupta et al. (2007) or Jongwanich (2007), in their research found that remittances helped to increase family income and lift households out of poverty. The findings from the thesis support such claims. As evident from Figure 15 and Figure 16, the regions with higher share of OFWs have lower poverty incidence, perhaps due to a higher shares of total remittances they receive. However, at the same time such findings lend support to conclusion that remittances contribute to increased regional disparities (Adams and Page, 2005). Moreover, as evident from Figure 27 and Figure 28, remittances are unequally distributed in favour of richer deciles since only few households in lower income quintiles receive remittances. Yet it needs to be pointed out that even a small amount of additional income, let it be remittances, can be vital for the poorest, for instance in terms of food security.

In addition, the above findings correspond with claims that the poorest people have limited access to migration and remittances since going abroad entails certain costs. In this context has been mentioned the existence of excessive recruitment fees and expenses (Skeldon, 1997; Pernia, 2008). The Findings from Figure 27 support such argument since considerable share of households expected to use remittances for paying debt which might have been possibly incurred at the pre-departure to cover migration costs.

Here comes another analysed aspect, spending of remittances. The available evidence on consumption patterns of remittances coincide with the general perception in the literature (Chami et al., 2005), which criticize the consumerism tendencies of remittance receiving households that eliminate possibility to escape the cycle of migration. At the same time, other studies emphasize the multiplier effect of consumption behaviour (Chimhowu et al., 2003; OECD, 2006). Additional income increases the purchasing power of households and can eventually contribute to output growth.

Indeed, the role of remittances has been acknowledged as vital for the domestic economy . Given that remittances comprise substantial portion of country's GDP (see Figure 25) and their flows have been far more robust than FDI or ODA flows (see Figure 26), remittances definitely represent the top foreign exchange source for the country. The results from analysis of the first regression model lend support to such claims, since it was found that remittances have a GDP enhancing effect and H1 hypothesis has been confirmed. Furthermore, remittances, compared to FDI and ODA, proved to be the only statistically significant indicator having impact on it. Such findings corresponds to the literature that in

most of the developing countries, remittances stand as a more reliable source of foreign currency inflow than foreign direct investment (Ratha, 2007).

Back to consumption pattern, if remittances are used to finance education and health care, an aspiration which expressed 60 % of surveyed Filipinos (see Figure 27), it might lead to a higher human development. The findings from the empirical analysis and confirmation of H2 hypothesis support such assumption since it was found that the net effect of remittances increase human development in the Philippines. Moreover, remittances proved to have higher human development potential than ODA, while FDI was found as statistically insignificant variable. The superior contribution of remittances to development can be explained by the fact that remittances have more direct impact on the enhancement of human capital than ODA or FDI since they reaches households without mediation. In this respect, however, Ghosh (2006) stressed the different essence of remittances and ODA where remittances are triggered solely by private decisions. In addition, such findings on remittance HDI relationship seem to affirm the theory on remittances as implicit family loans, based on NELM perspective.

However, HDI does not measure for psychosocial costs borne by the migrants themselves and their families left behind. It must be acknowledged here that human capital has its limits, the aspect that has been overlooked by 3R's model. This is considered as the biggest limitation of the model since it tends to assess to view migrants as laborers only.

Despite its positive contribution to development there are few more issues associated with migration that needs to be mentioned. A criticism has evolved around the role of government. It remains a subject to debate whether a "migration strategy" is opportunism or a necessity. There are two main arguments to be mentioned in this context. On the one hand, to rely on international labour market as a part of employment strategy is logical since it enables for extended capacity to absorb a fast growing Filipino labour force and to benefit from its productivity. On the other hand, overseas employment should not serve to avoid taking appropriate steps to encourage domestic development.

The same argument was expressed by Pernia (2010:19), *„Instead of relying on labour migration, the country would be better served if the government seriously pursued policy reforms to put the economy on a rapid and sustained growth path. A robust domestic economy would make working abroad an option – not a necessity – for Filipinos.“*

Clearly, it is not sustainable to rely on migration and remittances. Since many go abroad for temporary employment, when the contract expires and is not renewed or in case of adverse situation in destination country they must return home. The return in turn affects the household income and if returnees will be unable to find source of livelihood and are left without savings most likely they will end up joining the recruitment lines as it happens also nowadays and not only in case of the Philippines. Given the personal experience from Slovakia, it must be argued that such reality is rather sad. Not to mention the stories of families whose parents frequently leave to Austria or Germany to bring home some money, most of my friends, educated young people, left abroad as an escape from dismal local alternatives as well. Since I am the only who stayed in our hometown, I often experience the loneliness from “meeting” them just on Skype hence I am indeed aware of the psychological costs of migration.

3.1 RECOMMENDATIONS

- ✓ Better coordination and dialogue of all stakeholders - governments, private sector, civil society as well as migrants and their families (both origin and destination countries) should be ensured through regular cross-sectoral consultation at national and international level.
- ✓ Various programmes have been launched to manage migration, however there is a need to continuously seek their improvement and above all the implementation of existing measures on and not only their expansion. International cooperation in term of sharing best practices might be beneficial.
- ✓ To harness remittances in a needy areas and sectors, migration need to be incorporated into national and international development plans. Accordingly, migration policies and institutions need to be responsive to new developments and constantly seek for sustainable solutions.
- ✓ Incentives should be combined with sanctions to encourage compliance with standards and avoid irregular practices such as extensive fees.
- ✓ Seek promotion of safe and advantageous channels for remittance transfers.
- ✓ It is essential to recognize and incorporate the role of diaspora into migration-development equation.
- ✓ Economic growth is of minimal impact on standard of living if not matched with generation of jobs. Cooperation of business and government is highly desirable in order to create jobs, particularly in labour-intensive sectors such as agriculture, hospitality or tourism sectors. If provided with sufficient opportunities, the country's working age population can be a real competitive advantage.

- ✓ It is imperative for governments to intensify efforts to promote policies that will bring migrants to save and invest (remittances but also skills) at home– without improved investment climate, the potential of remittances to be transformed into added source of capital for development remains limited.
- ✓ An enabling domestic economy could attract migrants to return hence provide the country with valuable experience and skills acquired abroad.
- ✓ For better understanding of migration-development linkages it is vital for all the stakeholders to harmonize different data gathering procedures, definitions or classification and sharing of data on migration and make them accessible for public. Especially in the case of the Philippines, the biggest challenge experienced during the elaboration of the thesis was to obtain reliable, consistent, up to date data.
- ✓ There is a need to conduct such household surveys that would enable to compare migrant and non-migrant households on variety of indicators – alternatively to modify existent labour force surveys to obtain data on migration background of respondents.
- ✓ Besides data on outflow migration, knowing the scale of return migration and the profile of return migrants is crucial to, among other, explore the human trafficking and labour exploitation issues. Therefore, systematic collecting of data on returned migrant should be encouraged and facilitated.

CONCLUSION

The main aim of this diploma thesis was to examine the impact of migration on the Philippines development. The first part of the thesis reviewed available literature on the key migration related concepts as well as on the migration-development linkages from the perspective of the sending countries. The second part firstly provided a comprehensive background of the Philippines, a necessity in order to better understand the role of migration, and further proceeded with the “3R’s” approach that is to be reflected here.

According to the Papademetriou and Martin (1991), migration is not “*random*” and the answer to “*Who actually migrate?*” is a result of variety of factors that facilitate, shape and make migration possible. This has been confirmed by the thesis, as it found that both lack of employment opportunities as derived from the upward deployment trend and demand by established recruitment construct migration.

Focusing on remittances, Papademetriou and Martin (1991) in their model suggested that remittances can improve the lives of migrants and their families and also induce positive effects on non-migrant’s families through multiplier effect. Also with respect to remittances has been claimed that migrants rather than governments have an increasing role as major providers of “*private foreign aid.*”

Using data over the 1990-2014 period and both GDP growth rate and level of HDI as dependent variables, empirical analysis were carried out and results were checked for validity. Results revealed the positive relationship between remittances and the Philippines GDP growth rate and HDI, therefore both hypotheses, H1 and H2, were confirmed. The results broadly confirm the consensus in literature on growing importance of remittances as a source of development for developing countries.

In case of the Philippines, remittances, as a source of additional income, above all enable for increased expenditures on food, education and health that leads to development of human capital, improved productivity and eventually poverty reduction. At the macro level, too, remittances proved to be more significant than ODA and FDI, serve as important source of foreign exchange and an important addition to gross domestic product that has impact on its growth. However, at the same time the findings revealed that remittances do not seem to benefit low income households as much as the upper income families thus contribute to income inequality.

Further, in explaining development impact of return of migration Papademetriou and Martin suggested that return migrants can bring energy, ideas, skill and capital to improve productivity at home or to invest in place of origin. However, the thesis neither confirmed nor refused it due to the lack of available evidence.

It can be argued that the three Rs model is applicable, as far as it facilitates to understand the link between migration and development, yet, its focus is limited on economic dimension of migration and development, overlooking the costs of migration that are inevitable in the context of the Philippines.

International remittances proved to be associated with beneficial effects and may be source of development but never the only source. The thesis concludes that is not sustainable to rely on migration and remittances to foster the country's development. Although overseas employment may appear as a useful alternative to national development in the short term, it can never be a substitute for it. In all likelihood, the years to come will see Filipinos to leave abroad. Besides the internal pressure, global labour supply and demand imbalances are expected to fuel further migration as it can be seen already today and not only in case of the Philippines. Loss of valuable human capital can undermine, in the long term, the country's own potential for growth and development. In fact, despite the stable inflow of remittances, limited progress has been made on bringing down the problems like poverty, inequality and unemployment that tend to go hand in hand. The linkage of these development challenges and Filipino international migration was accurately expressed by Thomas Crouch "*OFWs are a symptom of the country's wider problems*" (Tesoro, 2004). There is no straightforward link between migration and development in the meaning of denial of those voices who claim that policies can make a difference.

To conclude, there are many ways to promote the country's development and migration is surely one of the factors that play a decisive role in it, especially in the case of the Philippines as evident from the thesis. The thesis found that migration and remittances have mixed impact on development of the Philippines depending on many factors. By providing indication, within its limited scope, on how these factors interact, the thesis contributes to the discussions on the nexus between migration and development.

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LIST OF ABBREVIATIONS:

OFW	OVERSEAS FILIPINO WORKERS
ADB	ASIAN DEVELOPMENT BANK
IMF	INTERNATIONAL MONETARY FUND
UN	UNITED NATIONS
IOM	INTERNATIONAL ORGANIZATION FOR MIGRATION
ILO	INTERNATIONAL LABOUR ORGANIZATION
POEA	PHILIPPINE OVERSEAS EMPLOYMENT AGENCY
PSA	PHILIPPINE STATISTICS AUTHORITY
CFO	COMMISSION ON FILIPINOS OVERSEAS
BSP	BANGKO SENTRAL NG PILIPINAS
SOF	SURVEY OF OVERSEAS FILIPINOS
WDI	WORLD DEVELOPMENT INDICATORS
NELM	NEW ECONOMICS OF LABOR MIGRATION
BOP	BALANCE OF PAYMENTS
CES	CONSUMER EXPECTATIONS SURVEY
CRSA	CASH RECEIPTS, SUPPORT AND OTHER FORMS OF ASSISTANCE

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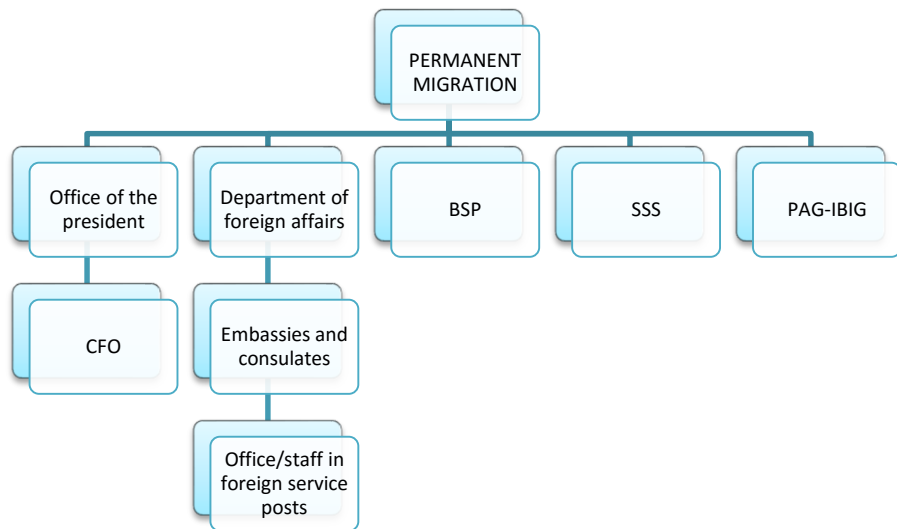
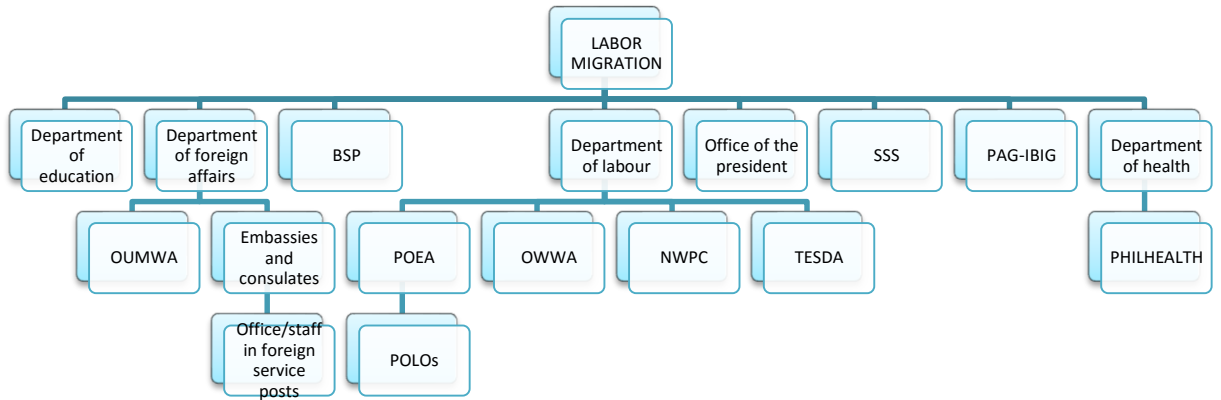
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APPENDIX A

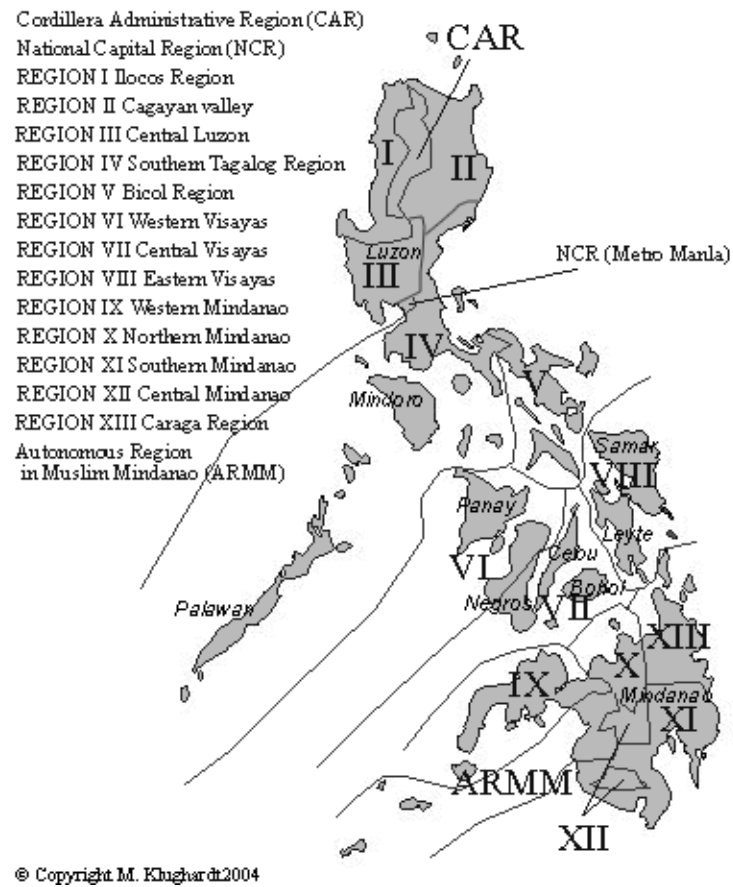
VARIABLE	DESCRIPTION AND SOURCE
GDP	GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. Its growth is calculated as annual percentage growth rate of GDP at market prices based on constant local currency. Data is sourced from Human Development Reports (UNDP, 2016)
HDI	The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is calculated geometric mean of normalized indices for each of the three dimensions. Data is sourced from Human Development Reports (UNDP, 2016)
RMT	Personal remittances comprise personal transfers and compensation of employees. Variable is the sum of those two items defined in the sixth edition of the IMF's Balance of Payments Manual. Calculated as a percentage of GNI. Data is sourced from C
FDI	Foreign Direct Investments are net inflows of investment from foreign investors. The acquisition must be at least 10% of voting stock. Teh variable shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, calculated as percentage of GDP. Data is sourced from the World Development Indicators (World Bank, 2016)
ODA	Net ODA, includes loans at non-concessional terms and grants by the official sector that aims to promote economic development and welfare. It also includes loans with a grant element of at least 25%. Calculated as a percentage of GNI. Data is sourced from the World Development Indicators (World Bank, 2016)

APPENDIX B



Source: own work based on IOM, (2013)

APPENDIX C



Source: (Klughardt, 2004)