

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

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# I. The Problem

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- Development scholars:

- Human Capital Accumulation is key for sustained rapid growth

# But not in the Philippines

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

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

# Instead of Development, education led to Educated Unemployment

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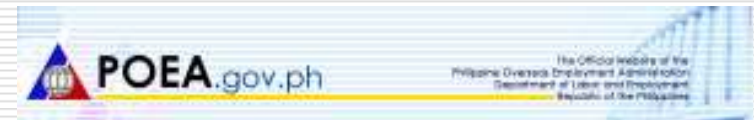
Unemployment Rate by Educational Attainment, 1980-1983 average

Total	5.4
No grade completed	2.8
Elementary	2.7
High School	7.5
College	9.3
Not Reported	6.3

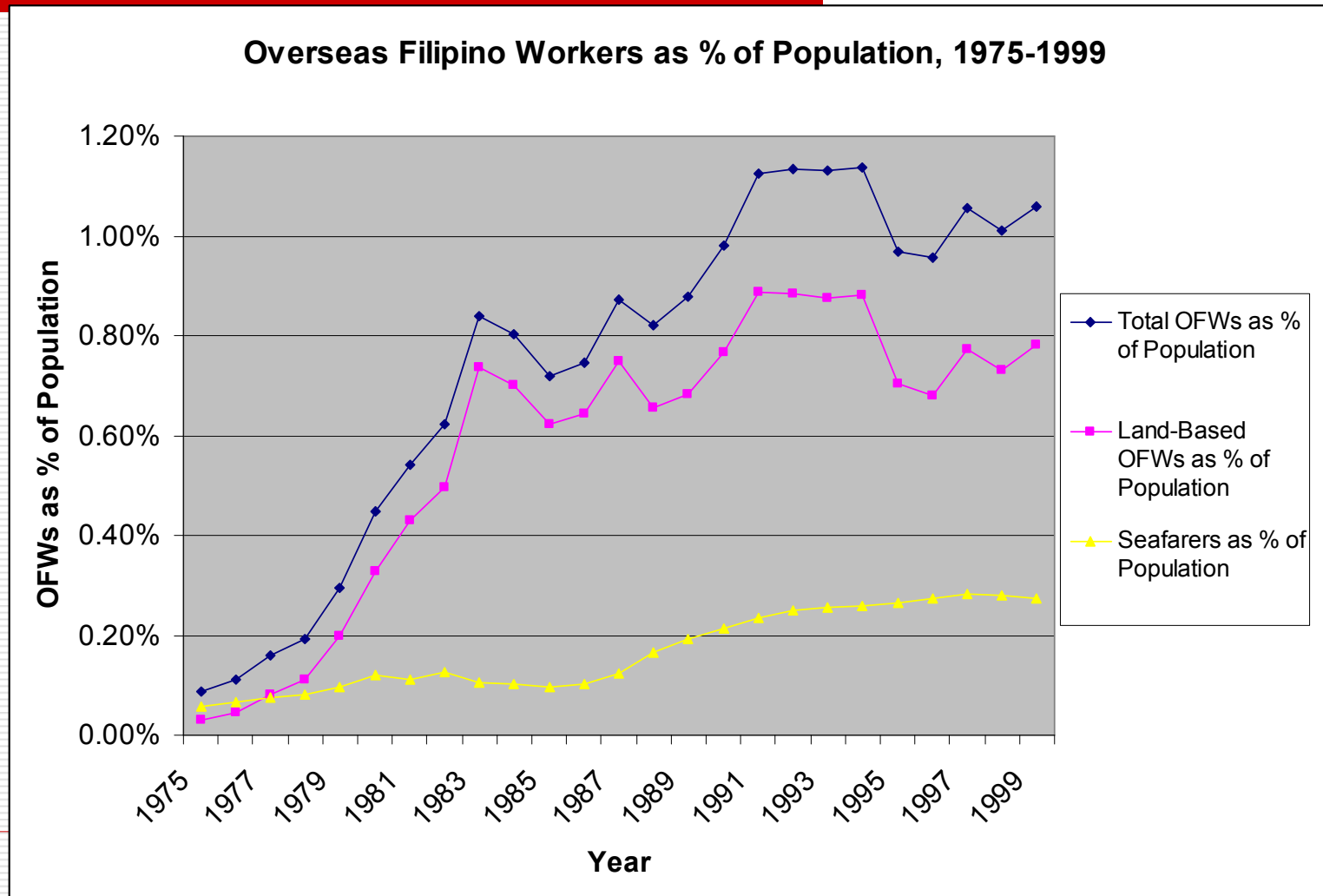
# Labor Export Institutional Development (1974-present)

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- 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

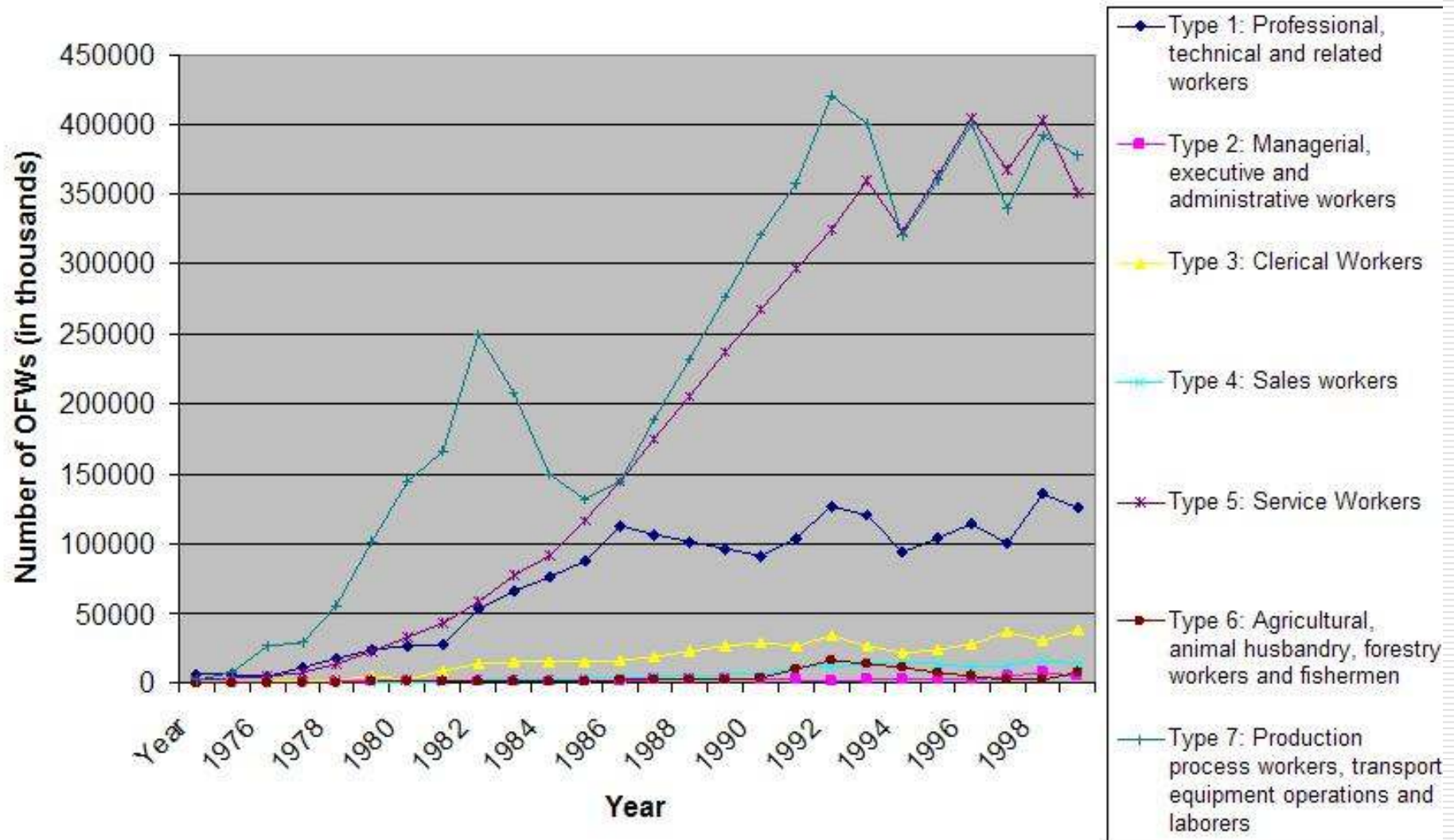


# Enormous exodus of labor, facilitated by the state



Source: Philippine Statistical Yearbook 1975-2003 editions

## OFWs by Occupational Type Abroad, 1975-2000



Source: Survey on Overseas Filipinos, 1993-2001 and Philippine Statistical Yearbooks, various years 7

## II. Question

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



Filipina domestic workers on Sunday in Hong Kong

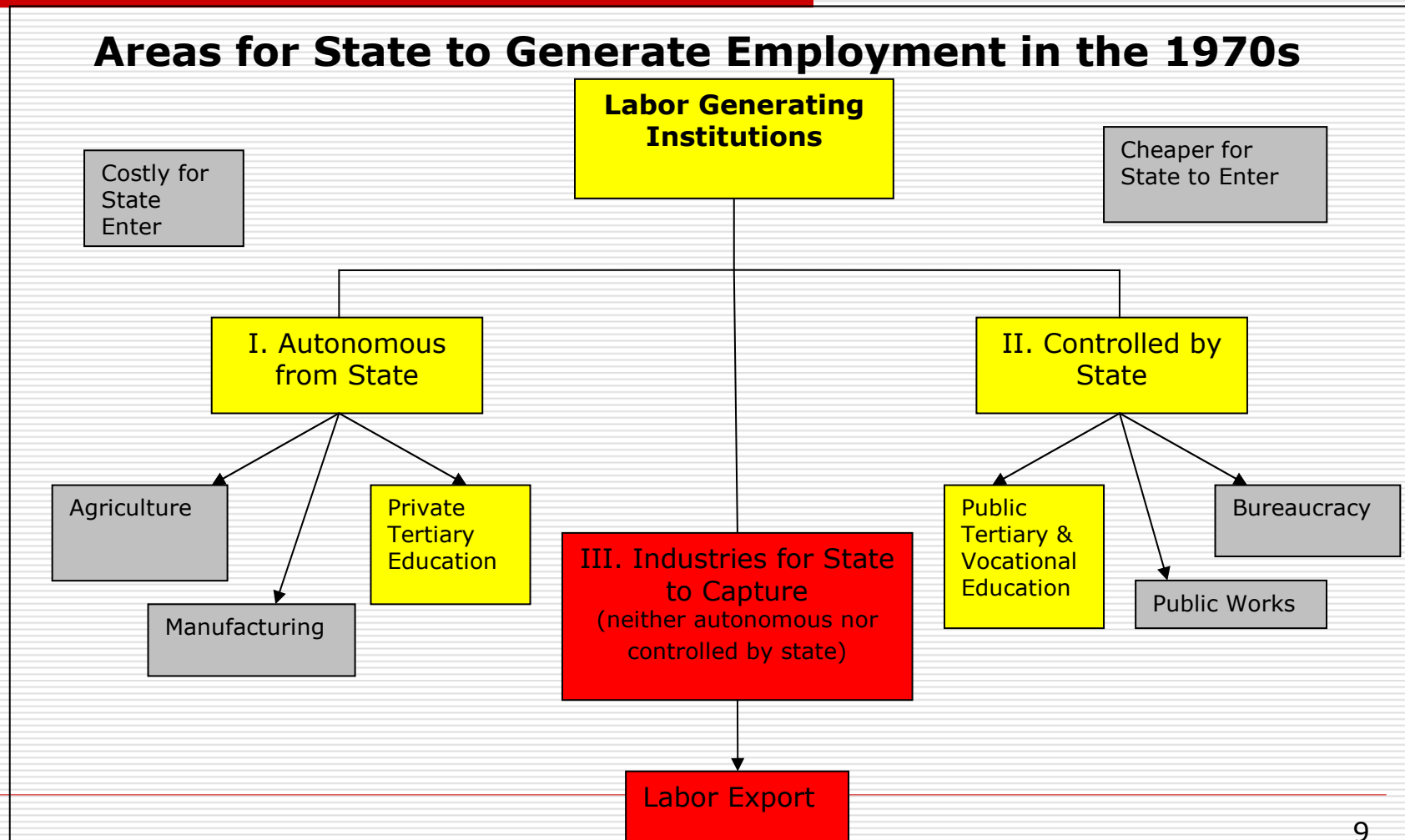


Filipino men waiting in Manila for potential job as a seafarer



# III. Broad Argument

## Areas for State to Generate Employment in the 1970s



# IV. Too Much Autonomy from State

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## **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

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## □ 1917 Private School Law

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

**Share of Private Higher Education (% Total)**

	1955	1965	1975	1985	1995	1999
Institutions	93	94	83	72	79	81
Students Enrolled	96	89	86	85	75	75

Source: Commission on Higher Education and Richard K. Johanson, "Higher Education in the Philippines" (Manila: Asian Development Bank, 1999)

# Inability to Absorb Human Capital

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## Ratio of College Graduates to Growth of Employment

	1961-65	1976-81	1981-86	1986-91	1991-95
Graduates					
Δ Employment in professional administrative and executive Graduates	1.35	2.53	9.83	3.86	3.85
Δ Employment of college graduates	1.1	1.21	1.87	2.6	3.43

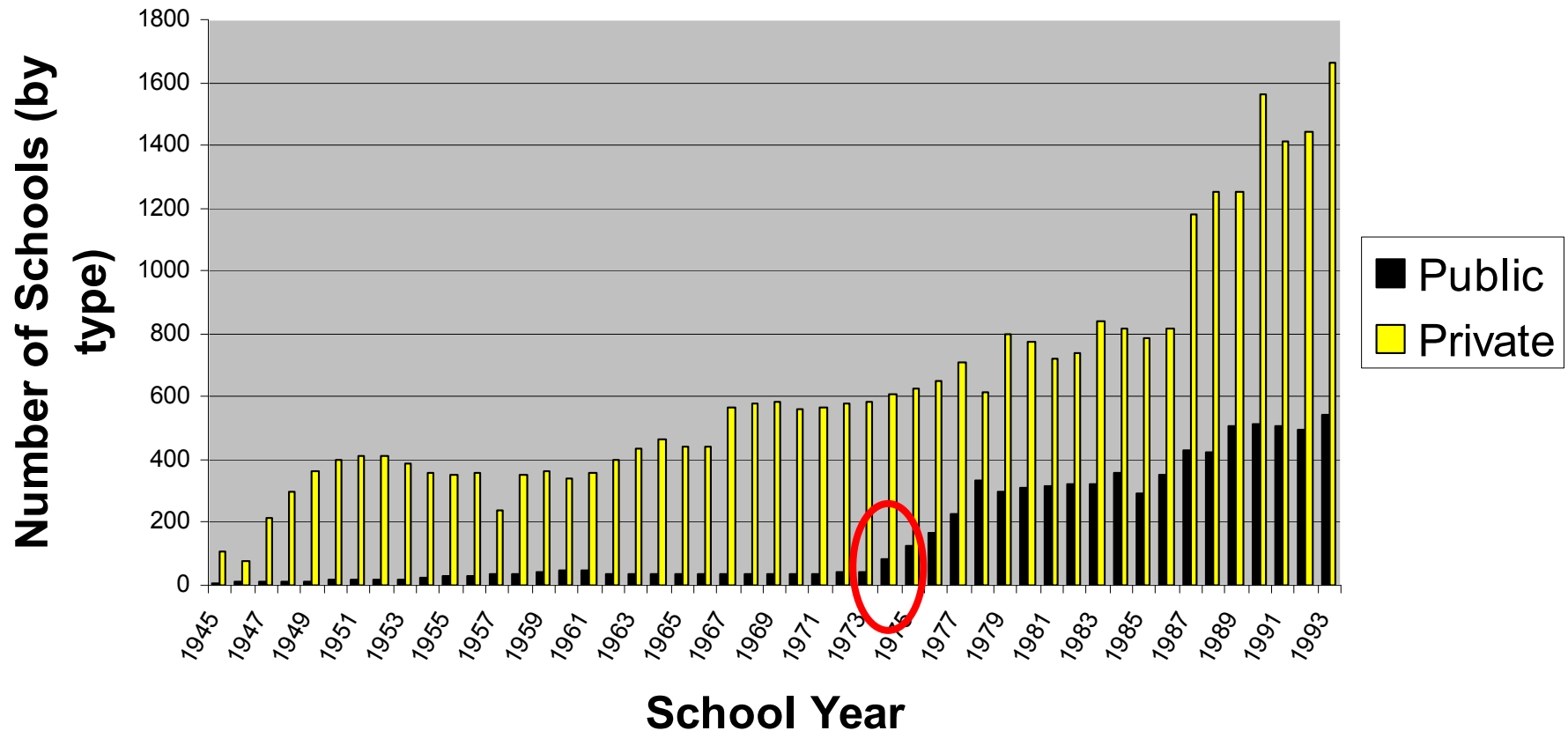
## 2. Areas controlled by State

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- ❑ 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



# Technical Education and Skills Development Authority (TESDA)

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- ❑ 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

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## **State Control of Labor Export:**

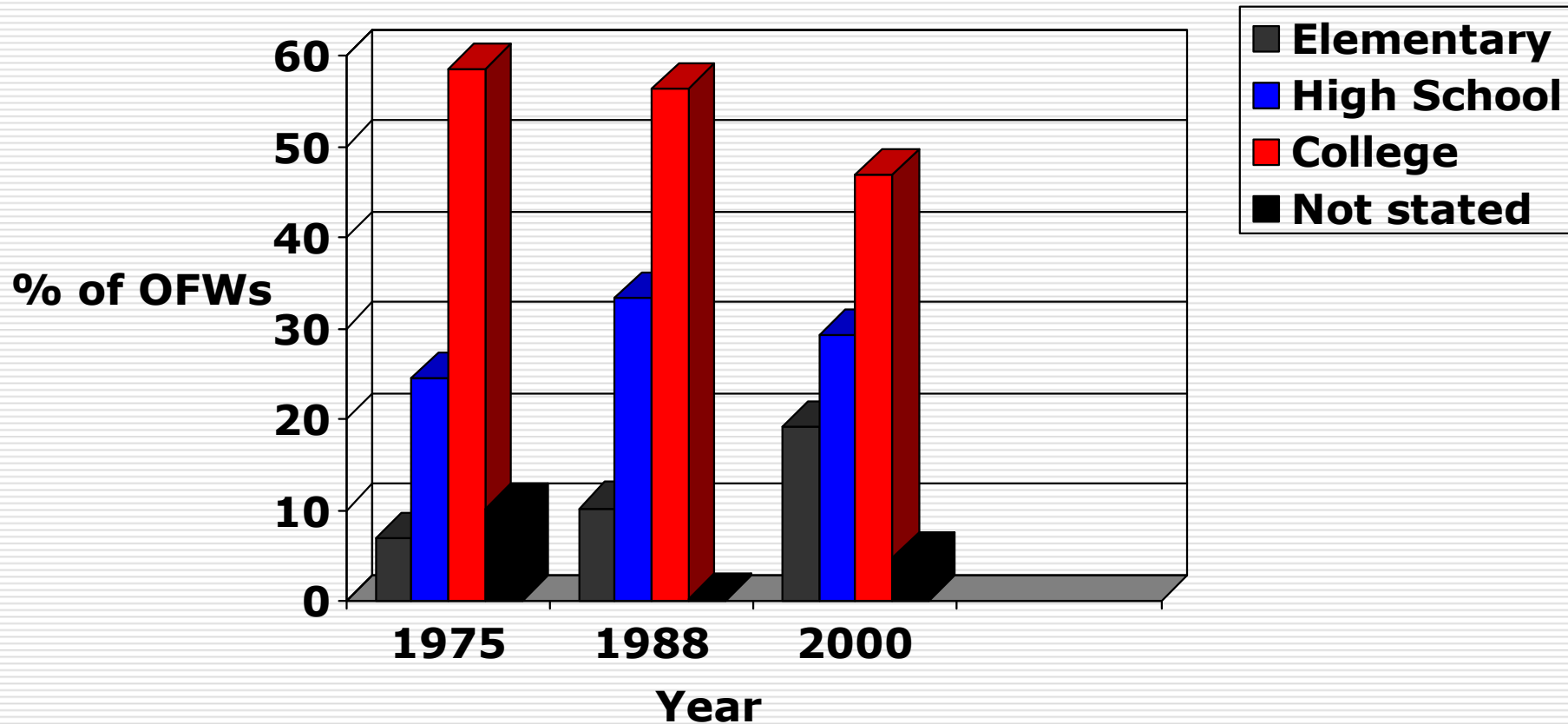
- The 1974 Labor Code (The Labor Export Policy)
  
- Labor Export Institutions:
  - Overseas Employment Development Board (OEDB) and National Seamen Board
  - Marketing the “Filipino” abroad and seeking jobs for the overseas labor market
  - Control of Recruitment
  - Mandatory Remittances



# Educational Attainment of OFWs

(as percentage of total OFWs)

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## High correlation between Tertiary Education and Overseas Filipino Workers per capita

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- ❑ 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

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- 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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