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# An empirical analysis of international labour migration in the Philippines

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### ABSTRACT

This study empirically investigates the impact of economic, demographic, and political factors on the size of emigration from the Philippines. In 2007, overseas workers from the Philippines sent remittances in excess of US\$14 billion annually to their families back home. Although these remittances are an important source of foreign exchange and play an important role in economic development, the determinants of emigration in the Philippines are not well established. A simple unrestricted error correction model of migration was specified and estimated using data spanning the period 1975–2005. Results indicate that the level of unemployment, adult literacy and population density are the key determinants of emigration in the Philippines. The result also indicates that government instability impacts negatively on emigration in the Philippines. The policy implications of the results are discussed.

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## 1. Introduction

For centuries, people have migrated in search of opportunities for economic prosperity or political freedom. Over the last two decades, international migration has grown rapidly, mainly due to the globalisation of economic activities and its ensuing effect on labour migration (UNPF, 2006). These recent episodes of rising international migration illustrate the challenges facing developing and developed countries in a globalised economy. International migration, mainly from developing

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countries to developed countries, has generated significant improvements in the lives of migrants and their families. These international migrants receive higher wages and their families who are left in their country of origin benefit through the remittances that they receive from the family member working overseas. Countries of destination of migrants on the other hand have benefited from the increased supply of skilled and unskilled labour while countries of origin saw the easing of their domestic labour market pressures (World Bank, 2006).

In the last two decades or so, the dramatic growth in international migrant remittances has captured the attention of governments and international agencies because of its potential to contribute to the growth and development of national and regional economies. This is in addition to its potential to reduce poverty (Blackwell and Seddon, 2004). As highlighted by the International Monetary Fund (IMF), remittances have the capacity to act as a cushion for economic shocks and provide direct benefits to households (IMF, 2006a). The World Bank reports that workers' remittances to developing countries were US\$240 billion in 2007, and this has served as an important source of external funding for developing countries and now acts as a crucial and stable source of foreign exchange earnings for developing countries (World Bank, 2008). Given that the estimate primarily reflects official remittances and fails to account for those sent via unofficial channels, the actual amount of remittances is likely to be higher (see also Puri and Ritzema, 1999). It is for this reason that remittances have been regarded as the third pillar of development, together with foreign direct investment and overseas development assistance (Alfieri et al., 2005).

The Philippines stand prominent among remittance-receiving and labour-exporting countries. With US\$14.4 billion in official remittances in 2007 (BSP, 2008), the Philippines was one of the developing world's largest remittance-recipients in absolute value terms. In terms of labour export, the Commission on Filipinos Overseas (CFO) estimates that around 8.2 million Filipinos live and work in more than 193 countries/territories around the world (CFO, 2008). In addition, based on CFO estimates, 43% of Filipinos outside the country are permanent emigrants while the rest are temporary or contract workers. Collectively called Overseas Filipino Workers (OFWs), they constitute the third largest diaspora population in the world (Zhang, 2006).

The objective of this paper is to empirically investigate the impact of economic, demographic and political factors on the size of emigration in the Philippines. A simple unrestricted error correction model of migration was specified and estimated using annual data spanning the period 1975–2005 in a time-series theoretic framework. The findings of this study provide an understanding of how the historical conditions, as shaped by socioeconomic and political systems, have reshaped international labour migration in the Philippines. This paper outlines how these findings could serve as a useful guide for government policymakers seeking to formulate and implement policies to address the issues concerning international labour migration in the Philippines.

The remainder of this paper is arranged as follows. Section 2 reviews briefly the immigration policy initiatives of the Philippine government for 1970–2005. Section 3 describes the methodology employed in the analysis and the data. Section 4 reports and discusses the estimated results. Section 5 provides some concluding remarks.

## 2. The Philippines' migration policy initiatives

Migration is a pervasive phenomenon in the Philippines. The rapid increase in the size and composition of migrants in the last two decades or so has rekindled the debate over migration in the Philippines. International migration of Filipinos, either for temporary labour opportunities or permanent migration, has been growing for many decades now. However, it was not until the passing of the Immigration and Nationality Services Act of 1965 in the United States of America that Filipino immigration diversified. This act, also known as the Hart–Celler Act, paved the way for the abolition of the natural-origin quotas and the dismantling of the nationality-based immigration restrictions into the United States of America and allowed the mass entry of immigrants from Asia and Latin America. The Act was subsequently followed by the scrapping of the same pro-European immigration policies in other countries of settlement like Canada, Australia and New Zealand. This led to a rise in Filipino migrants to these traditional immigration countries (Asis, 2006). In addition, Filipinos also settled in non-traditional immigration countries like Japan and Germany, either through marriage or work-

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