Labor Export as Development Policy: Educated Unemployment and Overseas Labor Market in the Philippines

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I. The Problem

- Development scholars:
  - Human Capital Accumulation is key for sustained rapid growth
But not in the Philippines

### GDPs and School Enrollment Ratios in Selected Countries, 1960

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP/Capita (US$)</th>
<th>Primary Schools</th>
<th>Secondary Schools</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>175</td>
<td>91</td>
<td>29</td>
<td>10.8</td>
</tr>
<tr>
<td>Ecuador</td>
<td>216</td>
<td>81</td>
<td>11</td>
<td>2.6</td>
</tr>
<tr>
<td>Egypt</td>
<td>129</td>
<td>58</td>
<td>16</td>
<td>4.7</td>
</tr>
<tr>
<td>India</td>
<td>___</td>
<td>61</td>
<td>17</td>
<td>1.2</td>
</tr>
<tr>
<td>Iran</td>
<td>___</td>
<td>39</td>
<td>11</td>
<td>0.9</td>
</tr>
<tr>
<td>Iraq</td>
<td>216</td>
<td>51</td>
<td>19</td>
<td>2.0</td>
</tr>
<tr>
<td>Korea</td>
<td>155</td>
<td>96</td>
<td>29</td>
<td>4.7</td>
</tr>
<tr>
<td>Morocco</td>
<td>164</td>
<td>39</td>
<td>5</td>
<td>0.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>68</td>
<td>34</td>
<td>9</td>
<td>1.4</td>
</tr>
<tr>
<td>Paraguay</td>
<td>164</td>
<td>62</td>
<td>10</td>
<td>2.6</td>
</tr>
<tr>
<td>Peru</td>
<td>208</td>
<td>81</td>
<td>18</td>
<td>4.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>___</td>
<td>84</td>
<td>13</td>
<td>1.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>190</td>
<td>67</td>
<td>14</td>
<td>2.9</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1,043</td>
<td>100</td>
<td>23</td>
<td>4.0</td>
</tr>
</tbody>
</table>
Instead of Development, education led to Educated Unemployment

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5.4</td>
</tr>
<tr>
<td>No grade completed</td>
<td>2.8</td>
</tr>
<tr>
<td>Elementary</td>
<td>2.7</td>
</tr>
<tr>
<td>High School</td>
<td>7.5</td>
</tr>
<tr>
<td>College</td>
<td>9.3</td>
</tr>
<tr>
<td>Not Reported</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Labor Export Institutional Development (1974-present)

- **Stage 1: 1974 (Recruitment)**
  - Labor Export Policy with creation of Overseas Employment Development Board

- **Stage 2: 1995-2003 (Representation, Regulation of Private Recruitment and Protection)**
  - Republic Act 8042: Migrant Workers and Overseas Filipino Act of 1995
  - Absentee-Voting and Dual Citizenship Laws of 2003
Enormous exodus of labor, facilitated by the state

Overseas Filipino Workers as % of Population, 1975-1999

Source: Philippine Statistical Yearbook 1975-2003 editions
OFRs by Occupational Type Abroad, 1975-2000

Source: Survey on Overseas Filipinos, 1993-2001 and Philippine Statistical Yearbooks, various years
II. Question

Why did labor export become part of the development policy of the Philippines?

Filipina domestic workers on Sunday in Hong Kong

Filipino men waiting in Manila for potential job as a seafarer
III. Broad Argument

Areas for State to Generate Employment in the 1970s

- **Labor Generating Institutions**
  - I. Autonomous from State
    - Agriculture
    - Private Tertiary Education
    - Manufacturing
  - II. Controlled by State
    - Public Tertiary & Vocational Education
    - Bureaucracy
  - III. Industries for State to Capture
    (neither autonomous nor controlled by state)
  - Labor Export

- Costly for State to Enter
- Cheaper for State to Enter
IV. Too Much Autonomy from State

**Autonomous Private Employment Generating Industries:**

- Has been no comprehensive land reform (under Spanish hacienda system)
- Family conglomerates pushed for contradictory macroeconomic policies that they benefited from
- Had promotion of exports but at the same time protection of ISI firms that led to debt-driven growth
- No real growth in manufacturing (stayed stagnant at 10% of labor force working in sector since 1950s)

Dominance of Private Tertiary Education

- 1917 Private School Law
  - 2/3 of Private Schools classified as for-profits, with several traded on the Philippine Stock Exchange

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<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td>93</td>
<td>94</td>
<td>83</td>
<td>72</td>
<td>79</td>
<td>81</td>
</tr>
<tr>
<td>Students Enrolled</td>
<td>96</td>
<td>89</td>
<td>86</td>
<td>85</td>
<td>75</td>
<td>75</td>
</tr>
</tbody>
</table>

## Inability to Absorb Human Capital

<table>
<thead>
<tr>
<th>Ratio of College Graduates to Growth of Employment</th>
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<tr>
<td>Graduates</td>
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<td>∆ Employment in professional administrative and executive</td>
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<td>9.83</td>
<td>3.86</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>∆ Employment of college graduates</td>
<td>1.1</td>
<td>1.21</td>
<td>1.87</td>
<td>2.6</td>
<td>3.43</td>
</tr>
</tbody>
</table>
2. Areas controlled by State

☐ Expansion of public projects (roads, government buildings)

☐ Expansion of bureaucracy

☐ Expansion of Public Tertiary Education and Vocational Education
State’s Attempt to Expand Public Universities/Vocational Schools

Number of Post-Secondary Schools in Philippines

- **Public**
- **Private**

School Year:
- 1945
- 1947
- 1949
- 1951
- 1953
- 1955
- 1957
- 1959
- 1961
- 1963
- 1965
- 1967
- 1969
- 1971
- 1973
- 1975
- 1977
- 1979
- 1981
- 1983
- 1985
- 1987
- 1989
- 1991
- 1993

Number of Schools (by type):
- 0
- 200
- 400
- 600
- 800
- 1000
- 1200
- 1400
- 1600
- 1800
Technical Education and Skills Development Authority (TESDA)

- Vocational education designed by government for skills needed in domestic economy (targeting specific industries like agriculture)

- TESDA graduates have higher absorption rates in domestic labor market than those attending private schools
VI. Areas of Opportunity for State

State Control of Labor Export:

- The 1974 Labor Code (The Labor Export Policy)

- Labor Export Institutions:
  - Overseas Employment Development Board (OEDB) and National Seamen Board
  - Marketing the “Filipino” abroad and seeking jobs for the overseas labor market
  - Control of Recruitment
  - Mandatory Remittances
Educational Attainment of OFWs
(as percentage of total OFWs)

High correlation between Tertiary Education and Overseas Filipino Workers per capita

- Panel dataset from 10 years with cross-regional data across the Philippines
- Suggests for every percentage increase of enrollment in tertiary education, the percentage of OFWs increase by 0.20% on average per region
- More significant for non-urban regions
VII. Conclusion

- Labor Export became part of Philippine development policy since state could not generate enough employment because:
  - Expensive for state to regulate areas with too much autonomy (manufacturing, agriculture/land issues and private tertiary education)
  - Easier for state to generate employment and “match” skills between education and labor market needs in areas it can control (government bureaucracy, public education/vocational training)
  - Labor Export was an opportunity for state to exploit given its skilled labor force and educated unemployment problem
Thank You!

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