

Amando M Tetangco, Jr: Overseas Filipino Workers – impact on economic and social dynamics

Keynote address by Mr Amando M Tetangco, Jr, Governor of the Bangko Sentral ng Pilipinas (Central Bank of the Philippines), at the PSA (Philippine Statistical Association) Summer Conference “OFWs: Bagong Bayani, Ilan Ba Talaga Kayo?”, Central Bank of the Philippines, Manila, 5 June 2007.

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PSA President Isidoro David, MBM Valdepeñas, other officers and members of the Board of Directors of PSA, Heads of the various statistical agencies, Resource Persons and Reactors, my colleagues in BSP and fellow workers in government, sponsors, ladies and gentlemen, good afternoon.

The Bangko Sentral ng Pilipinas is pleased to co-host with the Philippine Statistical Association (PSA) this year’s summer conference on the theme: “OFWs: Bagong Bayani, Ilan Ba Talaga Kayo?”.

Over the past few decades, OFW deployment has had a profound impact on our economic and social dynamics. Research and statistics pertaining to OFWs are becoming increasingly indispensable in establishing and assessing these effects. It is thus critical that various agencies and institutions and producers and users alike of OFW-related statistics are convening today: first, to clarify the official headcount of OFWs, given various sets of data; and second, to provide accurate measures of OFW remittances.

The best way to start our consultation today is to recognize that the onset of globalization has heightened trade and investments across countries. Equally important, labor migration and cross-border employment have also increased. As a result, both the issues of migration and cross-border remittances have attracted growing attention from a greater number of policymakers, academicians, international organizations, and market practitioners, over the years.

At this stage, however, there is still a lot of ground to cover on the statistical front. We have yet to update and strengthen our database to fully satisfy the needs of policy and program formulators .

How important is the information? We need to regularly monitor overseas employment as basis for policy and program formulations for advancing the cause of protecting our overseas workers and enhancing their welfare and of their families. Another key issue is the impact of international movement of persons on our demographic structures, expenditure patterns, social structures and poverty levels. Likewise, we recognize the importance of overseas employment in helping ease the pressure of unemployment and in boosting the national economy by helping increase the foreign exchange reserves. There are of course second-order effects of higher foreign exchange inflows, including the impact on the domestic currency and external competitiveness. But to me, it is fundamental to first address the current challenges and measurement issues that have very important analytical and policy bearings. This conference will hopefully help pave the way to clarify such issues.

First, let us look at the statistics on the number of OFWs. Our theme for today, “OFWs: Bagong Bayani, Ilan Ba Talaga Kayo?”, suggests that we are not yet certain exactly how many are our OFWs, and more generally, how many Filipinos are overseas. Accuracy in this aspect may really be a challenge because what we want to monitor are people who are always on the move. At present, there are various agencies producing OFW-related statistics. The Philippine Overseas Employment Administration (POEA), the Overseas Workers Welfare Administration (OWWA) and the Commission on Filipinos Overseas (CFO), on the one hand, maintain statistics based mostly on administrative records as an offshoot of their functions. On the other hand, the Bureau of Labor and Employment Statistics and the National Statistics Office, have data based on labor force surveys and census of population and housing. We need to understand how these data from various agencies are interrelated. The first key question is: is there a uniform definition of what an OFW is?. For instance, in the Census of Population and Housing, overseas workers are defined as those who had been away for not more than five years from date of last departure. Do the other agencies producing OFW statistics adopt the same definition?. Is it possible to integrate and reconcile these sets of data from various sources to come up with one, uniform, comparable set of data on OFWs and overseas Filipinos?. The next question is: how are the definitions linked or reconciled with definitions in other macroeconomic statistical frameworks such as the 1993 System of National Accounts (1993 SNA) and the 5th edition of the balance of payments manual (BPM5), which adopt a one-year residency criterion for determining who are the residents of a particular economy?. What are the implications of adopting

different sets of definition in our economic statistics and in economic analysis?. While there are efforts in the Inter-Agency Technical Working Group (TWG) on Overseas Filipino Statistics to formulate the operational framework, concepts and definitions for overseas Filipinos, this conference could clarify the differences in the sets of data currently available.

Second, on the remittance data. We have already seen the size of OFW remittances doubling within the last five years. With its growing importance to our economy, we need to place emphasis on its accurate measurement. We are aware that remittances are by themselves already inherently difficult to measure, since they are composed mostly of numerous small, frequent transactions, carried out by a multitude of transactors through a complex structure of originating and delivering agents here are also other measurement concerns including appropriately capturing remittances of non-resident OFWs which are invested in financial instruments or physical assets such as real estate. Moreover, a certain amount of remittances still flow through informal channels, which should be measured to determine the amount of global remittances. Given the present range of remittance channels, and the expected increased complexity of the structure of service providers in the near future, accurate measurement of remittances remains a challenge for statisticians. We therefore need to collectively consider and design the best approach that will measure remittances in the most accurate and timely manner, going forward. This will not necessarily be an easy task. Even at the international level, the conventional wisdom is that there is no unique “best” source of data, or collection approach, due to the complexity of the phenomenon. Therefore, from a purely technical standpoint, a reasonable strategy would be to appropriately combine different sources and methods, e.g., bank reports data, household surveys, other administrative-based data, even econometric and demographic models, that will allow for integration, cross-checks and reciprocal confirmations. Moreover, data on remittances should not be considered in isolation from data on stock of workers and deployment of overseas workers, as well as wage rates, wage increases and inflation in host countries. At the end of the day, there have to be reasonably explainable patterns and links among these variables that will allow for more informed economic analysis, decision making and policy-making by the government.

On this note, highly commend the Philippine Statistical Association for organizing this conference on the subject. We hope that this forum will serve as a catalyst for further statistical research and studies on the OFW phenomenon. We also thank the sponsors of this conference for their support.

For its part, the Bangko Sentral ng Pilipinas remains committed to its objective of improving the remittance environment for the benefit of our OFWs – particularly by facilitating the reduction of remittance costs in the Philippines and in host countries, and by helping channel foreign exchange savings to microenterprises and other investment opportunities. The BSP also fully supports the statistical improvement efforts that will help ensure that the government will formulate its policy decisions based on solid statistical ground.

Maraming salamat po, at magandang hapon sa inyong lahat.