

Made for Export: Labor Migration, State Power, and Higher Education in a
Developing Philippine Economy

by

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Abstract

Development scholars, heavily influenced by the cases of the four Asian Tigers (Hong Kong, Singapore, South Korea, and Taiwan), have attributed success in economic development to education. Although the Philippines seemed even more promising before the Asian Tigers began developing, the educational advances in the Philippines have led to an enormous exodus of labor. Failing to integrate its highly educated labor force in the domestic economy, the Philippine state focused its attention on exporting college-educated/highly-educated workers by creating a set of elaborate institutions to facilitate overseas employment. As a result, currently over 10 percent of its citizens live abroad in over 160 countries and about 4,600 Filipinos leave the country every day for overseas work. Why did the Philippine government develop institutions for exporting labor and why has it continued for the past four decades?

This dissertation explains how the management of post-secondary educational institutions influenced the initiation and continuation of the Philippine labor export program. From its start, two interrelated problems motivated the creation of the Philippine labor exporting state: (1) overdevelopment of the educational system through an unregulated, laissez-faire approach to private higher education and (2) underdevelopment of the economy to absorb high-skilled labor in the domestic labor market. President Ferdinand Marcos and his technocrats developed the 1974 labor export program to relieve the country of these twin problems by providing overseas employment for the educated unemployed and generating foreign currency revenues from the remittances received from Filipinos working abroad. Over time, political pressures from overseas Filipinos and migrant households, coupled with growing remittance revenue and a large private recruitment industry, led to further development of the labor exporting state with the creation of new state emigrant institutions for managing, protecting, and representing Overseas Filipino Workers (OFWs). These new state institutions, overseas demand for Filipino workers, domestic demand for remittances, and a highly flexible and unregulated private higher educational system continues to drive the exporting of Filipino labor to this day.

Empirically, this dissertation is based on twelve months of fieldwork in the Philippines and relies on multiple research methods: archival research, statistical methods empirically testing the relationship between post-secondary education and out-migration, over one hundred interviews of key actors in the labor export and higher education industries, quantitative data analysis using survey and census data from the 1950s through 2011, the creation and analysis of an original dataset of family ownership of all private higher educational institutions in the Philippines, and a review of government documents and legislation.

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The pages that follow are more than just about academic research, but it is about self-discovery: learning about where I came from, why my family is dispersed in so many countries, and why my parents kept sending money back to the Philippines. Thankfully, field research for this project allowed me to travel to the Philippines to meet many of my relatives to learn about my familial roots.

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Chapter 1 – Introduction

“We have provided jobs for our people not only in our new and expanding industries but also in the world labor market. Filipino talents and skills are becoming ubiquitous in many parts of the world.”¹

-President Ferdinand Marcos

I. The Puzzle

In the 1950s, many development scholars predicted that the Philippines would be the model for economic development in Asia—economic indicators, particularly those of human capital accumulation, suggested these predictions would come true. By 1960, the Philippines was ranked second only to the United States in higher education enrollment rates, and had a much higher rate compared to some of the Asian “success” stories such as South Korea, Singapore, and Malaysia (see table 1.1).² Moreover, free universal primary education led to a high literacy rate early in the country’s development. Plenty of foreign capital flooded the Philippines with aspirations that it would provide fuel for the promising economy. From post-World War II to the late 1960s, the Philippines was the second largest and fastest growing economy in Asia. But despite all of this success, the Philippine economy stalled in the middle of its climb and veered onto a bumpy path that it continues on today as it struggles to sustain economic growth. By the 1970s the Philippines had a difficult time producing enough jobs in the labor market to absorb its educated population. Once praised as “Asia’s Pearl,” the Philippines has gone from being the region’s most promising economy in the 1950s to being its stray cat—a country that focuses on leaping to overseas labor markets to employ its citizens. Consequently, the Philippines became the world’s most organized labor exporting country in the world.

¹ Speech by President Ferdinand Marcos cited in Catholic Institute for International Relations, *The Labor Trade: Filipino Migrant Workers around the World* (London: Catholic Institute for International Relations, 1987), 120.

² UNESCO, *The Literary Situation in Asia and the Pacific: Country Studies* (Bangkok, Thailand: UNESCO, 1984).

Table 1.1
School Enrollment Ratios in Selected Countries, 1960.³

| Country | Primary Schools | Secondary Schools | Higher Education |
|--------------------|--------------------|----------------------|---------------------|
| Philippines | 91 | 29 | 10.8 |
| United States | 99.5 | 90.3 | 38.4 |
| Ecuador | 81 | 11 | 2.6 |
| Egypt | 58 | 16 | 4.7 |
| India | 61 | 17 | 1.2 |
| Iran | 39 | 11 | 0.9 |
| Iraq | 51 | 19 | 2.0 |
| Korea | 96 | 29 | 4.7 |
| Malaysia | 93 | 16 | 1.2 |
| Morocco | 39 | 5 | 0.5 |
| Pakistan | 34 | 9 | 1.4 |
| Paraguay | 62 | 10 | 2.6 |
| Peru | 81 | 18 | 4.1 |
| Singapore | 111 | 33 | 6.3 |
| Thailand | 84 | 13 | 1.9 |
| Turkey | 67 | 14 | 2.9 |
| Venezuela | 100 | 23 | 4.0 |

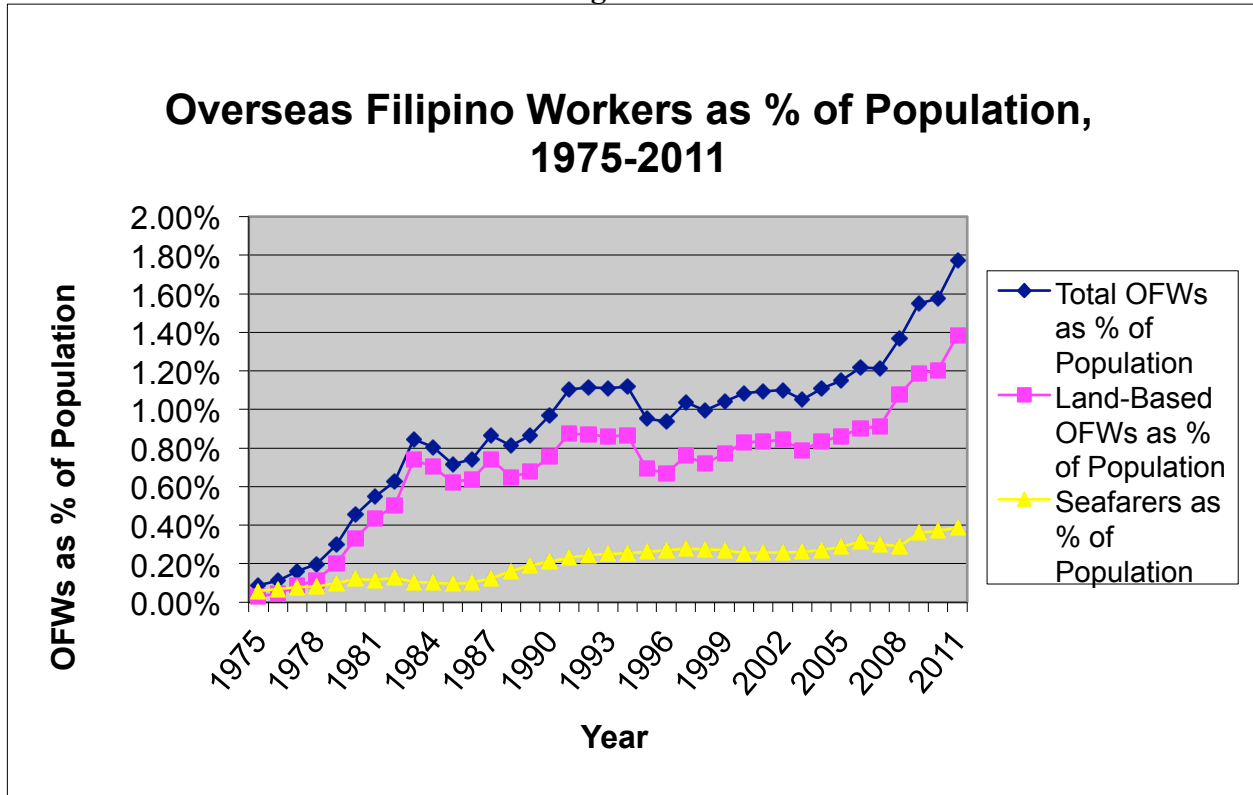
Source: National Center for Education Statistics (2005).

Having failed to provide opportunities for its highly educated labor force in the domestic economy, in 1974 the Philippine state focused its attention on exporting its workers by creating a set of elaborate institutions to facilitate overseas employment. The Philippine government developed institutions for credentialing and processing workers before they were deployed overseas and provided a network of services for them through their consulates in migrant-destination countries. The government also began to regulate private recruitment agencies and established a government recruitment agency that not only finds positions abroad for Filipinos, but also markets Filipinos to governments and private companies around the world. As of 2011,

³ Enrollment ratios are based on the percentage of school-age population enrolled in the first grade of each level. This ratio was calculated by dividing the total enrolled in the first-level enrollment as a percentage of the total population in the customary age range for first-level schooling. This percentage can exceed 100 when children outside of the customary age are enrolled. The validity of comparisons is limited by differences in school system.

as a result of this effort, over 10 million Filipinos live abroad in over 160 countries and about 4,600 leave daily (figure 1.1 shows the number of departing Filipinos over time as a percentage of the population).⁴

Figure 1.1



Source: Philippine Statistical Yearbooks, various years.

Now after four decades of labor export, independent national polls show that 3 out of every 10 Filipinos would leave the country if they were given the opportunity and about 47% of children ages 10-12 years old said they want to work abroad when they become adults.⁵ These and other data suggest that Philippine economic and political institutions have been diverted away from domestic development and towards labor exportation; it also suggests that they have helped to set and maintain society's favorable reaction to overseas labor markets. Why did the

⁴ This only includes Filipinos who depart on overseas contracts which accounts for about almost half of all Filipinos world-wide, but is currently the biggest flow of Filipinos since the 1974 labor export policy. Given that the Philippines has a very high population growth rate, the rise in percentage means that the rise in percentage of Filipinos going abroad on overseas contracts is higher than the population growth rate.

⁵ Pulse Asia, "Pulse Asia's July 2006 Ulat Ng Bayan Survey," (Manila, Philippines: Pulse Asia Inc., 2006).

Philippine government develop institutions for exporting labor and why has it continued to do so for the past four decades?

II. The Labor Exporting State

This dissertation argues that the beginnings and perpetuation of the Philippine labor export program have much to do with how the state manages post-secondary educational institutions (i.e., its tertiary educational system). Throughout the late 20th century, the largely unregulated Philippine tertiary educational system evolved to produce graduates for overseas labor markets. This hands-off, laissez-faire approach to higher education allowed private tertiary schools to supply degrees and other educational credentials that Filipinos used to secure overseas employment. This dissertation investigates the intimate connections between state control of education and migration on the one hand, and that same control and economic development on the other, with the goal of describing the beginnings and eventual institutionalization of labor export as part of Philippine development policy. It examines this relationship between tertiary education and overseas employment over three periods: 1) the period of two-pronged development failure, 2) the labor export initiation period, and 3) the period of entrenchment and institutionalization.

Using historical methods, the dissertation first focuses on explaining labor export initiation by examining the various causal links between human resource development and economic development policies. Second, it will explain the various policies and programs that the government developed to export labor, and then show how the politics of dependency on overseas labor led to the eventual institutionalization of labor export. Third, this dissertation uses statistical methods to empirically test the relationship between out-migration and post-

secondary education and thereby demonstrate the significant role post-secondary schools contribute to the outflow of Filipinos to overseas labor markets.

Labor Export Initiation

Two historical periods explain why the Philippines developed a labor export policy. First, between 1898 and 1972, the Philippines was a weak state facing two interrelated problems that set the stage for creating the 1974 labor export policy: (1) an underdeveloped economy that could not absorb domestically-produced high-skilled labor and (2) an overdeveloped tertiary educational system generated by an unregulated, laissez-faire approach to *private* higher education. The underdevelopment of the domestic labor market was an outcome of conflicting failed economic policies geared towards building modern industries, while at the same time trying to export agricultural products. Heavily influenced by wealthy private landowners who wanted to both industrialize but also maintain their disproportionately large share of land (a share that maintained since the Spanish colonial era), these policies had a dislocating effect on the Filipino population who quickly moved from an agrarian to modern industrial society.

During this same period, the U.S. colonial government placed a heavy emphasis on education as a way for Philippine society to eventually become both politically and economically independent from the United States. Departing from over four hundred years of Spanish colonial policy that permitted the education of elites only, American colonial administrators provided universal and free primary education throughout the country. Education became the key that opened the door for Filipinos who aspired to join the modern labor force. Filipinos easily embraced education since there exists a cultural value attached to obtaining a college degree as an instrument for social and economic mobility. These ideals led to a very high demand for

universal publicly-funded primary education, both private and public secondary education, and a predominantly private tertiary education. Demand for education continued to rise as government policy pushed Filipinos from the rural agricultural parts of the country to the burgeoning industrialized cities. With this rapid movement of labor from the rural to the urban center and with a major shift in the structure of the economy to rapidly favor the industrial over the agricultural sector, formal education became a key means by which to distinguish oneself in an increasingly competitive domestic labor market. On the supply side, higher educational institutions (HEIs) easily adapted to these market forces because the government had provided them with incentives to do so: high autonomy in terms of curriculum development requirements, low capital requirements, tax benefits for owning higher education schools and allowing them to organize as for-profits. The combination of these two major forces—the increased demand for education together and government incentives for private sector participation in higher education--resulted in a Filipino population with a large number of tertiary-level degree holders. But because of the underdeveloped economy, these graduates were simply unable to find their place within the domestic labor market.

In the late 1960s, Ferdinand Marcos inherited these twin problems of development failure when he became President of the Philippines. Social unrest and protest increased in the early 1970s and he declared martial law in 1972 in order to gain control over the unraveling political and economic climate. From 1972 to 1986, Marcos used his newly acquired powers to control economic sectors that had traditionally been dominated by the private sector—post-secondary education and heavy industry were among these. Marcos recognized that educational advances in the Philippines had led to an overproduction of degree holders who were unable to be absorbed into the domestic labor market. As a result, he and his team of technocrats put in place

several policy innovations that shifted the power of human resource development from non-state actors to the state itself: (1) stronger state control of tertiary educational institutions, (2) development of more state colleges and universities, including those that specialized in developing technical skills and vocational education, and (3) a labor export policy to manage the out-flow of migrants abroad. With respect to the latter, Marcos and his advisors believed managed labor export was an opportunity for the Philippine government to satisfy two pressing political goals: (1) employment generation for the excess supply of tertiary degree holders that were mostly being produced by private tertiary schools, and (2) a method for the state to obtain the financial capital it needed to sustain the economy.

Formation of a Labor Exporting State

The second purpose of the dissertation focuses on explaining how labor export became institutionalized within Philippine development policy. It argues that the same dislocating political and economic forces that produced the labor export program made the government, the Filipino population, and the business community increasingly dependent on labor export. Specific demands by these three actors set the conditions for the labor export industry to grow. These social and economic responses to labor export included: (1) the reliance by the Philippine government on remittance-driven foreign exchange to deal with its balance of trade problems and to find employment for the educated unemployed and underemployed, (2) political pressure from overseas Filipinos and migrant households, (3) the increased influence of Philippine businesses that were involved in remittances and overseas recruitment agencies, and (4) the supply of higher education specifically for the labor export market.

1. Dependence by Philippine Government for Foreign Currency and Unemployment Relief

Specific conditions in the Philippine political economy led to the growth of labor export. The need for remittances (to address balance of payment problems and an increasing national debt) and lack of employment generation in the domestic labor market led to more dependence by the Philippine government on exporting labor. After several years from the initiation of the labor export policy in 1974, the government began to see the benefits of overseas labor and created more institutions and incentives for private sector participation.

2. Political pressures from overseas Filipinos and migrant households

As the labor export industry grew over time, there were many problems encountered by Filipinos working abroad that led to political pressures on the Philippine state to increase its role in the labor export industry. Responding to political pressures from overseas Filipinos, migrant households, and the domestic Filipino population, Filipino legislators created a comprehensive “magna carta” for expanding the role of the Philippine state in emigration. The state created emigrant institutions for protecting overseas Filipinos and expanded political rights and representation for Filipinos overseas in domestic political institutions.

3. Philippine Businesses Increasing Participation in Labor Export Industry

The population’s and government’s increased dependence on labor export led to a rise of private sector involvement in the labor export industry. Private banks and money transfer agencies mushroomed throughout the Philippines to enter the remittances business. After the ban on them had been lifted, private recruitment agencies became an alternative to the government’s Overseas Employment Development Board (OEDB) to help fill the increasing demands for overseas jobs. Private educational institutions also responded to the demands by Filipinos for training for

overseas positions. Overall, the labor export policy of 1974 increased private sector involvement in labor export since the government increasingly relied on them to meet the demands by Filipinos for overseas employment that it could not fulfill on its own.

4. Education for Labor Export

The way post-secondary schools were (and continue to be) managed plays a major role in why the Philippine labor export industry continues to flourish. Government incentives for private sector participation in higher education made it easy for private schools to meet the demands for education by the Filipino population. Tax and organizational incentives for private sector participation, a lack of government regulation on quality, and the freedom enjoyed by private institutions to make their own curriculum and organize as for-profit entities made it easy for them to respond to market demands. Because of the lack of quality control, these educational institutions drove down their capital costs significantly by employing low-quality instructors, enrolling large number of students, and focusing on degree programs that were cheaper to run (e.g. business commerce/law/teacher training versus science and engineering that had higher equipment costs). As the labor export industry grew, the flexible and mostly private tertiary educational system trained Filipinos for the labor export industry—creating programs for overseas markets.

These four responses to labor export made the state increasingly dependent on labor export and led to the institutionalization of labor export in its development strategy. The government created policies that would promote the production of graduates for the export market while providing incentives for private participation in the process of exporting people and related businesses. The Philippine state continued to depend on the foreign currency that came from migrant remittances to help the country relieve its balance of payments crisis, thereby

allowing the state to continue its debt-driven export-oriented development strategy. The private sector also saw the benefits of labor export by creating associated, secondary business related to overseas employment (remittances, recruitment, and banking facilities). Figure 1.2 outlines the historical periods covered in this thesis that explains the development of the Philippine labor-exporting state.

Figure 1.2 Historical Periods Explaining Philippine Labor Export Development

| Explaining | Years | Period |
|--|---------------------|--|
| Labor Export Initiation | 1898-1972 | <p>Weak State and the Twin Problems of Development Failure</p> <ul style="list-style-type: none"> • Underdevelopment of labor market to absorb tertiary graduates • Overdevelopment of Higher Educational System through hands-off, laissez-faire tertiary schools and incentives for private school expansion <p>Outcome: Educated unemployment problem</p> |
| Labor Export Initiation | 1972-1986 | <p>Strong State and the Labor Export Program</p> <ul style="list-style-type: none"> • President Ferdinand Marcos response to the twin problems of underdevelopment and overdevelopment he inherited by increasing state control of human capital development and developing 1974 labor export program <p>Outcome: Labor export policy and state control of human capital development</p> |
| Labor Export Institutionalization | 1986-2006 | <p>Entrenchment of the Labor Export Industry</p> <ul style="list-style-type: none"> • State and household reliance on remittances • Political pressures from overseas Filipinos and migrant households for protection and representation • Business interests in labor export expansion <p>Outcome: Expansion of state role with emigrant institutions developed and representation of overseas Filipinos expanded</p> |
| Labor Export Institutionalization | 1989-present | <p>Education for Labor Export</p> <ul style="list-style-type: none"> • Continuation of unregulated laissez-faire tertiary educational system producing graduates for labor export <p>Outcome: Tertiary schools producing graduates for labor export</p> |

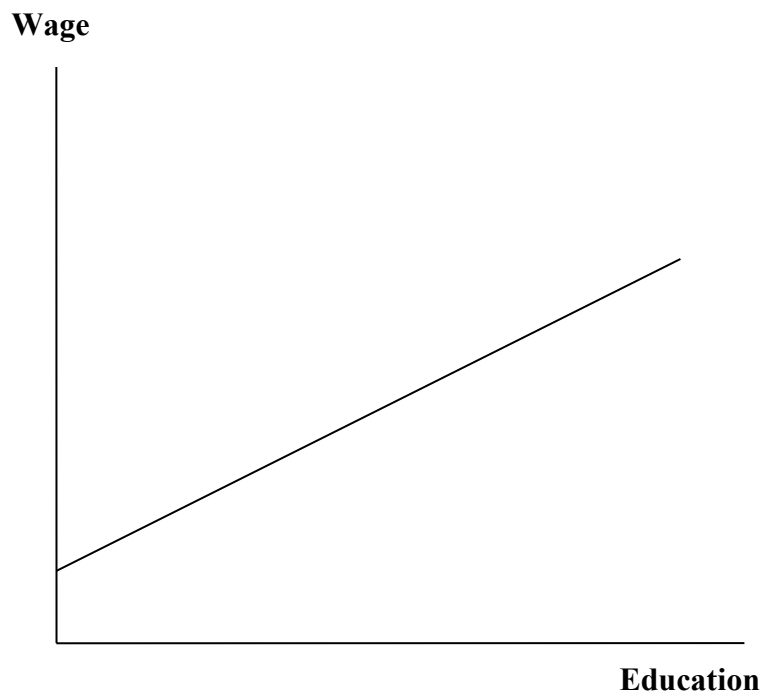
III. Contribution to the Academic Literature

This dissertation draws from and contributes to the theoretical literature on economic development and international migration, as well as the scholarship on state institutional creation and educational systems in developing countries. It cuts across several academic disciplines—comparative education studies, migration studies, and studies on the role of the state in economic development in political science and economics. This section will critically review the literature and discuss how this dissertation contributes to the debates within them.

Education Creates a Dual Labor Market in a Developing Society

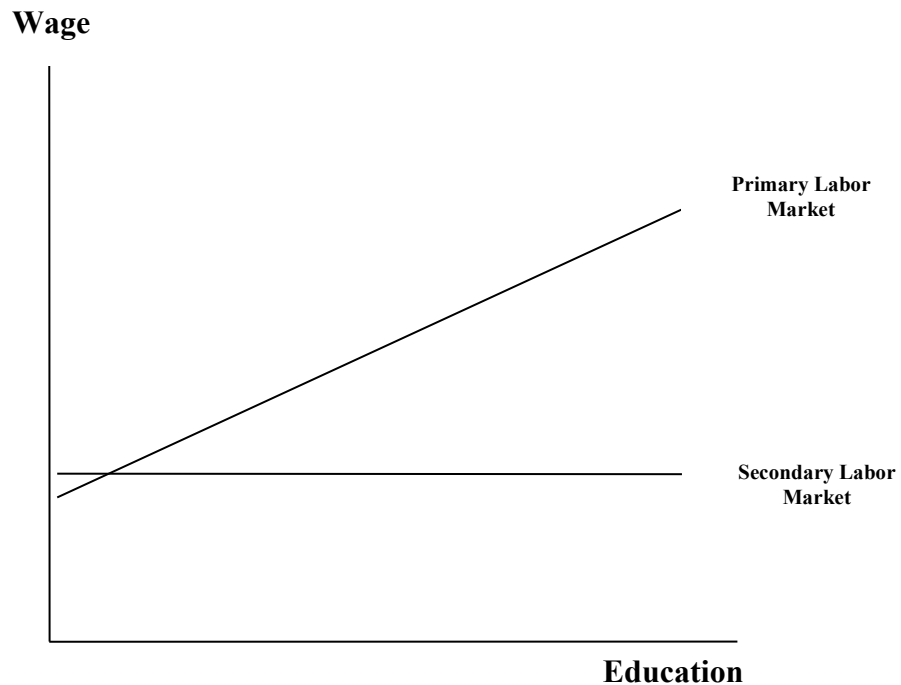
When explaining the initiation of the Philippine labor export policy, this dissertation contributes to the literature on the role of education in development by arguing that government incentives for private higher educational institutions (HEIs) in the Philippines has inadvertently produced a surplus of educated labor who were obtaining degrees for jobs that could not provide the financial returns for their tertiary degrees in the domestic labor market. This structural problem is based on a dual labor market that is created through the higher educational system. Standard human capital theory assumes that employees with more education are rewarded with higher wages in the domestic labor market. Figure 1.3 illustrates a hypothetical scatter plot of this situation advanced by economists Gary Becker and Theodore Schultz.

Figure 1.3
Hypothetical Scatter Plot of
Standard Human Capital Theory



Within a single labor market, labor is rewarded with higher wages because of the increased accumulation of knowledge, skills, and training from formal education. Contrary to this standard human capital theory, the dual labor market theory advanced by Michael Piore argues that the labor market is actually split into two segments: the primary and secondary labor markets. Applicable mostly to industrialized countries, Piore's theory holds that the primary labor market consists of jobs that reward people who have accumulated human capital with higher wages. On the other hand, the secondary labor market consists of positions that have the same wage rate regardless of the person's skills and training; this results in an inelastic relationship between education and wages within this secondary market. Figure 1.4 depicts a hypothetical scatter plot of the primary and secondary labor markets under this dual system.

Figure 1.4
Hypothetical Scatter Plot of a
Dual Labor Market in an Industrial Economy



Piore advanced this theory to show that there is something inherent about industrialized countries that create a high demand for migrant labor to fill jobs in the secondary labor market since natives are usually unwilling to fill them because of their lack of upward mobility.⁶

The dual labor market theory also applies to developing countries like the Philippines that have a highly developed educational system. Graduates entering the domestic labor market that have invested their own resources in higher education gravitate towards more prestigious positions and higher-paying jobs. This educated population is unwilling to take low-paying jobs that require manual labor. But in a primarily agrarian economy that achieved high literacy and

⁶ Michael J. Piore, *Birds of Passage: Migrant Labor and Industrial Societies* (Cambridge: Cambridge University Press, 1979).

education through various educational policies, a particular type of labor force was produced in the Philippines that made it a major supplier of migrant labor. In a country with a higher educational system that produced more degree holders than jobs for them, the educated unemployed and underemployment rates rose significantly. Although education is viewed by many as a way of uplifting or upgrading an economy, the Philippine case shows that there could be detrimental effects where the educated labor force are willing to work only in specific jobs—occupations in the primary labor market that they view as worthy of their educational background. Even though the quality of their education could be questionable, the credential itself gives that person a certain social status and higher set of expectations that limits the jobs that he or she is willing to take.

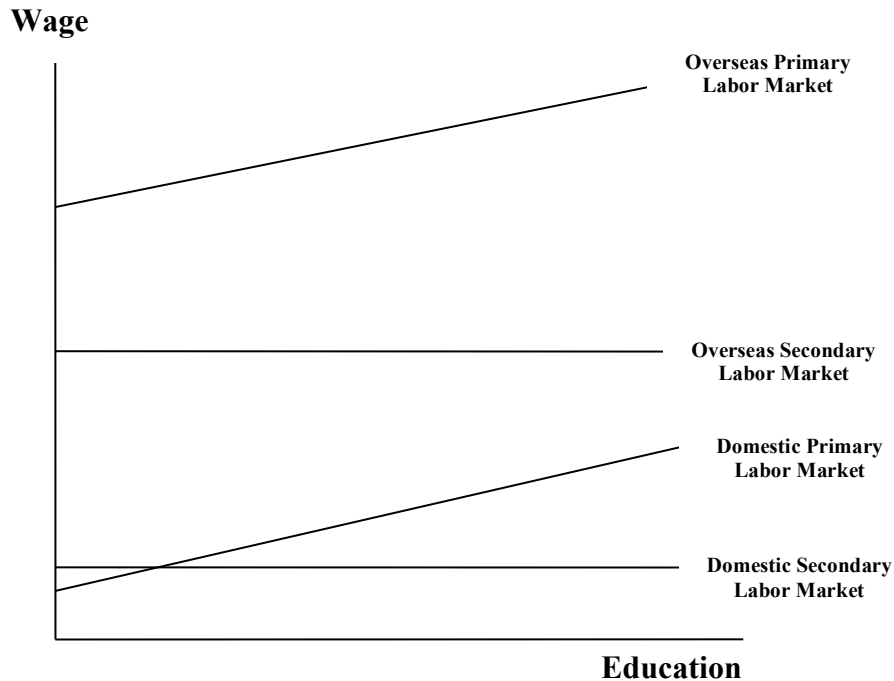
The temporary nature of the migration flow that the Philippine state created through its labor export policy opened the labor market for its educated class to seek higher returns for their education. The contract labor system—based on two-year overseas contract jobs with fixed departure and return dates--created an overseas labor market that drew a sharp line between two identities: the social identity from the place of origin and an asocial, more instrumental “work” in the destination country.⁷ Essentially, those participating in the overseas labor market are separated from their local social setting and work exclusively for money. The money earned abroad and the occupation as an “overseas” worker provides the participant with a higher prestige that can be matched only by a high-paying, high status white collar position in the domestic labor market.

By creating an overseas labor market through a government labor export program, the Philippines provided not only a safety valve but also an avenue for those investing in education to achieve consistently high social and financial returns. Even though many Filipinos obtain

⁷ Michael J. Piore, *Birds of Passage: Migrant Labor and Industrial Societies*, 52-59.

overseas occupations that are in the secondary labor market in the destination countries, the high pay relative to what can be achieved in the Philippines itself elevates the overseas Filipino workers' status in their home country and makes it a worthwhile endeavor. Figure 1.5 illustrates a hypothetical scatter plot of the relationship between education and wages in the dual labor market in a labor exporting economy such as in the Philippines.

Figure 1.5
Hypothetical Scatter Plot of a
Dual Labor Market in a Labor Exporting Economy



With more education feeding the Philippine economy, the labor force becomes less willing to take jobs in the domestic secondary labor market. They either chose to become unemployed for a longer period, accept a job in the secondary labor market and become underemployed (seeking more hours or a second job), or seek jobs in the overseas labor market that they deem worthy of

their investment in education. The dual labor market in the Philippines thereby perpetuates the problem and increases dependency on the overseas labor market. Through examination of the Philippine case, this dissertation advances the dual labor market theory to developing societies by illustrating how education produces pressures for the state to seeking ways for the educated population to obtain higher returns from the overseas labor market.

Bringing the State Back into Migrant Sending Societies

With its explanation of the entrenchment of the labor export industry in Philippine society, this thesis contributes to the international migration scholarly literature that addresses the role of the state in migrant-sending countries. This multidisciplinary literature includes studies about reducing the costs for migrants to remit money to their home countries⁸, work that examines how technology transfer is taking place between immigrant networks in Silicon Valley and business development in their home countries⁹, prescriptive work that illustrates how to create a system for taxing the brain drain¹⁰, studies about the changing nature of citizenship¹¹, work that concerns the relationship between migration and economic development¹², and literatures that explains how migration effects the foreign policy and security of both sending and

⁸ See Manuel Orozco, "Remittances to Latin America and the Caribbean: Comparative Statistics," (Washington, DC: Inter-American Development Bank, May 2001) and Asian Development Bank, "Enhancing Efficiency of Overseas Workers' Remittances," (Manila: Asian Development Bank, 2004).

⁹ See AnnaLee Saxenian, *Local and Global Networks of Immigrant Professionals in Silicon Valley* (San Francisco: Public Policy Institute of California, April 2002), and Devesh Kapur, "Diasporas and Technology Transfer," in *Journal of Human Development*, vol. 2, no. 2 (2001), 265-286.

¹⁰ See Jagdish N. Bhagwati and John Wilson (eds.), *Income Taxation and International Mobility* (Cambridge: MIT Press, 1989), and Mihir Desai, Devesh Kapur, and John McHale, "Sharing the Spoils: Taxing International Human Capital Flows," Paper for *NBER-NCAER Conference on India's Economic Reforms*, December 2000.

¹¹ See Michael Jones-Correa, "Under Two Flags: Dual Nationality in Latin America and its Consequences for the United States," *International Migration Review*, Winter 2001 and Y.N. Soysal, "Citizenship and Identity: Living in Diasporas in Post-War Europe?" *Ethnic and Racial Studies*, 23, 1 (January 2000), 1-15.

¹² See Demetrios G. Papademetriou and Philip L. Martin (eds.), *The Unsettled Relationship: Labor Migration and Economic Development* (New York: Greenwood Press, 1991) and Patrick Weil, "Towards a Coherent Policy of Co-Development," *International Migration*, 40, 3 (2002), 41-55.

receiving countries.¹³ Because of the diverse academic and policy-based approaches to examining this phenomenon, little work exists that systematically addresses the role sending-states play in capturing the benefits of migration. As the international migration scholar Douglas Massey states, “few analysts have considered the role of the state in immigrant-sending societies.”¹⁴ In order to understand the role of migrant-sending states, it is important to understand how and why state institutions develop for emigration.

Traditional international migration scholars would argue that the mass exodus of labor to overseas markets is simply an outcome of high unemployment and the need for foreign currency by the sending state. Other explanations focus on other demographic factors such as lack of population control. But there is no holistic explanation for why a state would deliberately facilitate their “out-migration” through a government overseas employment program. When the state is “brought back” into the center of analysis, these explanations are not sufficient since other macroeconomic and political factors play a role in the decision-making process. As Saskia Sassen has shown in her work, traditional “push” factors for explaining emigration are not sufficient. She illustrates how other state economic development policies such as “foreign investment and job creation should have acted as a deterrent rather than inducement to emigration.”¹⁵ Sassen claims that the expansion of both export manufacturing and agriculture that are directly related to foreign direct investment from highly industrialized countries “mobilized new segments of the population into regional and long-distance migrations.”

¹³ See Myron Weiner (ed.), *International Migration and Security* (San Francisco: Westview Press, 1993), Yossi Shain, *Marketing the American Creed Abroad: Diasporas in the U.S. and their Homelands* (Cambridge: Cambridge University Press, 1999), and Tony Smith, *Foreign Attachments: The Power of Ethnic Groups in the Making of American Foreign Policy* (Cambridge: Harvard University Press, 2000).

¹⁴ Douglas Massey, “International Migration at the Dawn of the Twenty-First Century: The Role of the State,” *Population and Development Review*, vol. 25, no. 2 (June, 1999), 303-322.

¹⁵ Saskia Sassen, *The Mobility of Labor and Capital: A Study in International Investment and Labor Flow* (Cambridge: Cambridge University Press, 1988), 94.

Therefore, state policies in other arenas (in this case, on economic development policies) are directly affecting the sending state's emigration policies.

In explaining the political and economic impact of migration on migrant-sending states, Devesh Kapur argues that “absence” of large educated populations abroad provides no incentive for the state to reform political institutions at home.¹⁶ Facilitating export of labor, especially of the educated population in the Philippines can keep the “status quo” in the Philippines and appease elite interests that might be opposed by the large overseas Filipino population who have less power in the country than if they never left the country. Counterfactually, reforms important to the upwardly mobile middle class such as anti-corruption policies, land reform, and business regulation would probably be advanced if educated Filipinos were staying, instead of leaving as overseas workers.

Perpetuation has to do with the Management of Education

This thesis argues that tertiary educational institutions—especially private schools producing a Filipino population exclusively for labor export—played and continue to play an important role in perpetuating the labor export program. Prevailing economic theory posits that the building of a country's human capital base is a key ingredient in developing a vibrant economy. Alfred Marshall once wrote, “knowledge is the most powerful engine in production; it enables us to subdue nature and satisfy our wants.”¹⁷ Another noted economist, Theodore Schultz, has argued that “education accounts for much of the improvement in population quality.”¹⁸ More recently, studies attribute much of the success of the emerging East Asian to

¹⁶ Devesh Kapur, *Diaspora, Development, and Democracy: The Domestic Impact of International Migration from India* (Princeton: Princeton University Press, 2010), 27.

¹⁷ A. Marshall, *Principles of economics: an introductory volume* (New York: Macmillan, 1948).

¹⁸ Theodore William Schultz, *Investing in People : The Economics of Population Quality, Royer Lectures ; 1980* (Berkeley, Calif.: University of California Press, 1981), 314.

the building of “knowledge-based assets” that allow a country to grow.¹⁹ Many scholars believe that the loss of this highly skilled population through migration would have negative effects on the economy. However, two strands in the recent literature on migration and development revisit the famous “brain drain” phenomenon. The “brain drain” theory claims that migrant-sending countries, especially those in the developing world, are losing valuable human capital to the more industrialized world. Some scholars have argued that these emigrants should be taxed upon their departure to compensate for the investment in the development of their human capital.²⁰ More recently, new theories propose that a “brain gain” or “brain circulation” is actually benefiting migrant-sending countries.²¹ These theories argue that emigration is not necessarily a loss to the migrant-sending states since valuable skills and networks are formed by being physically abroad. The “brain drain” is actually producing a “brain circulation as talented immigrants who have studied and worked abroad increasingly return to their home countries to pursue promising opportunities there.”²² The connections formed by this educated class of migrants provide valuable linkages that transfer knowledge from the more industrial receiving countries to developing countries. These competing theories—those advocating compensation for “brain drain” and those claiming that migrant-sending countries can experience a “brain gain”—assume that those pursuing higher education have a choice between working in the domestic or transnational labor markets.

¹⁹ See Alice H. Amsden, *The Rise of "the Rest": Challenges to the West from Late-Industrializing Economies* (Oxford ; New York: Oxford University Press, 2001).

²⁰ See Jagdish N. Bhagwati and John D. Wilson, *Income Taxation and International Mobility* (Cambridge, Mass.: MIT Press, 1989), Mihir A. Desai, Devesh Kapur, and John McHale, "The Fiscal Impact of High Skilled Emigration: Flows of Indians in the U.S.," (November 2002).

²¹ Devesh Kapur, "Diasporas and Technology Transfer," *Journal of Human Development* 2, no. 2 (July 2001), AnnaLee Saxenian, *Local and Global Networks of Immigrant Professionals in Silicon Valley* (San Francisco: Public Policy Institute of California, April 2002).

²² AnnaLee Saxenian, "The Bangalore Boom: From Brain Drain to Brain Circulation?," in *Bridging the Digital Divide: Lessons from India*, ed. Kenneth Keniston and Deepak Kumar (Bangalore: National Institute of Advanced Study, 2000).

A third, contrasting view is the “brain overflow” approach, which argues that the emigration of the most educated can actually attract more people to pursue education at home.²³ Economist Robert E.B. Lucas observed that governments concerned with insufficient employment opportunities for their college-educated graduates have encouraged emigration.²⁴ Educational institutions in migrant-sending countries can actually respond to the demand to emigrate and produce an educated population that cannot be absorbed in the domestic labor market. The expansion of secondary and higher education in developing countries could produce a large educated unemployed population that could only find jobs in overseas labor markets.²⁵ This is especially true if the educational system is dominated by the private sector and is highly unregulated—such as in the case of the Philippines. This dissertation evaluates this “brain overflow” phenomenon by assessing if enrollment in domestic tertiary education institutions in the Philippines is producing a population exclusively for employment abroad. Edita Tan, a Philippine economist, argues that the educational system in the Philippines produced an oversupply in many education/training categories that have been in demand both domestically and abroad. Tan also shows that “enrollment grew faster than demand resulting in high unemployment rates of high school and college educated.”²⁶

The Philippine case explored in this dissertation provides an in-depth examination of the relationship between the country’s post-secondary institutions and the failure to deploy their graduates within the domestic economy. Even though the World Bank’s *East Asian Miracle* report argues that “human capital accumulation may be a necessary condition for sustained rapid

²³ Andrew Mountford, "Can a Brain Drain Be Good for Growth in the Source Economy?" *Journal of Development Economics* 53, August 1997 (1997).as cited in Robert E.B. Lucas, *International Migration Regimes and Economic Development* (London: Edward Elgar Publishing, 2005).

²⁴ Robert E.B. Lucas, “International Migration Regimes and Economic Development,” paper prepared for the Expert Group on Development Issues in the Swedish Ministry of Foreign Affairs, 2005.

²⁵ Robert W. Cox, "Education for Development," *International Organization* 22, no. 1 (1968): 321-22.

²⁶ Edita A. Tan, "Labor Market Adjustments to Large Scale Emigration: The Philippine Case," *Asian and Pacific Migration Journal* 10, no. 3-4 (2001): 394.

growth of output and wages,” the Philippines is one of the few exceptions with high school-enrollment rates and low rates of growth.²⁷ The World Bank revised its argument by saying that “utilizing human capital in activities that yield high returns on the prior investment in education and training is as important to growth as the accumulation of human capital.”²⁸ This thesis contributes to this literature on human capital development and economic development by arguing that the state’s role in managing higher education can play a significant role in how a domestic economy can utilize human capital accumulation.

IV. Methodology

The goal of this project is to develop a theory of the labor exporting state based on a single case that can eventually be compared to other cases. But at this stage, cross-national studies can be difficult since there is a danger of comparing “apples with oranges.” As Locke and Thelen argue, large scale comparative research has a tendency to rely on “matched comparisons” that trace a given phenomenon in different countries without considering how the same process or phenomenon can have contrasting meanings in different contexts.²⁹ Instead of doing a large comparative study or even a comparison between two cases, this dissertation is a first step towards creating a historically grounded theory by identifying the conditions and variables that affect the emergence and dependence on labor export in the Philippines. This single case study approach will specify key variables and process-trace to identify intervening

²⁷ The World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (Oxford: Oxford University Press, 1993), 261.

²⁸ Ibid.

²⁹ Richard Locke and Kathleen Thelen, “Problems of Equivalence in Comparative Politics: Apples and Oranges, Again,” *APSA-CP*, Vol. 9, No. 1 (Winter 1998), 9-12.

causal links with the end of goal of developing a research strategy for comparative work.³⁰ This “disciplined-configurative” mode of analysis, common among qualitative researchers in the social sciences, will historically document the Philippine case within a theoretical framework that will allow for holistic theory to develop.³¹

The theoretical framework developed in section II provides a structure for understanding why the Philippines initiated and became dependent on labor export over time. This framework can be used to compare the Philippines with other labor-exporting and non-labor-exporting states to examine whether countries with similar circumstances as the Philippines adopted labor export policies. Because of the lack of comparative data, it is impossible to generalize based on the Philippine case, but it provides the beginning of a theory for explaining the emergence of a labor-exporting state. It explores a question that includes an analysis of the migrant-sending state, an area that is unexamined in the academic literature. This approach provides an examination of why conventional theories in the international migration and economic development literatures provide inadequate explanations of Philippine emigration. This approach is problem-oriented, explores a critical case through fieldwork to form a theory and hypotheses, and tests the hypotheses through quantitative statistical methods.

Research is Problem-Oriented

This dissertation is problem-oriented because it focuses on real problems faced by many developing nations: educated unemployment, the out-migration of skilled and high-skilled population, internal displacement of the population from economic development policies, and

³⁰ Andrew Bennett and Alexander L. George, “Research Design Tasks in Case Study Methods,” Paper presented at the MacArthur Foundation Workshop on Case Study Methods, Belfer Center for Science and International Affairs (BCSIA), Harvard University, October 17-19, 1997.

³¹ Alexander George, “Case Studies and Theory Developing: The Method of Structured, Focused Comparison,” in Paul Lauren (ed.), *Diplomacy: New Approaches in History, Theory and Policy* (New York: Free Press, 1979), 43-68.

state control of the economy. Many theories exist to explain the existence or absence of these individual problems, but none are sufficient to explain the connections between the problems that led to the creation of a labor-exporting Philippine case. As discussed in the review of the literature, the Philippines is usually cited as an “outlier” or an “exceptional” case since the Philippines does not adequately provide evidence for conventional theories. Philippine “exceptionalism” makes this case even more worthy of exploring since an in-depth study will identify the reasons why irregularities exist. It can help refine conventional theories, generate an alternative theory, or create a new paradigm that breaks from accepted theory in the Kuhnian sense for analyzing these problems.³²

The Philippine case is full of many puzzling irregularities. The presence of a highly-educated population in the Philippines--higher than that of many prosperous countries--challenges the conventional wisdom that there is a high correlation between education and economic growth. The high enrollment in oversubscribed fields where there is a low chance of finding a job puzzles conventional theorists who have examined returns to education. The largely privately-funded higher educational system that is geared towards a labor export market challenges the central assumption among brain drain theorists that there is a loss of human capital when citizens trained in publicly-funded schools depart for overseas rather than domestic labor markets. Instead, private schools are playing the largest role in training Filipinos for work overseas.

These multiple “exceptionalisms” of the Philippine case illustrate the value of explaining why it departs from conventional findings. This dissertation uses the historical method, or what some political scientists have called “process-tracing.” Some methodologists recognize this

³² Thomas S. Kuhn, *The Structure of Scientific Revolutions*, 3rd edition ed. (Chicago: University of Chicago Press, 1962), 10.

method to be “particularly useful for explaining deviant cases, those that have outcomes not predicted or explained adequately by existing theories. Deviant cases are frequently encountered in large-N studies and usually noted as such without an effort to explain why they are deviant.”³³ One main reason why these theories have failed to explain the Philippine case is because most large-N statistical studies focus on finding empirical support for existing theories, rather than focus on the richness of the individual cases that challenge them. As Donald Green and Ian Shapiro have criticized in their highly contentious book, the commitment to specific theories (specifically, rational choice theory in political science), research has become theory-driven rather than problem-driven. They criticize academic work that focuses solely on finding empirical support for conventional theories rather than focusing on explaining specific political phenomena.³⁴ This dissertation focuses on the main problem of why the Philippines does not fit conventional explanations, rather than finding evidence for explaining why specific theories work. This study starts with the premise that because traditional theories do not adequately explain the Philippines, exploring this case will add value to the academic literature by providing an alternative framework for explaining the Philippine case, and perhaps others.

Case Selection: Why the Philippines?

For over five decades, the Philippines has been a major source of both permanent immigrants and temporary migrant workers.³⁵ For three decades, the country has seen highly active government policy and institutional development geared towards labor export. There have

³³ Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge: MIT Press, 2005), 215.

³⁴ Donald P. Green and Ian Shapiro, *Pathologies of Rational Choice Theory: A Critique of Applications in Political Science* (New Haven: Yale University Press, 1994).

³⁵ Benjamin V. Cariño, “Introduction,” *Filipino Workers on the Move: Trends, Dilemmas and Policy Options* (Manila: Philippine Migration Research Network, 1998), 1-8.

been numerous bills in the Philippine Senate and Congress concerning recruitment, remittances, return migration, and representation as well as activity regarding migrant rights, special crisis situations, welfare, and protection.³⁶ The Philippines is a critical case for creating grounded theory on several dimensions. First, the Philippines is one of the world's most educated populations as a percentage of tertiary-level degree holders (second to the United States) and the most educated in the developing world. In the field of comparative education studies, the Philippines has been cited as an "outlier" for having a large educated population that is almost entirely educated by the private sector. Secondly, the Philippine case is unique because of the intensity of government involvement in the export of its people. There have been other cases such as Egypt, Turkey, Bangladesh, and Sri Lanka where the government did intervene in the emigration process. But none of these countries have developed as elaborate a set of institutions for supporting and representing their citizens abroad as the Philippines (see table 1.2 for an overview of various emigrant institutions developed by migrant-sending countries).

³⁶ Graziano Battistella, "The Migrant Workers and Overseas Filipinos Act of 1995 and Migration Management," *Filipino Workers on the Move: Trends, Dilemmas and Policy Options* (Manila: Philippine Migration Research Network, 1998), 81-113.

Table 1.2
Emigrant Institutions of Selected Countries³⁷

| Country | Emigrant Institution(s) |
|---------------------------|---|
| Bangladesh | Ministry of Expatriates Welfare and Overseas Employment |
| Croatia | Croatian Minorities Abroad and Expatriates |
| Dominican Republic | Ministry of Ultramar |
| El Salvador | Office for Salvadorean Community Abroad |
| Greece | Special Legislative Standing Committee on Greeks Abroad; World Council of Hellenes Abroad; General Secretariat for the Greeks Abroad |
| India | High Level Committee on Indian Diaspora, Parliament of India; Indian Investment Centre |
| Jamaica | Jamaicans Overseas Department |
| Mexico | Institute for Mexicans Abroad; Assembly of Migrants Abroad |
| Philippines | Philippine Overseas Employment Administration; Overseas Workers Welfare Administration; Commission on Overseas Filipinos; Office of the Undersecretary for Migration Workers Affairs; Overseas Filipino Resource Centers; Overseas Absentee Voting Secretariat; Philippine Overseas Labor Offices |
| Senegal | Office of Senegalese Abroad; Bureau of Senegalese Abroad |
| Spain | Office of Migration |
| Sri Lanka | Foreign Employment Bureau |

Source: Author's survey and Embassy Interviews conducted in Washington, DC, August to October 2006.

Based on a 2006 study by the International Organization for Migration (IOM), of all Asian countries involved in labor export, the Philippines has the most government involvement in the emigration process in terms of standard setting and enforcement, supervision of private recruitment, settlement of claims and disputes, and welfare services.³⁸ This makes the Philippines a critical case for understanding why a government would be so involved in labor export. Thirdly, the Philippines is Asia's oldest democratic state. As an outcome of being the sole Spanish and American colony in Asia, the Philippines fits politically more with the Latin American model in which Spanish landed elites dominated the political and economic spheres because of their disproportionately high level of land holdings and the experience of bureaucratic authoritarianism. But because it was acquired by the United States in 1898, the country was an

³⁷ This research was conducted during the months of August to October 2006 during a predoctoral fellowship at The Brookings Institution.

³⁸ International Organization for Migration, *Labour Migration: Trends, Challenges and Policy Responses in Countries of Origin* (Geneva: International Organization for Migration, 2003), 83.

early adopter of many American values and ideals such as universal education for all citizens, a decentralized federal form of government, and three branches of government. Lastly, the Philippines followed many of the recommendations of international financial institutions (IFIs). It received one of the largest amounts of foreign aid and is one of the largest loan recipients of the World Bank and other multilaterals.

In many ways, the features that make the Philippines unique also help explain why it eventually became a labor-exporting state. The struggle for economic and political development in the Philippines has been a struggle shaped by the interaction between state power, the autonomy of private industries, and the Filipino population at large. These struggles follow distinct historical patterns in Philippine history. Using time periods as cases, this dissertation uses a method that puts sequences of events at the center of analysis to search for causal regularities across periods, and to juxtapose the various time periods to see why specific policies were adopted during different time periods.³⁹ This dissertation is organized into historical periods to understand what political and economic variables were involved to increase or decrease government involvement in labor export. The main focal point is the development of the labor export policy in 1974, but other time periods prior to labor export, and how the policy evolved will highlight how other variables influenced the evolution of labor export institutional development.

³⁹ Jeffrey Haydu, "Making Use of the Past: Time Periods as Cases to Compare and as Sequence of Problem Solving," *American Journal of Sociology* 104, no. 2 (1998).

The Pull to Overseas Labor Markets: Demand for Filipino Workers Globally

The Philippines experienced three distinct phases of migration. The first spanned from 1906 to 1946, when farmers went to work on sugar plantations in Hawaii and in agriculture in other parts of the United States. Then from 1946 to the late 1960s, immigrants were largely those who were recruited to become members of the U.S. Armed Forces, along with a number of skilled professionals such as physicians, dentists, nurses and engineers whose immigration became easier with the abolition of the national origin quota by the U.S. Immigration Act of 1965. The final wave of migration, the focus of this dissertation, began in the early 1970s and continues today, and involves the Philippine government's active promotion of a "labor export policy."⁴⁰ This section will give a brief overview of these waves and the contributing "pull" factors for Filipino emigration into overseas labor markets.

First Wave of Migration

After the U.S. acquisition of the Philippines from Spain, a wave of Filipinos migrated to the United States. Filipinos were easily admitted into the United States since the Philippines was formally annexed by the U.S. under the Treaty of Paris that ended the Spanish-American war of the late 19th century. A wave of Filipinos migrated to Hawaii to fill its agricultural labor needs and a large group of Filipino elites attended higher educational institutions in the United States. This wave of agricultural workers and students lasted until the beginning of World War II.

Second Wave of Migration

The second wave of migration started after the second World War and continued through the end of the Vietnam War. The same agricultural workers from the Philippines continued to

⁴⁰Catholic Institute for International Relations, *The Labor Trade: Filipino Migrant Workers around the World* (London: Catholic Institute for International Relations, 1987), 15-17.

migrate to various parts of the United States, especially Hawaii and California. A new wave of post-World War II veterans and their families were accepted into the U.S. for their service in the war against Japan. The United States also had a need for professionals and a wave of Filipino physicians, nurses, engineers, and businessmen trickled into the United States. During the 1950s and 1960s there was a demand for non-professional contract workers in neighboring Asian countries. The reconstruction period after the Vietnam War created a demand for construction workers. Filipinos also started moving to other industrial countries such as Canada and Western Europe, but in smaller numbers. Medical workers (both physicians and nurses) were in demand in North America and Europe.

Third Wave of Migration

Contract labor became the largest pull factor in the 1970s and is still a major factor to the present day. Oil-producing nations in the Middle East were the first initial destination of many Filipinos working overseas on contracts for two years. Seafaring also became a major occupation. Many ships had a high demand for workers and the Philippines became the largest supplier of sea-based workers (currently over 30 percent of world-wide seafarers). This period also saw varied labor demand throughout Western Europe, North America and Japan. The aging populations of many industrialized countries were demanding more skilled and semi-skilled workers who can fill their labor needs (especially in the health sectors).⁴¹ The top destination countries in the 1970s were Japan, the United States, Hong Kong, Saudi Arabia, Italy, Saipan, Nigeria, Singapore and Bahrain. This group expanded by 1994 to include other rising East Asian newly industrialized countries (NICs) and other countries in the Middle East.

⁴¹ Joaquin L. Gonzalez, *Philippine Labour Migration : Critical Dimensions of Public Policy* (Singapore: Institute of Southeast Asian Studies, 1998), 26-43.

Fieldwork

For research on the initiation and entrenchment of the labor export program, this dissertation uses a core method commonly used by economic historians: the uncovering and analysis of data from various archival sources to provide an accurate picture of the context and conditions that were in place in the Philippines before and after the labor export policy was created. The study's twelve months of fieldwork in the Philippines include over one hundred interviews of key players in the labor export and higher education industries, quantitative data analysis using survey and census data from the 1950s until 2011, the creation and analysis of an original dataset of family ownership of all private higher educational institutions and land ownership in the Philippines, and a review of government documents and legislation. Unlike the dominant methods in economics, econometrics and mathematical modeling, field research gave this project several advantages: (1) the ability to ask people directly about why certain policies were adopted versus others, (2) the capacity to build knowledge in an area with little preexisting data and theory, (3) the better use of data, and (4) the use of intuition through vivid images of what exactly occurred.⁴²

Because of the nature of its central research question, this dissertation relies heavily on qualitative methods that are commonly used by social scientists of the historical and sociological institutionalist tradition. It is nearly impossible to acquire the ideal dataset to test specific hypotheses about government intent and institutionalization of labor export during the early years because of large gaps in the data.

⁴² Susan Helper, "Economists and Field Research: "You Can Observe a Lot Just by Watching," *The American Economic Review* 90, no. 2 (2000).

Empirical Data Analysis

This dissertation relied on data available from the Philippine National Statistics Office and the Survey on Overseas Filipinos from the early 1990s until the mid-2000s to create a panel dataset at the region-level to test the impact of post-secondary education (tertiary education, and technical skills and vocational education) on the number of Filipino temporary workers departing the country. Several ordinary least squares (OLS) regression models and a seemingly unrelated regression model were used to test the impact of tertiary enrollment, tertiary graduates, and technical skills and vocational education training on the number of Overseas Filipino Workers (OFWs) at the regional-level. To control for endogeneity, these models used a first differences test and lag variables to isolate the percentage change of educational enrollment several years earlier to current year out-migration. Additionally, the reverse regression model was conducted to test whether out-migration had a direct impact on enrollment in tertiary educational institutions. These regressions revealed that enrollment in tertiary educational schools leads to an increase in the number of Overseas Filipino Workers (OFWs). On the other hand, regional-level data was used to test the impact of technical skills and vocational education on the number of OFWs using OLS regression models. The results show an opposite effect: more vocational education leads to a decrease in the number of OFWs. This comparison between the two types of post-secondary educational institutions in the Philippines reveals that a more highly managed school system (technical skills and vocational education) produces graduates for the domestic market, whereas a more laissez-faire system (tertiary educational system) produces Filipinos for the export market.

V. Overall Structure of the Dissertation

In order to explain how the Philippine labor-exporting state emerged and persisted over the past four decades, this dissertation is organized to show the intricate connections between economic development policies, the educational system, the educated unemployment problem, and the labor export program. Chapter 2 outlines the political and economic conditions prior to labor export. It argues that the laissez-faire system of private higher education developed during the American colonial period (1898 until 1946) planted the seeds for a fast-growing tertiary educated Filipino population. Coupled with an underdeveloped labor market to absorb tertiary graduates during this same period, this led to a large educated unemployment problem. The past economic development policies adopted by the Philippine government reflected the conflicting interests of industrial and agricultural elites. The inability of the state to control private influence over the economy had a large dislocating affect on the Filipino population that placed new pressures on the government for generating employment.

Chapter 3 outlines the period between 1972 and 1986 when the labor export policy was developed. In the late-1960s, President Ferdinand Marcos inherited the twin problems of development failure and had to deal with the educated unemployment problem. Marcos and his technocrats imposed more state control of human capital development and created the 1974 labor export policy after Martial Law was declared in 1972. The strong Philippine State adopted policies to appease the interests of the private suppliers of higher education and the demands from Filipino society with a focus on state-controlled initiatives: increasing the number of state colleges and universities, regulating private tertiary schools and professional board examinations, and developing technical skills and vocational education. In addition to these reforms, the 1974

labor export policy gave the state full control over facilitating the export of Filipinos to overseas labor markets.

Chapter 4 outlines how labor export became entrenched in the political, economic, and social institutions of the Philippines from 1986 to 2006. The chapter argues that the Philippine state became increasingly dependent on the labor export strategy with the rise of private recruitment agencies, banks and money transfer agencies involved with remittances, the need for foreign exchange by the government and the political demands by overseas Filipinos and migrant households that arose out of problems encountered in migrant-receiving countries. This led to major Philippine legislation to protect and represent Filipinos working overseas and provide voting and citizenship rights abroad. The Philippines developed emigrant institutions to play an important role in expanding its labor export strategy.

Chapter 5 demonstrates how educational institutions evolved to gear training towards the labor export industry and revisits the theory developed in chapter one for why the Philippines became a labor exporting state. It argues that the same educational institutions that produced overeducated unemployed Filipino tertiary graduates also continued to play a critical role in the labor export industry. Using region-level data for years 1989 to 2004, this chapter shows a statistically significant relationship between an increase in tertiary enrollment and tertiary graduates, and the number of Filipinos leaving the country on overseas contract labor. The flexible, unregulated nature of Philippine tertiary education continues to adjust and feed the labor export industry with Filipinos ready to work abroad. But on the other hand, the technical and vocational education developed by Marcos under the Technical Educational and Skills Training Authority (TESDA) actually plays an important role in reversing this trend so Filipinos are trained for the domestic labor market. Using regional-level data for years 1989 to 2004, this

analysis finds a statistically significant relationship between an increase in technical skills and vocational education instituted by TESDA and a decrease in the number of overseas Filipino Workers, controlling for other factors. This shows that the “management” of post-secondary schools is an important explanation for why labor export continues to become part of Philippines economic development path. This theory can potentially be tested in future studies of other labor exporting and non-labor exporting states to determine if state control of human resource development influences a state’s decision to export its labor force.

Chapter 2 –Weak State and the Twin Problems of Development Failure (1898 to 1972)

“Farsighted educational policies adopted by American officialdom in the Islands prepared the way for rapid industrial growth at a later time by helping to create a labor force equipped by training and outlook to man modern industrial establishments”

-American official in 1950

“Amidst tigers such as South Korea, Taiwan, Hong Kong, and Singapore and tiger cubs such as Thailand, Malaysia, China and Indonesia, the Philippines displays more the characteristics of a stray cat which every day has to forage for its food.”⁴³

I. The Twin Problems of Development Failure

This chapter outlines the political and economic conditions from the time the United States occupied the Philippines in 1898 until President Ferdinand Marcos’s 1972 declaration of martial law that granted him power to create the 1974 labor export policy. It argues that the laissez-faire system of private higher education developed under American colonialism after 1898 coupled with political and economic factors that led to an underdeveloped labor market to absorb tertiary graduates created a large educated unemployment problem. These twin problems of development failure are a result of the power of private interests over the Philippine state’s control over educational and economic policies. To begin, this chapter starts with a discussion of the evolution of the Philippine educational system from the 1898 transition from Spanish to American rule through the early 1970s. It argues that the Philippine educational system distorted the demand of higher education by driving a high premium of a college degree and also created a large supply of private education because of the freedom afford to the private sector for supplying the education market. The state’s lack of control of the educational system created high expectations among youth with respect to their prospective employment opportunities.

⁴³ Rob Vos and Josef T. Yap, *The Philippine Economy: East Asia's Stray Cat?* (New York: St. Martin's Press, 1996), 1.

Secondly, the chapter examines the economic policies adopted during this period (1898 to 1972) that dislocated the Philippine labor force—from rural to urban sectors, agricultural to industrial/services—and left the Philippine state with the major problem of dealing with a critical mass of unemployed tertiary-educated Filipinos. Last, it discusses the educated unemployment problem that resulted from these interrelated problems of overdevelopment in education and underdevelopment of the domestic labor market.

II. Overdevelopment of the Educational System during the American Period

For over three hundred years of colonial rule, the Spaniards did not provide access to education to the masses, except through the Catholic Church. The main purpose of mass schooling was to provide religious indoctrination and to sanctify the status quo by limiting access to only Spaniards and their children.⁴⁴ It was only in the last half of the nineteenth century that more native Filipinos from wealthier classes were attending Spanish schools and colleges and studied abroad in Spain.⁴⁵ But this group was a very small proportion of the Filipino population and by the time the Philippines became a U.S. commonwealth, the majority of the native population was illiterate. Spanish colonialism left the Philippines with a native population that was disenfranchised from government, both in terms of representation and in terms of the ability to communicate with government. Spanish, the language of government was not taught to the mass population. When the Philippines broke away from Spanish colonial rule and came under the protection of the United States in 1898, Americans brought three significant features that provided upward mobility for the Filipino masses: a government mirroring American

⁴⁴ Chester L. Hunt and Thoas R. McHale, "Education and Philippine Economic Development," *Comparative Education Review* 9, no. no. 1 (1965).

⁴⁵ F.C. Fisher, "Present Day Problems of the Philippines," *News Bulletin (Institute of Pacific Relations)* (1927): 1-2.

democratic institutions, the use of English as the lingua franca throughout the archipelago, and the establishment of an educational system patterned after the United States.

Bringing the Language of Government to the Masses through Education

The American presence developed a few areas that benefited the previously oppressed native masses but also maintained some of the power held by Spanish elites. The main purpose of the educational system in the Philippines under the Americans was political. It was created to “prepare the people of the Philippines as rapidly as possible for the duties and opportunities of self-government.”⁴⁶ The American colonial government established an educational plan for the Philippines with four main purposes: (1) to attack illiteracy and create a medium of communication for the entire territory, (2) to teach nationalism and democracy, (3) to teach Filipinos “good manners” and modern ways of conducting themselves, and (4) to teach public health and modern work.⁴⁷ This plan was successful in attacking illiteracy and bringing non-Spanish Filipinos into government.

The Philippines had 100 different dialects, which made it very challenging for the American colonial government to translate documents from English. Since there was no common language that united the country, the U.S. decided that English would be the language of instruction. After only five years of establishing a public school system, English became more widely spoken than Spanish.⁴⁸ The use of English as a national language became important since it united the Philippines and provided a means for the Americans to ensure that there was basic literacy for all Filipinos to read, write and speak.

⁴⁶ Pauline Crumb Smith, "A Basic Problem in Philippine Education," *The Far Eastern Quarterly* 4, no. No. 2 (1945): 140.

⁴⁷ Ibid.

⁴⁸ UNESCO, *The Literary Situation in Asia and the Pacific: Country Studies* (Bangkok, Thailand: UNESCO, 1984), 1.

In 1906, the government instituted an English examination that all government employees needed to pass to be hired. The value of literacy and education became apparent to the Filipino population and increased enrollments in formal elementary schools. This also increased demands by the adult population for basic education. In 1907, an adult literacy program was established by the legislature for farmers in rural areas and villages for providing basic citizenship education, farming techniques, and health and sanitation. This was conducted mainly on weekends and was taught by municipal teachers.

The role of formal schools became the key method for teaching the masses basic literacy and making English the medium of exchange. In 1935, the Constitution of the Commonwealth of the Philippines created provisions for the government to provide “citizenship training to adult citizens.”⁴⁹ The establishment of the American government in the Philippines provided Filipinos a tremendous amount of learning opportunities. By the 1920’s, there were over 27,000 teachers in public elementary schools in a country that was teaching over a million children. The literacy achievement of the American approach to teaching was reflected in the 1918 Census that showed that over sixty percent of Filipinos 10 years and over were literate.⁵⁰ This is attributed to the large investment by the Commonwealth government to build a public educational infrastructure that gave Filipinos access to American style education. Table 2.1 shows the tremendous growth of public education enrollment in the Philippines from 1898 to World War II.

⁴⁹ UNESCO, *The Literary Situation in Asia and the Pacific: Country Studies*, 2-3.

⁵⁰ Fisher, "Present Day Problems of the Philippines," 2.

Table 2.1
Public Education Annual Enrollment by School Levels for Selected Years

| School Year | Elementary | Secondary | College | Total |
|-------------|------------|-----------|---------|-----------|
| 1898-1900 | 6,900 | | | 6,900 |
| 1900-1901 | 150,000 | | | 150,000 |
| 1905-1906 | 375,246 | 308 | | 375,554 |
| 1910-1911 | 607,089 | 3,404 | | 610,493 |
| 1915-1916 | 629,444 | 9,099 | | 638,543 |
| 1920-1921 | 924,410 | 18,813 | 279 | 943,502 |
| 1925-1926 | 1,053,799 | 54,486 | 670 | 1,108,955 |
| 1930-1931 | 1,143,708 | 79,054 | 1,786 | 1,224,548 |
| 1935-1936 | 1,181,228 | 53,485 | 2,078 | 1,236,791 |
| 1940-1941 | 1,922,738 | 100,987 | 4,232 | 2,027,957 |
| 1945-1946 | 2,387,513 | 112,687 | 664 | 2,500,864 |

Source: Thomas R. McHale, "The Philippines in Transition," *The Journal of Asian Studies*, vol. 20, no. 3 (May, 1961), 337.

Enrollment in public primary schools went up 346 times from 6,900 in 1898 to 2,387,513 in 1945. This also had an effect on the growth of Filipinos enrolling in secondary and tertiary schools. At the beginning of the twentieth century, the American Commonwealth government focused solely on building public primary schools and only one public university, the University of the Philippines, existed. As shown in table 2.1, the growth of public primary schools also affected the growth of secondary enrollments at the University of the Philippines. By 1940-41 school year, there were 4,232 enrolled at the public university, this decreased to 646 in 1945 by the time the Japanese occupied the Philippines during World War II. After the war, table 2.2 shows the surge of enrollment in all schools, including private schools at the secondary and tertiary levels.

Table 2.2
Enrollment in Public and Private Schools by Level, 1946-47 to 1955-56

| School Level | 1946-1947 | 1950-1951 | 1955-1956 |
|---------------------|------------------|------------------|------------------|
| Total | 3,521,764 | 4,767,807 | 4,318,202 |
| Public | 3,259,855 | 4,132,725 | 3,580,525 |
| Private | 261,909 | 635,082 | 737,677 |
| Elementary | 3,170,772 | 4,082,759 | 3,498,777 |
| Public | 3,102,206 | 3,931,042 | 3,354,913 |
| Private | 68,566 | 151,717 | 143,864 |
| Secondary | 288,013 | 483,933 | 580,317 |
| Public | 155,788 | 195,774 | 218,942 |
| Private | 132,225 | 288,159 | 361,375 |
| Collegiate | 62,979 | 201,115 | 239,108 |
| Public | 1,861 | 5,909 | 6,670 |
| Private | 61,118 | 195,206 | 232,438 |

Source: Thomas R. McHale, "The Philippines in Transition," *The Journal of Asian Studies*, vol. 20, no. 3 (May, 1961), 337.

The government spent the majority of its educational budget on primary schools. There were fewer publicly financed secondary schools, and primarily only private schools at the tertiary level. Table 2.2 illustrates this pattern that continues to dominate the Philippine educational system.

The Americans placed an educational infrastructure that allowed for the growth of both secondary and tertiary education in later years. It also accomplished its job of making the majority of Filipinos literate. As illustrated in table 2.3, the literacy rate for Filipinos aged 15 years old and over was 72 percent in 1960 and continued to rise to 93 percent by 1990.

Table 2.3
Literacy of population 15 years and above, 1960-2000

| Year | Total population 15 years up | Number literate | Percentage literate |
|-------------|---|------------------------|--------------------------------|
| 1960 | 18,145,872 | 13,073,748 | 72 |
| 1970 | 16,047,078 | 11,820,863 | 75 |
| 1980 | 24,028,291 | 20,950,508 | 87 |
| 1990 | — | — | 93.6 |
| 2000 | — | — | 92.28 |

Source: Bureau of Census and Statistics as cited in UNESCO Regional Office for Education in Asia and the Pacific, "Literacy Situation in Asia and the Pacific Country Studies, Philippines," (Bangkok: UNESCO, 1984); UNESCO Statistical Yearbook 1994; Philippine National Statistical Office.

A system of public primary schools was the main method of teaching Filipinos how to read and write since other programs targeting the older population who previously did not have access to education was not as effective. Table 2.4 shows the variation in illiteracy rates between age groups.

Table 2.4
Illiteracy Rates by Age Groups as percentage, 1970 and 1980

| Age Group | 1970 Illiteracy Rate | 1980 Illiteracy Rate |
|----------------------|-----------------------------|-----------------------------|
| 15-24 | 27.41 | 8.31 |
| 25-44 | 19.88 | 13.31 |
| 45-64 | 30.16 | 38.10 |
| 65+ | 39.03 | 49.31 |

Source: UNESCO Regional Office for Education in Asia and the Pacific, "Literacy Situation in Asia and the Pacific Country Studies, Philippines," (Bangkok: UNESCO, 1984), 11.

Younger Filipinos were more likely to become literate since they went to the public primary schools, while those over 65 years old in 1970, had a much higher illiteracy rate of 39 percent. Battling literacy and putting in place an American-style educational infrastructure were two major accomplishments of the American presence in the Philippines. From the perspective of the American government, this was essential for democratic political institutions to function in the Philippines.

The transition from Spanish to American rule in the Philippines transformed the country on several dimensions. The Americans built the infrastructure for democratic self-rule by creating the blueprint for political institutions and providing public education to raise the literacy rates among the Filipino masses that previously prevented the upward mobility of native Filipinos. These efforts ended up having an effect on the domestic labor market at the beginning of Philippine independence in 1946.

The Supply of Private Tertiary Educational Institutions

Philippine private higher educational institutions (HEIs) began with private sectarian schools created during the Spanish colonial era. These private HEIs were developed as part of Spain's policy of carrying out religious orders in the Philippines during Spanish colonialism. The majority of the higher education curriculum focused on Christian doctrine and was reserved solely for Filipino elites training to become religious clergy, lawyers, judges, medical doctors, pharmacists, nurses, and other professionals. In 1611, Dominican Friars in Manila established Asia's first university, the University of Santo Tomas (UST) that was modeled after the University of Salamanca in Spain and the University of Mexico. UST was the main university in the country awarding degrees during the Spanish colonial period.⁵¹ Other private sectarian universities were also developed in the city of Manila and Cebu City that were all founded by Catholic religious congregations.⁵² These include the Colegio de San Ildefonso (founded 1595) in Cebu City, and the Colegio de San Ignacio (founded in 1595) and the Ateneo de Manila

⁵¹ Antonio Isidro and Maximo D. Ramos, *Private Colleges and Universities in the Philippines* (Quezon City: Alemar-Phoenix Publishing House, 1973), 12-14.

⁵² Mona Dumlao-Valisno, "A Study of Private Higher Education in the Philippines" (paper presented at the UNESCO-PROAP and SEAMEO-RIHED Second Regional Seminar on Private Higher Education: Its Role in a Globalized Knowledge Society, Bangkok, Thailand, 19-22 June 2001).

(founded in 1859) both located in Manila.⁵³ From 1634 to 1800, the UST awarded bachelors degree, the licentiate, and the doctorate within the “faculties of arts, philosophy, theology, morals, sacred scriptures and literary, canon law, civil law, sciences, mathematics, medicine, and pharmacy.”⁵⁴ But this was reserved solely for the select few since during this 200 year period, UST only awarded 919 bachelors degrees, 79 licentiates, and 61 doctorates in the arts, and only 79 licentiates, 61 doctorates, 78 bachelors in theology.⁵⁵

Public education in the Philippines did not begin until 1901 during American colonialism with the establishment of the Department of Public Instruction. The American-led Philippine Commission was importing an “American” education system as part of its plan to instill democratic institutions in the Philippines. In order to do this, English became the language of instruction to develop a single medium of communication. This system became the main agent for teaching nationalism and democracy.⁵⁶ Instilling American ideals on the Filipino people, the commission also pushed for a separation between church and state in public schools. This met with the disapproval of many local Filipino elites who preferred Spanish as the official language and the majority of Filipinos who were strong believers in the Catholic Church and preferred religious teachings in schools. Initially, this threatened the elite status of the few wealthy landed Filipinos who received a Catholic education in Spanish prior to American rule.⁵⁷

Education began reaching the masses when the Philippine Assembly declared in the 1935 constitution that “the government shall establish and maintain a complete and adequate system of

⁵³ Angel C. Alcalá, “Higher Education in the Philippines,” *Philippine Studies*, vol. 47, no. 1 (1999): 114-128.

⁵⁴ Mona Dumlao-Valisno, “A Study of Private Higher Education in the Philippines” (paper presented at the UNESCO-PROAP and SEAMEO-RIHED Second Regional Seminar on Private Higher Education: Its Role in a Globalized Knowledge Society, Bangkok, Thailand, 19-22 June 2001), 14.

⁵⁵ *Ibid.*

⁵⁶ Pauline Crumb Smith, “A Basic Problem in Philippine Education,” *The Far Eastern Quarterly*, Vol. 4, No. 2 (February 1945): 140-147.

⁵⁷ Reo Matsuzaki, “Institutions by Imposition: Colonial Lessons for Contemporary State-building,” Ph.D. Dissertation (Cambridge: Massachusetts Institute of Technology, Department of Political Science, September 2011), 295-298.

public education and shall provide at least free public primary instruction and citizenship training to adult citizens.”⁵⁸ When the Philippines became an independent nation in 1946, this mandate evolved to universal primary schooling for all Filipinos.

Table 2.5 Public School Enrollment as percentage of total enrollment, 1903-1941

| Year | Public School Enrollment (as percent) | | |
|---------|---------------------------------------|-----------|------------|
| | Elementary | Secondary | Collegiate |
| 1903 | 76.5% | 5.5% | 0.00% |
| 1918 | 86.5% | 27.3% | 43.1% |
| 1930-31 | 95.9% | 62.0% | 36.6% |
| 1940-41 | 96.4% | 58.4% | 24.6% |

As cited in Reo Matsuzaki, “Institutions by Imposition: Colonial Lessons for Contemporary State-building,” Ph.D. Dissertation (Cambridge: Massachusetts Institute of Technology, Department of Political Science, September 2011), 298. Various sources.

Table 2.5 shows how the percentage of public school enrollment increased close to 100 percent by the 1940, whereas public secondary education increased to just over 50 percent. As literacy increased to 50 percent in the 1940s, the demand for American ideas of “academic” training outstripped supply. The American educational system cast the diploma or certificate as a valuable “commodity” that everyone should have access to regardless of ability.⁵⁹

The expansion of primary education resulted in a large demand for higher education. As table 2.5 demonstrates, Philippine higher education did not have a single public institution in 1903; by 1918, public HEI enrollment had increased over 40 percent collegiate enrollment but then decreased to about 24 percent in the 1940s. The University of the Philippines, the first public institution of higher education that was opened in 1908, was not capable of accommodating the large amount of applicants. The state commitment to free elementary

⁵⁸ National Economic and Development Authority, *Philippine Yearbook 1977* (Manila, Philippines: National Census and Statistics Office, Republic of the Philippines, 1977).

⁵⁹ Andrew Gonzalez, “The Legacy of American Higher Education in the Philippines: An Assessment,” in *The ASEAN-American Dialogue: The Relevance of Higher Education to Southeast Asia*, ed. Philip G. Altbach (Singapore: Regional Institute of Higher Education and Development, 1985), 96.

education for the masses left it with few resources to invest in higher education. The focus of building a new class of professionals who could work in the young democracy's government institutions removed the influence of the Catholic Church in education—something novel to the Filipino people.⁶⁰ The growing demand for higher education as well as the lack of supply for “Filipino” nationalistic educational institutions led to a demand for private tertiary educational institutions.

The Corporate, Private School Laws and Tax Incentives

To fill this demand for higher education with limited government funds, the Philippine Commission developed laissez-faire educational policies to spark the growth of private higher education institutions (HEIs).⁶¹ These private venture colleges multiplied after the passage of two laws developed by the American-run Philippine commission that provided incentives for opening private higher educational institutions: The Corporation Law of 1906 and the 1917 Private School Law.

The 1906 Corporation Law (Act No. 1459) implemented by the Philippine Commission allowed schools to form as “corporations.”⁶² Differing from the Spanish colonial era when educational institutions could be opened only with authorization from the Catholic Church and its clergy, this law opened the door for individuals and entrepreneurs to open schools without the approval of the religious orders. Following the American tradition of free enterprise, there was little regulation of the schools. The Corporation Law treated private educational institutions as private commercial firms, which gave control of private HEIs to a Board of Trustees whose

⁶⁰ K.M. Joshi, “An Exploration of Private Sector Financing of Higher Education in the Philippines and Its Policy Implications for India,” *Ankara University Journal of Faculty of Education Sciences*, vol. 40, no. 2 (2007): 321-346.

⁶¹ *Ibid.*

⁶² Antonio Isidro and Maximo D. Ramos, *Private Colleges and Universities in the Philippines* (Quezon City: Alemar-Phoenix Publishing House, 1973), 20-22.

members were selected by stockholders, members, or in sectarian institutions by the bishop of the congregation.⁶³ Similar to private businesses with a corporate structure, governance was defined by articles of incorporation and by-laws that were approved by the Securities and Exchange Commission (SEC). This structure gave the board responsibilities for defining the charter, aims and objectives of the institution, development plans, evaluation of management, and academic appointments, and approval or removal of courses and degree programs.⁶⁴ The granting of diplomas and degrees had to receive approval from the Secretary of Public Instruction, rather than the Department of Trade and Industry where other private firms were regulated.⁶⁵ Yet, like private businesses, private schools could be divided into stock corporations or non-stock companies.⁶⁶ This meant that private HEIs could potentially raise capital by dividing school ownership into shares or partnerships.⁶⁷

The 1917 Private School Law (Act No. 2706) built on the Corporation Law by continuing to give private colleges and universities full autonomy both over funding and control, while at the same time recognizing private higher educational institutions as schools rather than simply commercial ventures.⁶⁸ This law created the Office of the Superintendent of Private Schools to control and supervise private schools, while continuing to provide a tremendous amount of autonomy to private colleges and universities.⁶⁹ Following the “American” model of higher education in which the government played a limited role in regulating schools, the Secretary of Public Instruction was authorized to inspect private schools and to ensure that they were able to

⁶³ Bikas C. Sanyal et al., *Higher Education and the Labor Market in the Philippines* (Paris: UNESCO, 1981), 96.

⁶⁴ *Ibid*, 96.

⁶⁵ *Ibid*, 20.

⁶⁶ Angel C. Alcalá, “Higher Education in the Philippines,” *Philippine Studies*, vol. 47, no. 1 (1999): 114-128.

⁶⁷ Philippine Legislature, Act 1459 “The Corporation Law” (1906).

⁶⁸ Charisse Gulosino, “Evaluating Private Higher Education in the Philippines: The Case for Choice, Equity and Efficiency,” in *Occasional Paper No. 68, National Center for the Study of Privatization in Education, Teachers College, Columbia University* (New York City: 2003), 5-6.

⁶⁹ Jessie D. Javier, Rodrigo D. Costales, and Dionesio C. Rivas, *Sociology and Anthropology: A Pedagogy* (Manila: Rex Books Store Inc, 2002), 237.

provide “adequate instruction to the public.”⁷⁰ The Private School Law of 1917 allowed many of these private venture colleges to operate as for-profit institutions that eventually became highly profitable joint stock companies.⁷¹ In addition to organizational structure and laissez-faire regulation, private tertiary schools enjoyed favorable tax rates. Until the 1970s, educational institutions were exempted from real estate taxes and if the school was organized as a “for-profit” institution, it only paid an income tax rate of 10 percent, compared to standard corporate tax rates of up to 25 percent for the first 100,000 pesos of profits, and 35 percent above that threshold.⁷²

Growth of Private Tertiary Schools

These laws and favorable tax rates set the stage for a new generation of non-sectarian private tertiary institutions to fill the gap in demand and supply for higher education to the Filipino population.⁷³ According to an American official, during the genesis of these private educational institutions, “the private schools in the aggregate are ‘big business’ and they supplement the public educational system by providing facilities which thus far the government has not had the funds to supply.”⁷⁴ The large majority of these private HEIs were not connected with any religious organization. At the beginning of American rule, there was a new wave of Filipino leaders that wanted to prevent full assimilation and Americanization of the Philippines

⁷⁰ Antonio Isidro and Maximo D. Ramos, *Private Colleges and Universities in the Philippines* (Quezon City: Alemar-Phoenix Publishing House, 1973), 20-22.

⁷¹ Landé, "The Philippines."

⁷² United Nations Development Programme and International Labour Office, *Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines* (Geneva: International Labour Office, 1974), 333-334.

⁷³ Carl H. Landé, "The Philippines," in *Education and Political Development*, ed. James Smoot Coleman (Princeton: Princeton University Press, 1965), 315-16.

⁷⁴ Angel C. Alcala, "Higher Education in the Philippines," *Philippine Studies*, vol. 47, no. 1 (1999): 114-128; 121.

by Filipino oriented educational institutions.⁷⁵ Prominent Filipino scholars and elites educated in the American education system founded new private tertiary schools to instill nationalistic ideals and a spirit of “uncompromising Filipinism. They were made aware of their capacity and traditions and culture of their race. They developed racial pride, urgently needed in those days as a new Western colonization immediately after their revolution against Spain.”⁷⁶ The Colegio Filipino that later evolved to becoming National University, was founded by Mariano Jhocson as the first private HEI that had no connection to the Catholic Church. Originally an elementary school and high school in 1900 that used Spanish as the language of instruction, its curriculum changed to meet the demands for Filipinizing government service by the American Governor Francis Burton Harrison.⁷⁷ Another significant private HEI that opened its doors in 1910 was Centro Escolar de Senioritas (later to become incorporated in 1917 as Centro Escolar University). Founded by Librada Avelino and Carmen de Luna, Centro Escolar focused on providing “physical, intellectual, moral and civic training of the individual, especially women” based on “moderate modernism, respect for tradition, and progressive Filipinism.”⁷⁸ Another pioneering private women’s oriented college in Philippines and for the Asia was the Philippine Women’s University (PWU). The main goal of PWU is to train women professionals and for “education in home and family living and training for leadership in the community.”⁷⁹

During American rule, there were also private educational institutions that sprouted to fill specific needs that were not being met by the single public university (University of the Philippines). The Philippine Normal College and provincial teaching colleges were developed to

⁷⁵ Andrew Gonzalez, “The Legacy of American Higher Education in the Philippines: An Assessment,” in ed. Philip G. Altbach, *The ASEAN-American Dialogue: The Relevance of American Higher Education to Southeast Asia* (Singapore: Regional Institute of Higher Education and Development, 1985), 97-98.

⁷⁶ Antonio Isidro and Maximo D. Ramos, *Private Colleges and Universities in the Philippines* (Quezon City: Alemar-Phoenix Publishing House, 1973), 15.

⁷⁷ *Ibid*, 15-16.

⁷⁸ *Ibid*, 16.

⁷⁹ Antonio Isidro and Maximo D. Ramos, *Private Colleges and Universities in the Philippines*, 16.

train primary and secondary teachers, but the surge of enrollment in elementary and secondary schools left a need for private tertiary schools to enter the market. To fill this need to train teachers for the growing public school system, Flora Ylagan and Segundo Infantado founded The National Teachers College (NTC) in 1928 to train teachers for elementary and secondary educational levels.⁸⁰ To fill the growing need of industry, Tomas Mapua founded The Mapua Institute of Technology (MIT) to meet technical training for economic development, especially in architecture and engineering.⁸¹ As America was instilling ideals of a free market, there was a need for commercial education. Vicente Fabella, the first Filipino certified public accountant, founded the Far Eastern Colleges and the School of Accounts, Commerce, and Finance (later called Jose Rizal College) to pioneer private commercial education.⁸²

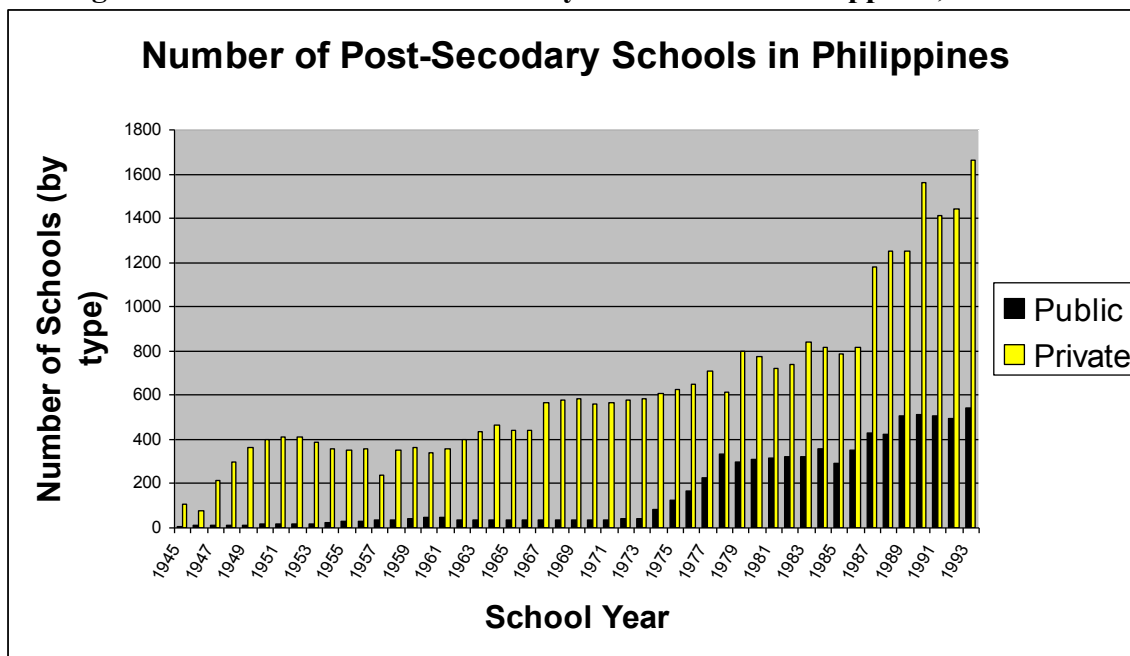
These and other pioneering programs at private colleges and universities started after the adoption of the Corporation Law of 1906 and also the 1917 Private School Law sped the process of providing the American colony with an educated workforce deemed necessary to sustain democratic institutions. Because the majority of the educational resources were focused on universal primary education and partially on secondary educational institutions, the private sector was filling the demand for post-secondary degrees since there was only one public university. Figure 2.1 illustrates the large number of private tertiary institutions in education compared to public ones, especially during the 1945 to 1974 period.

⁸⁰ Ibid, 17.

⁸¹ Ibid, 17.

⁸² Ibid, 17-18.

Figure 2.1 Number of Post-Secondary Schools in the Philippines, 1945-1993



Source: Philippine Statistical Yearbooks, 1946-1995.

When looking at the share of private tertiary enrollment, the majority of students were studying at private institutions. Table 2.6 illustrates this dominance of private schools with 96 percent of all students enrolled in private schools in 1955 and by 1975 private schools still had a large share of enrollment at 86 percent.

Table 2.6 Share of Private Higher Education (% Total), 1955-1975

| | 1955 | 1965 | 1975 |
|-------------------|------|------|------|
| Institutions | 93 | 94 | 83 |
| Students Enrolled | 96 | 89 | 86 |

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

The supply of private tertiary schools became a profitable investment. During the 1960-1961 school year the Philippine Association of Colleges and Universities (PACU) reported that

non-sectarian, for-profits made an average of 6 percent a year.⁸³ Despite these profits, the Philippine government began recognizing this model as a problem. On May 1963, President Macapagal recognized supply-side problems with private HEIs during an annual meeting of the PACU stating that “businessmen will be businessmen, they will not invest money where no monetary profits are to be gained. What can be done is to educate them to consider education not as just an ordinary business enterprise, but as a mission—and therefore to ask them to limit the dividends of stock-corporation institutions to a reasonable minimum.”⁸⁴

Education Associations and Voluntary Accreditation

As a result of these laws and private HEI growth, there were 594 private higher educational institutions by 1969 in the Philippines.⁸⁵ These private HEIs emerged into three types: (1) 293 were stock corporations, non-sectarian, (2) 254 were non-stock corporations, sectarian, and (3) 47 were foundations.⁸⁶ Most of them were members of one or another association for self-regulatory and coordination purposes. Fifty-three of the non-sectarian stock corporations were part of the Philippine Association of Colleges and Universities (PACU). There were 182 sectarian, non-stock HEIs that continued to have a close relationship with the Catholic Church through the Catholic Educational Association of the Philippines (CEAP) and another 22 that were affiliated with the Association of Christian Schools and Colleges (ACSC).⁸⁷ The rest of the 337 educational institutions were either part of the Philippine Association of Private Schools, Colleges and Universities (PAPSCU) or the Philippine Association of Private

⁸³ UNESCO, “Philippines,” in *Higher Education Development in Southeast Asia* (Paris: UNESCO, 1962), 572.

⁸⁴ *Ibid.*, 573.

⁸⁵ Bikas C. Sanyal, et al., *Higher Education and the Labor Market in the Philippines* (Paris: UNESCO, 1981), 95-96.

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*

Technical Institutions (PAPTI). There were a few that had no affiliation; the publicly funded state colleges and universities were governed under the Bureau of Public Schools.⁸⁸ The private educational associations served and continue to serve as internal regulatory bodies and lobbying groups for their common interests.⁸⁹

Accreditation began in 1949 when the Department of Education issued a statement suggesting private sector accreditation can help improve quality of tertiary education in the Philippines.⁹⁰ The Philippine government wanted the private sector to take its own initiative in starting these associations rather than a top-down state approach.⁹¹ In 1951, Francisco Dalupan, the President of University of the East, one of the largest universities in Manila, made it his task to set up the first accreditation association. Dalupan was concerned that with minimal government regulation of tertiary education “private schools in the Philippines were nothing but diploma mills.”⁹² He established the Philippine Accrediting Association of Universities and Colleges (PAAUC), an attempt to merge three professional associations of private tertiary schools: Catholic Education Association of the Philippines (CEAP), Association of Christian Schools and Colleges (ACSC) and Philippine Association of Colleges and Universities (PACU), an association of non-sectarian, for stock and for-profit group.⁹³

PAAUC only lasted for two years since there were major disagreements on whether or not the government should control the accreditation process. Dalupan pushed for “voluntary self-examination by the institution for purposes of self-improvement, rather than a vehicle to

⁸⁸ Bikas C. Sanyal, et al., *Higher Education and the Labor Market in the Philippines*.

⁸⁹ Congressional Commission on Education, *Making Education Work: Book Two The Education Ladder, Volume 3 Tertiary Education* (Manila and Quezon City: Congressional Commission on Education, 1992), 108

⁹⁰ Victor Ordonez and Gina Ordonez, “Accreditation in the Philippines: A Case Study,” Unpublished Working Paper, 2007.

⁹¹ Ibid.

⁹² Ibid.

⁹³ Ibid.

pass compulsory government inspections.”⁹⁴ On the other hand, PACU withdrew its membership from PAAUC after the first year for fear that accreditation would expose non-sectarian, for-profit schools as being inferior to the more sectarian institutions—mostly Catholic institutions.⁹⁵ Instead, PACU developed a handbook to provide its members to follow without any formal accreditation process as envisioned by Dalupan with PAAUC.

After the accreditation movement started by Dalupan failed in 1952, the Catholic Educational Association of the Philippines (CEAP) continued to pursue accreditation on its own. But instead of accrediting whole institutions, it focused on specific programs. The large majority of tertiary schools continued through the 1950s and 1960s with no accreditation and only following minimal government rules outlined in a *Manual of Regulations for Private Schools* that provides standards on requirements for curriculum, faculty qualifications, student regulations and teaching methods.⁹⁶ These regulations were broad and left a lot of room for private schools to implement with little government intervention.

The Demand for Higher Educational and the Overproduction of Degree Holders

The previous section argued that the institutional incentives built into the Corporation and Private School laws made private sector investment in tertiary schools an attractive business for creating schools. The government incentive for the private sector to supply tertiary education was a major factor for why there was large growth of private HEIs in the Philippines. The outcome was an educational system that was and is “market-driven”—one in which private HEIs

⁹⁴ Victor Ordonez and Gina Ordonez, “Accreditation in the Philippines: A Case Study.”

⁹⁵ Ibid.

⁹⁶ Daniel H. Perlman, “Higher Education in the Philippines: An Overview and Current Problems,” *Peabody Journal of Education*, vol. 55, no. 2 (January 1978): 119-126.

behave like firms that need to maximize profits, while students are similar to customers.⁹⁷ This section examines how the private HEI system oversupplies the educational market in certain degree programs over others. In a free market educational system, the number and type of degrees students enroll in would reach an equilibrium based on the demand for studying specific degree programs, the quality of these programs, and the labor market outcomes for graduates of HEIs.

High Participation Rates Grow at Elementary and Secondary Education

Several factors contribute to a large demand for higher education in the Philippines. These include high public expenditures on primary education, the private rate of returns to college education, and also college graduates increased access to the international labor market.⁹⁸ With all government educational resources focused on free public education at the primary and partially on secondary levels, the private sector played a major role in providing post-secondary education in the Philippines. Table 2.7 shows how participation rates in both elementary and secondary education became extremely high in the period from 1960 to 1971, building more demand for secondary and tertiary level education.

⁹⁷ M.D. Leonor, "The Philippines," in ed. M.D. Leonor, *Unemployment, Schooling and Training in Developing Countries* (London: Croom Helm and International Labour Organisation, 1985), 125.

⁹⁸ Estelle James, "Private Higher Education: The Philippines as a Prototype," *Higher Education* 21, no. 2 (1991): 190-91.

Table 2.7 Participation Rates by Level of Education for Corresponding Age Groups, 1960-1970 school years

| School Year | Elementary (as percent of population, 7-12 years) | Secondary (as percent of population, 13-16 years) | Collegiate (as percent of population, 17-20 years) |
|-------------|--|--|---|
| 1960-61 | 91.6 | 26.6 | 13.1 |
| 1964-65 | 108.6 | 35.4 | 17.5 |
| 1970-71 | 109.6 | 50.6 | n/a |

Source: Josefina Cortes, *Education and National Development: The Philippine Experience and Future Possibilities* (Quezon City: UP Publishers Printing Press, 1987), 47.

The demand produced from high participation rates at primary and secondary levels, limited funds from the government to invest in higher education, and incentives and autonomy for private school ownership were major factors influencing wealthy Filipinos to enter the higher education market. Many affluent families with major land holdings entered private tertiary schools throughout the Philippines. Many educational entrepreneurs responded to the need for providing higher education in both urban and rural areas.⁹⁹

Private Rates of Return to Education

The high rate of private return to higher education is one of the major factors why private HEIs have flourished. Table 2.8 shows the calculations of both private and social returns to education made by the UNDP-ILO for year 1971. It shows that despite the high level of educated unemployment, obtaining a college degree is still a profitable investment in the Philippines. Private resources invested in four years of college earn 9.0 percent over the lifetime for college graduates, holding constant other personal characteristics of college graduates compared to high school graduates.

⁹⁹ Gulosino, "Evaluating Private Higher Education in the Philippines: The Case for Choice, Equity and Efficiency."

Table 2.8 Private and Social Rates of Return to Levels of Schooling, 1971

| Level of Schooling | Social Rate | Private Rate |
|---|-------------|--------------|
| Primary, 1-4 years (over 0 schooling) | 5.0 | 9.0 |
| Primary, 5-6 years (over 1-4 elementary) | 6.5 | 8.0 |
| High school, 1-3 years (over 5-6 elementary) | 4.0 | 4.0 |
| High school, 4 years (over 4 high school) | 6.0 | 6.0 |
| College, 1-3 years (over 4 high school) | 5.0 | 5.5 |
| College, 4 years (over 4 high school) | 7.5 | 9.0 |
| College, 5 or more years (over 4 high school) | 7.0 | 8.0 |

Source: UNDP-ILO, *Sharing in Development: A programme of employment, equity and growth for the Philippines* (Geneva: ILO, 1974), 315

But when these calculations are made by type of school and program, the returns vary tremendously. At private tertiary schools, subjects like engineering have higher rates of return than others. On the other hand, subjects like education, architecture and home economics have private rates of return as low as 5 percent, and sometimes a negative rate of return depending on the institution.¹⁰⁰ The publicly funded University of the Philippines has private rates of return well above 10 percent for the large majority fields of study, with the exceptions of education and agriculture.¹⁰¹

Overproduction of Degrees in Specific Fields

When examining the type of programs that Filipino students enrolled in, there was a large portion of students during the 1950s and 1960s that were graduating with degrees in education and business. From 1951 to the 1970s, there were a high proportion of students enrolled in teacher training that reflected the demand for teachers during the period of rapid expansion of primary education. But this led to problems in the 1960s when there was an excess supply of teachers who were unable to find teaching positions. This later led to a dramatic drop to 9

¹⁰⁰ United Nations Development Programme and International Labour Office, *Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines* (Geneva: International Labour Office, 1974), 330-331.

¹⁰¹ *Ibid*, 331.

percent in enrollment in teacher training by the mid-1970s. This number eventually increased in the late 1980s when salaries for public school teachers increased.¹⁰² The largest growth of higher education graduates has been in commerce and business administration, which was only 9.3 percent in 1951, but grew to 55.4 percent in 1974. This also dropped during the 1980s at the height of the anti-Marcos movement and the slow growth in the economy during that period. Table 2.9 provides the distribution of higher education graduates by program in the Philippines to give a understanding of the type of industries graduates were prepared to enter.

Table 2.9 Percent Distributions of Higher Education Graduates by field, 1951-51 to 1990-91.

| Year | Total No. | Commerce Business Admin. | Arts and Sciences | Teacher Training | Engineering and Technology | Medical Sciences | Law and Foreign Service | Agriculture | Other |
|---------|-----------|--------------------------|-------------------|------------------|----------------------------|------------------|-------------------------|-------------|-------|
| 1951-52 | 44887 | 9.3 | 9.9 | 66.3 | 3.5 | 6.2 | 3 | | 1.7 |
| 1955-56 | 33682 | 23.7 | 18.5 | 33.5 | 6.9 | 10.6 | 4 | | 2.8 |
| 1960-61 | 38647 | 22.2 | 10.2 | 27.6 | 8.9 | 10.2 | 5.4 | | 5.3 |
| 1965-66 | 81327 | 18.7 | 9.8 | 55.2 | 5.6 | 5.8 | 1.6 | | 3.3 |
| 1970-71 | 82234 | 34.1 | 15.2 | 33.9 | 4.7 | 6.3 | 2.6 | | 3 |
| 1974-75 | 87430 | 55.4 | 17.8 | 9.6 | 6.2 | 5.8 | 1.9 | | 3.2 |
| 1986-87 | 191362 | 33.9 | 12.3 | 17.2 | 17.9 | 13.8 | 1.6 | 3.1 | 0.17 |
| 1990-91 | 310544 | 35.2 | 9.2 | 16 | 16.8 | 15 | 1.6 | 3 | 3.2 |

Source: Philippine Statistical Yearbooks, various years and Tan, *Labor Market Adjustments*

For an agrarian society, the share of higher education in agriculture is low. Data is not available for earlier years, but data from the 1980s and 1990s indicates only 3 percent of tertiary graduates studied in programs related to agriculture. Engineering and technology grew from 3.5 percent in 1951 to 8.9 percent by 1960. Commerce and business administration also grew from 9.3 percent of all tertiary graduates in 1951 to 34.1 percent by 1970. Laissez-faire educational policy toward tertiary schools led to the overproduction of graduates in certain fields and

¹⁰² United Nations Development Programme and International Labour Office, *Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines*, 331.

underproduction in others.¹⁰³ The pattern of enrollment followed the high demand for Filipinos to take white-collar oriented professional courses rather than pure science and vocational technical courses.¹⁰⁴ For instance, in 1951 there were a high proportion of law students to the general population in the Philippines (1 law student to every 1818 citizens, compared to the United States ratio of 1 to 2807).¹⁰⁵ Labor market studies of the Philippines during the 1960s highlighted this mismatch between the overproduction of degrees in certain fields and available jobs in the labor market. Table 2.10 illustrates this problem with the demand for certain occupations and the supply of graduates qualified for these jobs. The study shows that there is an oversupply of graduates in many fields, especially in law, economics, commerce and teachers.

Table 2.10 Comparison of Number Needed and Graduates in Specialization, 1967-68

| Fields of Specialization | Number Needed per year | Graduates per year |
|---------------------------------------|-------------------------------|---------------------------|
| Agriculture and supporting scientists | 250 | 2,400 |
| Engineering and supporting scientists | 600 | 5,015 (1967-68) |
| Medicine and supporting scientists | 1,000 | |
| Teachers | | 46,744 (1967-68) |
| College and secondary (Elementary) | 1,250 (6,000) | |
| Law, Economics, Commerce, and Arts | 2,500 | 24,812 (1967-68) |

Source: John Harold Skillman, *Higher Education and Socio-Economic Development in East Asia*, 122.

On the other hand, there were less tertiary graduates going into the agricultural fields where there have been many reports of labor shortage, especially in the rural parts of the Philippines. Table 2.11 shows the most popular fields of study for Filipinos in tertiary schools during the 1968-1970 school years were in education, commerce, liberal arts, and engineering and technology. The

¹⁰³ Mark Bray, "Financing Higher Education: Patterns, Trends and Options," *Prospects*, vol. XXX, no. 3 (September 2000: 331-348).

¹⁰⁴ Andrew Gonzalez, "Higher education, brain drain and overseas employment in The Philippines: towards a differentiated set of solutions," *Higher Education*, vol. 23, no. 1 (January 1992: 21-31).

¹⁰⁵ Chester L. Hunt and Thomas R. McHale, "Education and Philippine Economic Development," *Comparative Education Review*, vol. 9, no. 1 (February 1965: 63-73), 71.

government was also absorbing many college-educated graduates. About 25 percent of all college graduates work for the central or local governments, which includes teachers.¹⁰⁶ But with fewer positions in the domestic labor market, this grew to a major unemployment problem.

Table 2.11 Fields of Study with Highest Enrollment, 1968-1970

| Field of Study | 1968-1969 | | 1969-1970 | |
|----------------------------|------------|------------|------------|------------|
| | Enrollment | Percentage | Enrollment | Percentage |
| Education | 188,551 | 30.3 | 196,758 | 29.4 |
| Commerce | 178,455 | 28.7 | 193,220 | 28.9 |
| Liberal Arts | 105,262 | 16.9 | 124,911 | 18.7 |
| Engineering and Technology | 67,986 | 10.9 | 70,096 | 10.5 |

Source: Cherry-Lynn S. Ricafrente, "Accelerated Manpower Development Programme in the Philippines," National Manpower and Youth Council (Manila: National Manpower and Youth Council, 1971).

When examining collegiate graduates in each of the fields by type of school, private schools are producing a large majority of graduates in most of fields, with the exception of agriculture. Table 2.12 shows how more than 90 percent of all graduates in all fields enrolled in private schools during the 1968-69 school year.

¹⁰⁶ United Nations Development Programme and International Labour Office, *Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines* (Geneva: International Labour Office, 1974).

Table 2.12 Number of Collegiate Graduates by Major Fields of Study, in Public and Private Schools, 1968-1969

| Major Fields of Study | Public Schools | | Private Schools | |
|--------------------------------------|----------------|------------|-----------------|------------|
| | Number | Percentage | Number | Percentage |
| Agriculture | 1105 | 67.9% | 523 | 32.1% |
| Commerce and Business Administration | 1893 | 7.3% | 24199 | 92.7% |
| Engineering and Technology | 251 | 5.3% | 4442 | 94.7% |
| Law and Foreign Service | 135 | 9.7% | 1261 | 90.3% |
| Music and Fine Arts | 31 | 4.8% | 619 | 95.2% |
| Liberal Arts | 714 | 8.5% | 7724 | 91.5% |
| Medical Sciences | 180 | 5.8% | 2948 | 94.2% |
| Nautical | -- | 0.0% | 652 | 100.0% |
| Teacher Training | 3203 | 7.5% | 39616 | 92.5% |

Source: Cherry-Lynn S. Ricafrente, "Accelerated Manpower Development Programme in the Philippines," National Manpower and Youth Council (Manila: National Manpower and Youth Council, 1971)

Private HEIs were complementing public schools but they also experienced constraints on supplying more capital-intensive training programs such as in the medical sciences, engineering, and technology. On the other hand, private schools focused heavily on less capital-intensive programs such as commerce and business administration and teacher training, which table 2.12 shows makes up the large majority of all enrollment in private schools.

Costs of Supplying Education influencing Enrollment Patterns

The cost to supply education was a major factor in focusing on supplying "cheaper" fields than more capital-intensive fields. The publicly-run University of the Philippines had the highest total costs per student at 2,267 pesos in 1973; this cost rose to 3,814 pesos in 1977.¹⁰⁷ On the other hand, private schools outside of Manila were 286 pesos in 1973 and 491 pesos in

¹⁰⁷ Costs include tuition and books and other fees associated with attending the university.

1977. Even within metro Manila, private schools were still much cheaper than the University of the Philippines at 429 pesos in 1973 and 611 in 1977.¹⁰⁸

Unlike public tertiary institutions, private schools are concerned with making a profit, especially the non-sectarian stock, for-profit institutions. The large majority of operating costs for private schools were coming from tuition fees at 90.3 percent compared to the University of the Philippines at only 10.6 percent.¹⁰⁹

Table 2.13 Cost of Education at Various Educational Levels in the Philippines, 1965

| Educational Level | Tuition and Books | Public Education (operating and capital costs) | Total Public Expenditures | Private Education (Total, Direct) |
|--------------------------|--------------------------|---|----------------------------------|--|
| Primary | 0 | 113 | 113 | 100 |
| Intermediate | 0 | 113 | 113 | 100 |
| General Secondary | 43 | 292 | 335 | 134 |
| Vocational | 45 | 397 | 442 | 381 |
| College Normal | 60 | 295 | 355 | 288 |
| Other College | 388 | 973 | 1361 | 294 |

Source: Presidential Commission to Survey Philippine Education, *Education for National Development: New Patterns, New Directions* (Manila: Philippines, December 1970), 49. Calculations from data obtained from the annual report, Bureau of Public Schools and the 1966 Statistical Bulletin, Bureau of Private Schools, Division of Planning and Research, Department of Education and Other Sources.

Additionally, public universities and state colleges were spending much more in faculty salaries than the private education sector. The University of the Philippines dedicates over 67 percent of its annual allotments to wages, other state colleges about 79 percent, and private schools in metro Manila about 53 percent in 1972.¹¹⁰ Table 2.13 summarizes expenditures for various types of schools by educational level, where the most expensive is public tertiary schools compared to private education.

¹⁰⁸ Bikas C. Sanyal, et al., *Higher Education and the Labor Market in the Philippines* (Paris: UNESCO, 1981), 111.

¹⁰⁹ Ibid.

¹¹⁰ Ibid, 112.

Since private tertiary education was very popular throughout the Philippines, there was a popular scheme known as “study-now-pay-later plan” adopted by private schools that allowed students enrolled with minimal down payments. This financial scheme made private tertiary enrollment much more affordable.¹¹¹

Gender Dimensions of Tertiary School Enrollment and the Labor Market

Despite all of the supply and demand problems with HEI enrollment, the Philippines achieved gender equality in education by the 1950s and 1960s. From 1948 to 1957 the proportion of women working in agriculture, fishing and forestry declined from 75 percent to 40 percent; the corresponding percentage in in the trades and services industry increased from 16 to 35 percent.¹¹² During the 1968-1969 school year, there were more female graduates than males in both public and private tertiary schools. By the 1980s, out of 1.2 million tertiary level students during 1986-1987 school year, 40 percent of college students were male and 60 percent were female (see table 2.14).¹¹³

Table 2.14 Number of Collegiate Graduates by Sex in Public and Private Schools, 1968-1969

| | Male | | Female | |
|------------------------|--------|------------|--------|------------|
| | Number | Percentage | Number | Percentage |
| Public Schools | 3,178 | 38.0% | 5,083 | 60.8% |
| Private Schools | 29,026 | 34.7% | 54,602 | 65.3% |

Source: Cherry-Lynn S. Ricafrente, “Accelerated Manpower Development Programme in the Philippines,” National Manpower and Youth Council (Manila: National Manpower and Youth Council, 1971)

¹¹¹ Gulosino, "Evaluating Private Higher Education in the Philippines: The Case for Choice, Equity and Efficiency."

¹¹² Chester L. Hunt and Thomas R. McHale, “Education and Philippine Economic Development,” *Comparative Education Review*, vol. 9, no. 1 (February 1965: 63-73), 69.

¹¹³ Andrew Gonzalez, “Higher Education, Brain Drain and Overseas Employment in The Philippines: towards a differentiated set of solutions,” *Higher Education*, vol. 23, no. 1 (January 1992: 21-31), 27.

Degree programs where there were more female graduates than males in 1968-69 included commerce and business, liberal arts, teacher training, medical scientists, chemistry, and graduate studies.¹¹⁴ Fields of study that were still male dominant during the same school year were agriculture, engineering and technology, law and foreign service, and nautical studies.¹¹⁵ The remarkable educational attainment of women in the Philippines led to women being “prominently represented in business and the professions, even those such as law and medicine which require a prolonged period of training by the 1960s.”¹¹⁶

Case of Filipino Nursing Education

The development of Philippine nursing education, during the period of American colonial rule (1901-1946) became pivotal in the growth of professional women in the workforce. In a collection of volumes documenting the history of nursing, Lavinia L. Dock, the Secretary of the International Council of Nurses in 1912, wrote:

Nursing in the Philippines has a history on which we may look back with satisfaction, for, while carried on almost entirely by Americans in the early days of the occupation, its speedy adoption into the life and education of the Filipinos themselves and its wonderfully rapid development have probably not been surpassed elsewhere...A thorough course of study was arranged, including, besides all the usual subjects, the nursing of tropical diseases, the sanitary work of the Bureau of Health, public instruction in dispensary and school work, English grammar and colloquial English, and industrial and living conditions in the islands.¹¹⁷

¹¹⁴ Cherry-Lynn S. Ricafrente, “Accelerated Manpower Development Programme in the Philippines,” National Manpower and Youth Council (Manila: National Manpower and Youth Council, 1971).

¹¹⁵ Ibid.

¹¹⁶ Chester L. Hunt and Thomas R. McHale, “Education and Philippine Economic Development,” *Comparative Education Review*, vol. 9, no. 1 (February 1965: 63-73), 69.

¹¹⁷ Lavinia L. Dock, *A History of Nursing: From the Earliest Times to the Present Day with Special Reference to the Work of the Past Thirty Years*, vol. 4 (New York: G.P. Putnam’s Sons, 1912), 307-308, 316.

Philippine nursing training developed under American colonial rule and partially through the financial sponsorship of the American colonial government.¹¹⁸ In 1906, the Baptist Foreign Mission Society established the first Philippine nursing school, the Iloilo Mission Hospital School of Nursing. A year later, the U.S. colonial government established its own nursing school.¹¹⁹ From the 1920s to 1930s, the Philippine nursing schools followed trends of American training, “such as higher standards of admission to schools of nursing, the specialization of public health nursing, and the militaristic occupational culture of student nurses.”¹²⁰ But this was not simply a transfer of nursing ideas from the United States to the Philippines.

The first generation of Filipino nurse graduates organized a Philippine nursing organization with Filipino leadership. In September 1922, Anastacia Giron-Tupas, the first Filipino Chief Nurse and Superintendent of the Philippines, and 150 Filipino graduate nurses convened to organized the Filipino Nurses Association (FNA).¹²¹ Through the FNA, Filipino nurses increased educational standards, developed the practice and training of public health nurses, and engaged in other nursing activities similar to professional organizations found in Europe and the United States. In order to achieve this purpose, the FNA created a section of the association known as the League of Nursing Education that published standard nursing curriculums, raised admission requirements to Philippine schools of nursing, and advocated a baccalaureate program in nursing. By 1946, the FNA created a petition for the creation of a College of Nursing in the University of the Philippines (a public university).¹²²

¹¹⁸ Lavinia L. Dock, 314.

¹¹⁹ Anastacia Giron-Tupas, *History of Nursing in the Philippines* (Manila: University Book Supply, Inc., 1952), 28.

¹²⁰ Susan M. Reverby, *Ordered to Care: The Dilemma of American Nursing, 1850-1945* (Cambridge: Cambridge University Press, 1987), 121-142.

¹²¹ Soledad A. Buenafe, and Patrocinio J. Montellano, “Forty Years of the Filipino Nurses’ Association,” *Philippine Journal of Nursing*, vol. 31, no. 5 (1962), 299-312.

¹²² Soledad A. Buenafe, and Patrocinio J. Montellano, 299-312.

Migration for the purpose of training also became important in building the Philippine nursing educational system. Rooted in the ideas of the Pensionado program, a U.S. colonial government program started in 1903 that provided funds for Filipino students to study in America, an elite group of Filipino nurse graduates were able to pursue post-graduate study in the U.S. and returned to the Philippines to instill American nursing trends themselves.¹²³ With the purpose of learning how to build the nursing education infrastructure, Filipino nursing graduates were sponsored by American agencies to study abroad and, upon returning to the Philippines, to assume faculty positions. In 1911, at St. Luke's Hospital School of Nursing in the Philippines, the first three graduates completed their post-graduate coursework at Protestant Hospital in Philadelphia with the financial assistance of a former U.S. Ambassador to England. They returned to the Philippines and assumed faculty positions at St. Luke's. In 1922, the Rockefeller Foundation sponsored another St. Luke's graduate to study at Columbia University's Teachers' Colleg; she later returned to become the first Filipina Nursing Arts Instructor at St. Luke's. In 1939, the Daughters of the American Revolution also gave scholarships to more Philippine trained nurses who then studied in the United States and later returned to become faculty.¹²⁴ This return migration of Filipino nurses was essential for building the nursing industry in the Philippines.¹²⁵

¹²³ W.W. Marquardt, "An Unparalleled Venture in Education," *The Far East Quarterly*, vol. 4, issue 2 (February 1945), 137-139.

¹²⁴ Choy, Catherine Ceniza, "The Usual Subjects: Medicine, Nursing, and American Colonialism in the Philippines," *Hitting Critical Mass: A Journal of Asian American Cultural Criticism*, vol. 5, no. 2, fall 1998, 9.

¹²⁵ Choy cites many examples of this pattern: founder and dean of the University of the Philippines College of Nursing Julita Sotejo received her M.S. from the University of Chicago; University of the Philippines professor Amelia Mangay Maglacas received her M.S. from the University of Minnesota; St. Luke's School of Nursing principal Ester Santos received her B.S.N. from Columbia University; Dean of Manila Central University College of Nursing Purita Asperilla received her M.S. from Case Western Reserve University; St. Luke's Professors Quintana Beley, Veneranda Sulit, and Caridad Goco completed their post-graduate work at Protestant Hospital in Philadelphia; St. Luke's Professor Escolastica Agatep was trained at Columbia University's Teacher's College.

By 1939, the Secretary of Public Instruction appointed a committee to revise the Philippine nursing curriculum. A subcommittee of Filipino nurses who recently returned from the U.S. reviewed the proposed new curriculum to ensure that it would be “consistent with the latest trends in nursing education abroad.”¹²⁶ In 1946-1948, nine Philippine universities began to offer baccalaureate programs in nursing under the direction of Filipino faculty. These programs included the University of Santo Tomas School of Nursing Education, University of the Philippines College of Nursing, Manila Central University College of Nursing, Philippine Union College, Central Philippines College, St. Paul’s School of Nursing, Silliman University, Philippines Women’s University, and Southwestern College of Nursing.¹²⁷ This system evolved to 175 nursing schools; as of 1998, they graduate more than 9,000 students per year.

Through this case of the development of nursing education in the Philippines, one can see how the Americans played a role in influencing the standards that eventually produced a supply of Philippine-trained nurses who could be easily exported and accepted abroad. Nursing education also planted the seeds for the growth of professional Filipino women to grow in the domestic and overseas labor markets because of the adoption of universally accepted standards of the American educational system. In later periods, Philippine-trained nurses became highly regarded in the world market for nurses.

Social Status of a Higher Education Credential

The main problem of education identified by scholars during the early days of the American educational system adoption in the Philippines is the “stress on academic subjects.”

¹²⁶ Julita Villaruel Sotejo and Mary Vita G. Beltran-Jackson, *Learning Nursing at the Bedside: Nursing Education Practices—Past and Present* (Quezon City: University of the Philippines Press, Inc., 1965), 72.

¹²⁷ Anastacia Giron-Tupas, *History of Nursing in the Philippines* (Manila: University Book Supply, Inc., 1952), 109-116.

Education has been seen as the mode for upward mobility into the “white collar” class with a government job or occupation that carries an aspect of social prestige.¹²⁸ Although very successful in playing a major transformative role in transitioning the Philippines from a Spanish colony to a democratic society by rapidly increasing literacy and civics knowledge, the unintended consequence of American-style education was an oversupply of Filipinos trained for “white collar” jobs in the labor market. In 1930 the Prosser report reviewed the problem of vocational education in the Philippines even though there were only a very small amount of vocational schools. The report noted that there was “a widespread preference for the so-called academic rather than vocational courses of training because of their greater social prestige.”¹²⁹ Excessive training in specific fields where there is little or no demand for their skills created a situation where Filipinos were accepting employment in fields for which they had no training or are not required.¹³⁰ When there is this oversupply of educated labor, employers tend to raise the qualifications needed for their workers.¹³¹ This produced a cycle where more educational “credentials” became essential for Filipinos to be qualified for jobs they may be overqualified for. Prestige and lack of information prevented a perfect adjustment of supply and demand, even though the Philippine system was dominated by the private sector, whose response was rational in terms of occupational opportunities.¹³²

As the Philippines was increasing its educational attainment, the expectations of younger entrants in the labor force rose. These young new entrants regarded traditional low-wage jobs as

¹²⁸ Pauline Crumb Smith, “A Basic Problem in Philippine Education,” *The Far Eastern Quarterly*, vol. 4, no. 2 (February 1945: 140-147), 145

¹²⁹ *Ibid.*, 143.

¹³⁰ Cherry-Lynn S. Ricafrente, “Accelerated Manpower Development Programme in the Philippines,” *National Manpower and Youth Council* (Manila: National Manpower and Youth Council, 1971), 8.

¹³¹ Presidential Commission to Survey Philippine Education, “Education and Manpower Development,” Sectoral Report of the Human Resources and Manpower Development Special Area Group (Makati: Republic of the Philippines, 1970), 43.

¹³² Chester L. Hunt and Thomas R. McHale, “Education and Philippine Economic Development,” *Comparative Education Review*, vol. 9, no. 1 (February 1965: 63-73), 71.

unacceptable. The result was a “surplus of better-educated workers in search of the elusive high-status job that society and the market gave to a smaller number of their immediate predecessors.”¹³³ Further discussion about this problem is explored in chapter 5 with an examination of the type of jobs available in the domestic labor market to absorb Filipino tertiary graduates.

III. Underdevelopment and the Policies Shaping the Domestic Labor Market

During the same period the Philippines was shifting away from a Spanish-elite to an American-style mass educational system, the weak Philippine state was struggling to grow the domestic labor market to absorb new tertiary graduates because of conflicting economic development policies. Economic planning in the Philippines has been dominated by private enterprise with some interventions and incentives provided by the government. The Philippine state usually draws up its investment plans and sells it to private capitalists who it hopes to convince to undertake by offering economic incentives.¹³⁴ This approach had an impact on the type of jobs that became available in the domestic labor market. There were two distinct periods that illustrate how the Philippine state and economic elites shaped the labor market: the pre-World War II and post-World War II periods.

¹³³ Ransford W. Palmer, “Education and Emigration from Developing Countries,” in *Education and Development: Issues in the Analysis and Planning of Postcolonial Societies*, edited by Lascelles Anderson and Douglas M. Windham (Lexington: D.C. Heath and Company, 1982), 113-127.

¹³⁴ Rosa Linda P. Tidalgo, “Labour Market, Structural Adjustments in the Philippines,” in *ASEAN-Australia Working Papers* (Canberra: 1984), 45.

Pre-World War II Policies: Dismantling Spanish Repression

Throughout a long history of colonialism that began with the arrival of the Portuguese explorer Ferdinand Magellan in 1521, the Philippines was controlled by Spain and the United States. The Spanish brought two distinct characteristics that shaped the way the economy was structured: Catholicism and a division of colonial administration that divided land into large estates or what were known as *encomiendas*, a system of political administration similar to Spanish colonialism in Latin America where land was given to Spanish settlers and the Catholic Church. This system of rule rendered native Filipinos powerless by restricting land ownership to the Spanish and the Church. It also made natives rely heavily on relationships with land owners for access to jobs and power. The Spanish also provided limited opportunities to natives for upwardly mobility since they excluded them from educational institutions and prohibited teaching Filipinos the Spanish language. On many dimensions, Spanish rule was oppressive for native Filipinos since access to political and economic power was limited to those connected to the Spanish elite or the Catholic Church. There was no public school system and the sole direction of education was entirely in the hands of the church. The main thrust of education was to Christianize the Philippines and also to Hispanicize elite Filipinos. The colonial government had no intentions of educating natives for political participation, except to obey orders from the Spanish King, landed elites, and the church.¹³⁵

¹³⁵ Carl H. Landé, "The Philippines," in *Education and Political Development*, ed. James Smoot Coleman (Princeton: Princeton University Press, 1965), 313.

American Experiment of Spreading Democracy

When the Americans took over the Philippines after winning the Spanish-American War in 1898, a newfound optimism permeated throughout the country. On January 1900, U.S. Senator Alfred Beveridge elaborated on the significance of the Philippines.

The Pacific is the ocean of commerce of the future. Most future wars will be conflicts of commerce. The power that rules the Pacific, therefore, is the power that rules the world. With the Philippines, that power is and will forever be the American Republic.¹³⁶

Despite Beveridge's political rhetoric, he points out the strategic location of the Philippines and the importance of it being a source for financial exchange. But American optimism was constrained by three centuries of Spanish colonial policies hindering both the state and society from developing. Throughout the history of the Philippines, the country had constantly been trying to break away from the shackles of its past.

In 1898, the Philippines became Asia's first democracy with a declaration of independence drafted by Emilio Aguinaldo, a general who played a major role in the independence movement against the Spanish and is also considered Philippines first President. However, after the Americans defeated the Spanish in the Spanish-American War, the treaty of Paris transferred power from Spain to the United States, with no recognition of Aguinaldo's government. In January 1899, US President McKinley created the First Philippine Commission headed by Dr. Jacob Schurman, President of Cornell University together with four other Americans. This commission issued a report recognizing Filipino desires for independence, but also admitted that the country was not ready for self-rule. They recommended the establishment

¹³⁶ "Our Philippine Policy," *Congressional Record*, January 9, 1900, reprinted in Daniel B. Schirmer and Stephen R. Shalom, *The Philippines Reader: A History of Colonialism, Neocolonialism, Dictatorship, and Resistance* (Boston: South End Press, 1987), 24-25.

of a civilian-led government, a bicameral legislature, autonomous governments at the provincial and local levels, and a system of free public primary schools.

Essentially, America was exporting itself to its new possession, but without referring to itself as a colonial ruler in the European tradition.¹³⁷ There was no question in the minds of Americans that the Philippines would become independent. The debate over self-rule was about when and under what conditions. After the First Commission, a Second Philippine Commission led by William Howard Taft was established in March 16, 1900 to govern and prepare the country for independence. The Taft Commission was granted both legislative and executive powers. In a matter of two years, it issued 499 laws, created a judicial system with a Supreme Court, and a civil service. Instead of following the tradition of the Spanish and other colonial empires, Americans were not allowed to acquire large pieces of land in the Philippines and avoided creating large business monopolies. U.S. colonial rule eventually allowed some local rule and granted commonwealth status (partial autonomy) in 1935. Plans were in place for a 10-year transition to full independence in 1945, but World War II brought the Japanese occupation. The Philippine government eventually evolved to a carbon copy of its American parent. It contained three branches of government: an executive, a judiciary, and two houses of Congress. It also featured a federal structure with certain autonomy given to provincial governments. But in order for Filipinos to benefit from these newfound political institutions, the Americans believed that some major reforms were necessary to disentangle the work that the oppressive Spanish colonial policies had on the native Filipino population.

¹³⁷ Stanley Karnow, *In Our Image: America's Empire in the Philippines* (New York: Ballantine Books, 1989).

Breaking the Feudal Land Tenure System

The land tenure system from Spanish colonial times continued to shape the economy and define the parameters of political power. Democratic politics in the Philippines was dominated by an oligarchy: a small group of wealthy, landed elite families. This oligarchy managed to control Congress and most of the Presidencies until the election of Ferdinand Marcos. This oligarchy evolved from three distinct eras around the feudal land tenure system. First, the pre-Spanish period that ended with the landing of Ferdinand Magellan, had a tribal or what is referred to as “barangay” form of organization where family relationships were important. During Spanish rule, they formed a Spanish colonial version of the feudal economy of medieval Europe where private property rights were placed under an *encomienda* system. This entailed large pieces of land being granted to a favored few who would rent the land out to peasants. The third era was under American rule.¹³⁸ During this period, a sense of equity existed based on American ideals and “social justice.” The Americans introduced “the concept of a public domain” and created an institutional structure for the settlement of government lands and to stabilize landlord-tenant relations.¹³⁹ But despite these efforts, the Americans avoided a full-scale land reform program and only wanted to erect political institutions for Filipinos to resolve themselves under self-rule. The American colonial officials focused on holding elections for provincial governors and sub-provincial rulers that were previously appointed by Spanish colonial authorities.¹⁴⁰ Compared to other colonial rulers that focused on centralizing power in the country’s capital, the Americans focused on local autonomy. According to political scientist David Kang, this left the legacy of Spanish colonialism in place and pulled the weak Philippine

¹³⁸ Joe R. Motheral, "Land Tenure in the Philippines," *Journal of Farm Economics* 38, no. 2 (1956): 465-66.

¹³⁹ Ibid.

¹⁴⁰ Paul D. Hutchcroft, “Colonial Masters, National Politicos, and Provincial Lords: Central Authority and Local Autonomy in the American Philippines, 1900-1913,” *The Journal of Asian Studies*, Vol. 59, No. 2 (May, 2000): 277-306.

state in different directions by “rent-seeking” wealthy families.¹⁴¹ Since land reform did not take place during the American period, democratic institutions perpetuated a cycle of oligarchic rule since wealth was concentrated with local landed elites who could buy electoral votes.¹⁴²

The land tenure system and how to redistribute land was one of the most polemical issues that the Philippine government dealt with after its independence in 1946. The system created a specific type of relationship between families and land owners. As many scholars have observed, “the extended family was a particularly strong source of identification and status in the Philippines, and patron-client relationships linked the population to the oligarchic family in its area or region.”¹⁴³ The American colonial administration ignored land reform since they did not want to upset existing arrangements. By the time of independence in 1946, the tenancy rate actually rose much higher than with the Spaniards.¹⁴⁴ This left the Philippines with two conflicting institutions—a feudal land tenure system that perpetuated the old elitism of Spanish colonialism and democratic institutions where the majority of native Filipinos were marginalized from politics and the activity became exclusively driven by the landed and business elites. The Americans basically failed at reforming the land tenure system and a system of elite rule continued to dominate Philippine politics and the lifeline of the economy.

¹⁴¹ David C. Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (Cambridge University Press, 2002).

¹⁴² Paul D. Hutchcroft, “Colonial Masters, National Politicos, and Provincial Lords: Central Authority and Local Autonomy in the American Philippines, 1900-1913.”

¹⁴³ As cited in CBO Memorandum, “The Role of Foreign Aid in Development: South Korea and the Philippines,” (Washington, DC: Congressional Budget Office, 1997), 25. Originally from Robert S. Dohner and Jr. Ponciano Intal, “The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines,” in *Developing Country Debt and Economic Performance: Country Studies--Indonesia, Philippines, Turkey*, ed. Jeffrey D. Sachs and Susan M. Collins (Chicago: University of Chicago Press, 1989), 376.

¹⁴⁴ David C. Kang, *Crony Capitalism: Corruption and Developing in South Korea and the Philippines* (Cambridge: Cambridge University Press, 2002), 28.

Post-World War II Policies: From ISI to Deregulation

After World War II, the Philippines needed to uplift its economic conditions through a reconstruction program that would spark economic development. The United States granted the Philippines political independence in 1946 under conditions of having close relationships with U.S. investors, the establishment of U.S. military bases, and a currency that was pegged to the US dollar and could not be changed without permission by the U.S. President. With a lack of willingness for land reform, the same landed elite families that benefited from the Spanish *encomienda* system formed two different factions-- agriculturalists and industrialists--that pursued conflicting economic policies. Despite past efforts made by the Americans to break away from Spanish colonialism, these ties inherited from the feudal economic structures prevented the state from moving beyond the interests of the oligarchic class. Paul Hutchcroft has shown that the Philippine state was unable to create a coherent economic development plan because of patrimonialism that infected all Philippine political institutions from these elite interests.¹⁴⁵ The failure of these policies to create a vibrant economy explains why there was limited growth in the domestic labor market. These conflicts were apparent in three distinct periods of economic policies: Import Substitution Industrialization (ISI), deregulation and debt accumulation, and export-oriented industrialization.

Import Substitution Industrialization

After independence in 1946, the country embarked on full-scale import-substitution industrialization that brought significant changes in employment opportunities. Due to free trade with the United States, the Philippines initially developed an economy dependent on the United

¹⁴⁵ Paul D. Hutchcroft, *Booty Capitalism : The Politics of Banking in the Philippines* (Ithaca, NY: Cornell University Press, 1998).

States for about 70 percent of its foreign trade. In preparation for national independence, efforts at industrialization among Filipinos were promoted in anticipation of the withdrawal of the preferential trade arrangements. To begin with, there was a growth in entrepreneurship in the manufacturing sector. While there were entrepreneurs belonging to that sector who had Chinese commercial capital origins and professional backgrounds, it was largely dominated by the landed class who produced cash crops for export while attempting to diversify into manufacturing.¹⁴⁶ After World War II, the Philippines was granted independence by the U.S. with conditions of having close economic ties. This established preferential tariffs, special treatment for US investors and a fixed peso-dollar exchange rate.¹⁴⁷ During the 1950s, post-war reconstruction and a large flow of foreign aid fueled industrialization efforts. The Philippine government followed an import substitution industrialization (ISI) strategy by having both import and foreign exchange controls. Typical of most ISI programs, this strategy provided several economic benefits for the Philippines: it limited imports such as consumer goods for the rich and repatriation of capital outside the country, allowed the state to select which imports to assist in the industrialization process, and provided a protection mechanism for the industries that the country established.

The ISI strategy did spark the industrialization process in the Philippines. By the late 1960s, the majority of industries, with the exception of manufacturing and some traditional export industries were almost entirely Filipinized. By the 1950s, domestic substitution of food imports, apparel, publishing and printing was achieved.¹⁴⁸ Other areas of domestic production

¹⁴⁶ Emmanuel S. de Dios and Paul D. Hutchcroft, "Political Economy," in *The Philippine Economy: Development, Policies, and Challenges*, ed. Arsenio Balisacan and Hal Hill (Manila: Ateneo de Manila University Press, 2003), Hutchcroft, *Booty Capitalism : The Politics of Banking in the Philippines*.

¹⁴⁷ James K. Boyce, *The Philippines: The Political Economy of Growth and Impoverishment in the Marcos Era* (Honolulu: University of Hawaii Press, 1993), 7.

¹⁴⁸ Robert S. Dohner and Ponciano Intal Jr., "The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines."

that increased in the 1950s because of the ISI strategy included textiles, paper and paper products, and nonmetallic mineral products. The first half of the 1950s experienced industrial growth with manufacturing value increasing by 15.8% annually on average during 1949-1956.¹⁴⁹ Annual growth rates of domestic product are revealed in table 2.15.

Table 2.15
Average annual growth rates of domestic product (1972 prices) by industrial origin, 1949-1977 (in percentages)

| | 1949-53 | 1953-57 | 1957-61 | 1961-65 | 1965-69 | 1969-73 | 1973-77 |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|
| Agriculture | 7.7 | 4.3 | 4.2 | 4.6 | 4.0 | 3.4 | 5.4 |
| Industrial Sector | 8.8 | 8.1 | 3.7 | 5.8 | 5.5 | 7.3 | 8.1 |
| Mining | 23.5 | 7.7 | 1.0 | 2.7 | 14.6 | 11.4 | 4.3 |
| Manufacturing | 14.1 | 11.1 | 5.7 | 4.8 | 6.6 | 7.5 | 5.0 |
| Construction | 0.3 | 2.6 | -1.6 | 10.8 | -0.6 | 5.2 | 21.8 |
| Utilities | 3.6 | 5.7 | 2.5 | 3.0 | 5.3 | 7.9 | 11.2 |
| Service Sector | 9.4 | 0.6 | 4.6 | 4.6 | 4.7 | 4.6 | 5.2 |
| Net domestic product | 8.6 | 6.2 | 4.2 | 4.8 | 4.6 | 4.9 | 6.1 |

Source: National Accounts Staff, National Economic and Development Authority as cited in Romeo M. Bautista and John H. Power and Associates, *Industrial Promotion Policies in the Philippines* (Manila: Philippine Institute for Development Studies, 1979).

This table shows that, towards the end of the 1950s, the Philippines experienced slower growth. The small size of the domestic market for consumer goods produced through the ISI strategy was also a limiting factor. Furthermore, the heavy import dependency of the ISI industries placed a tremendous amount of pressure on the country's balance of payments, making it necessary for the government to tighten import controls towards the end of the 1950s.

Deregulation and Debt Accumulation

The ISI strategy eventually created a clash between industrial and agricultural exporters' interests over exchange rate policy. These policies created a structure that significantly hurt

¹⁴⁹ Romeo M. Bautista and John H. Power and Associates, *Industrial Promotion Policies in the Philippines* (Manila: Philippine Institute for Development Studies, 1979), 6.

agriculture. The overvalued peso and industrial protection policies became unsustainable and led to a deficit in the balance of payments.¹⁵⁰ The new industrial class wanted a strong peso to allow them to import more capital goods cheaply while agriculturalists favored a weak peso to increase the earnings for their exports. The election of Diosdado Macapagal as President in 1961 favored the agricultural exporters and discontented industrialists whose import licenses were revoked.

In 1962, decontrol of imports and the devaluation of the peso by almost 100 percent led to an increase in the export of agricultural crops. But simultaneously, deregulation led to a neoliberal program that shocked the economy and resulted in the collapse of numerous businesses that depended on an overvalued currency. The Philippines began a cycle of accumulating debt from international financial institutions. During the 1960s, the IMF gave the Philippines several loans to help the Philippine peso stabilize. Despite these loans, the Philippine peso depreciated from P2.00 to a US dollar to P3.9 by 1965. The Philippine government began accumulating a tremendous amount of debt because of foreign borrowing to stabilize the economy after two balance of payment crises that occurred in the early and late 1960s. From 1962 to 1965, foreign debt doubled from 275 million US dollars in 1962 to over 600 million by 1965. Debt continued to double every year as illustrated in Table 2.16.

¹⁵⁰ Cristina C. David, "Agriculture," in *The Philippine Economy: Development, Policies, and Challenges*, ed. Arsenio Balisacan; and Hal Hill (Manila: Ateneo De Manila University Press, 2003), 184-85.

Table 2.16
Philippine External Debt, 1965-1970
(in millions)

| Year | Public Medium & Long Term | Public Short Term | Private Medium & Long Term | Private Short Term | Total Debt | % of GNP | % of Exports |
|------|---------------------------|-------------------|----------------------------|--------------------|------------|----------|--------------|
| 1965 | 286 | 73 | 190 | 51 | 600 | 10 | 56 |
| 1966 | 269 | 103 | 209 | 43 | 624 | 9 | 53 |
| 1967 | 281 | 209 | 445 | 145 | 1,079 | 15 | 90 |
| 1968 | 433 | 120 | 698 | 200 | 1,450 | 18 | 126 |
| 1969 | 480 | 196 | 959 | 276 | 1,912 | 22 | 173 |
| 1970 | 738 | 63 | 1,049 | 287 | 2,137 | 31 | 162 |

Source: Central Bank of the Philippines, Management of External Debt and Investment Accounts Division, as cited in Robert S. Dohner and Ponciano Intal, Jr. "The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines," in Jeffrey S. Sachs and Susan M. Collins, *Developing Country Debt and Economic Performance* (Chicago: University of Chicago Press, 1989). This includes IMF assistance.

By 1970, foreign debt made up over 30 percent of the Philippines' GNP. The deregulation strategy also destroyed many of industries that were created under ISI. In a matter of three years, the manufacturing sector dropped from producing 17.9 percent share of the GNP in 1962 to only 7.1 percent in 1965. The deregulation strategy in the 1960s shocked the Philippine economy and left it in shambles.

Export-Oriented Industrialization

In 1965, Ferdinand Marcos defeated President Macapagal in his re-election bid during a time of widespread dissatisfaction with his deregulation strategy. Once Marcos began his Presidency, he immediately focused on ways to spark economic growth. To resolve the problems developed during the deregulation strategy, the IMF and the World Bank encouraged the Philippines to pursue an export-oriented industrialization program. As part of this new strategy, the government launched an export strategy by using low Filipino wage rates to attract

foreign capital. The logic of this program was to use cheap and controlled labor to export manufactured products in the world economy to improve the country's balance of payments and employment opportunities.

In 1968-1969, a balance of payments crisis emerged that led to the re-imposition of import restrictions. In 1969, President Marcos was running for re-election during a time when government expenditures rose by 25 percent and the national government's deficit tripled. The majority of these expenditures were financed by the central bank and the money supply rose by 20 percent.¹⁵¹ During the late 1960s, Marcos was attempting to create the groundwork for export-oriented industrialization, but he was unable to operationalize these plans since there was opposition from Congress and among agricultural elites.¹⁵² It was not until after his re-election and his consolidation of power in the 1970s that he was able to implement his strategy.

The economic development strategies from 1946 until the late 1960s were an attempt at building Philippine industries. The ISI strategy was limited because of the small local domestic market for purchasing goods manufactured in the Philippines. Additionally, the foreign exchange and import controls proved to be detrimental to the agricultural sector. President Macapagal changed the Philippine economic development strategy by deregulating controls and allowing the foreign currency to devalue. The shocks to both businesses and society hurt his re-election bid in 1965 and a new strategy was underway under Ferdinand Marcos's leadership. The late 1960s experienced several shocks, including a balance of payments problem and an increase in government expenditures from foreign borrowing. With the re-election of Marcos the export-oriented industrialization strategy was going to be implemented, but with a more state-centered approach under the rubric of his "new society" plans.

¹⁵¹ Dohner and Ponciano Intal, "The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines," 382-83.

¹⁵² Ibid.

IV. The Educated Unemployment Problem

These economic and political reforms had significant effects on the domestic labor market. The American-style educational system and the lack of jobs in the labor market to absorb tertiary graduates had serious consequences for the Filipino population. Not only did it cause a dramatic population movement from the rural parts of the Philippines to urban centers and the abandonment of employment in agricultural industries for modern industrial employment, but it also had new requirements and qualifications for employment that educational institutions needed to prepare Filipinos for modern industry. These twin problems of development failure led to a large educated unemployed population.

Urban Location of Modern Industries

As a result of the ISI economic strategy and the overvaluation of the Philippine peso in the 1950s, most of the agricultural export industries experienced some difficulty in exporting. When examining the data on the share of total imports and exports of agricultural products in table 2.17, there was a sharp decline from them constituting 64 percent of all exports in 1960 to 44 percent by 1975.

Table 2.17
Agriculture's Share in Total Imports and Exports, Ratio of Agricultural Imports to Exports, 1960-2000 (as percentage)

| Year | Share in Total | | Ratio of Imports to Exports |
|------|----------------|---------|-----------------------------|
| | Imports | Exports | |
| 1960 | 19 | 64 | 31 |
| 1965 | 21 | 63 | 36 |
| 1970 | 14 | 44 | 34 |
| 1975 | 10 | 54 | 26 |
| 1980 | 8 | 35 | 31 |
| 1985 | 9 | 26 | 46 |
| 1990 | 10 | 15 | 96 |
| 1995 | 9 | 11 | 126 |
| 2000 | 9 | 5 | 168 |

Source: As cited in Cristina C. David, "Agriculture," in Arsenio Balisacan and Hal Hill, *The Philippine Economy: Development, Policies, and Challenges*, 180, from Food and Agricultural Organization (various issues), FAO Trade Yearbook, National Statistical Coordination Board.

**Agricultural imports include inputs such as agricultural chemicals, machinery, and fertilizer.

The 1970s experienced a small increase in agricultural exports because of the world commodity boom and the expansion of non-traditional commodities such as bananas, pineapples, and fishery products. But by the 1980s, this growth of agricultural exports declined sharply. The ratio of agriculture imports also shifted over time. In the 1960s and 1970s, agricultural imports were only 30 percent of total imports, but this rose to more than 150 percent by the late 1990s.¹⁵³ The economic development strategies and decrease of agricultural exports displaced agricultural and rural workers to the urban centers to find employment opportunities. The largest Philippine urban center, the metropolitan Manila area, was the major receiving area for most of these displaced workers. Table 2.18 illustrates the exponential growth of Manila and its suburbs.

¹⁵³ David, "Agriculture," 179-80.

Table 2.18
Growth of Manila and its Suburbs, 1903-1960

| Year | Population (in thousands) | | | Percent of National Total |
|------|---------------------------|-------------|---------|---------------------------|
| | Total | Manila City | Suburbs | |
| 1903 | 236.9 | 219.9 | 17.0 | 3.10 |
| 1918 | 363.5 | 285.3 | 78.2 | 3.51 |
| 1939 | 858.2 | 633.5 | 224.7 | 5.35 |
| 1948 | 1366.8 | 983.9 | 382.9 | 7.10 |
| 1958 | 2023.8 | 1243.1 | 780.7 | 8.50 |
| 1960 | 2253.0 | 1384.0 | 869.0 | 8.84 |

Source: Thomas R. McHale, "The Philippines in Transition," *The Journal of Asian Studies*, vol. 20. no. 3 (May 1961), p. 335.

Between 1903 and 1948, Manila grew from 236,000 to over 1.3 million. During ISI, the population doubled to over 2.2 million by 1960. The rural-to-urban movement is more evident when examining the internal migration rates disaggregated by Philippine regions displayed in table 2.19 for the 1960-1970 period.

Table 2.19
In-Migration, Out-Migration, Net Migration Rates, 1960-1970 (per thousand)

| Region No. | Region | In-Migration Rate | Rank | Out-Migration Rate | Rank | Net Migration Rate | Rank |
|------------|-------------------|-------------------|------|--------------------|------|--------------------|------|
| I | Ilocos | 20.35 | 12 | 52.71 | 9 | -32.65 | 10 |
| II | Cagayan Valley | 57.05 | 7 | 41.33 | 10 | 15.72 | 5 |
| III | Central Luzon | 66.54 | 5 | 94.46 | 4 | -27.92 | 9 |
| IV | Southern Tagalog | 64.16 | 6 | 55.44 | 7 | 8.72 | 6 |
| IV-A | National Capital | 231.59 | 1 | 104.14 | 3 | 127.04 | 2 |
| V | Bicol | 18.45 | 13 | 35.43 | 12 | -16.98 | 8 |
| VI | Western Visayas | 22.08 | 11 | 86.32 | 5 | -64.24 | 11 |
| VII | Central Visayas | 39.47 | 8 | 135.71 | 1 | -96.24 | 13 |
| VIII | Eastern Visayas | 29.06 | 9 | 115.38 | 2 | -86.32 | 12 |
| IX | Western Mindanao | 83.67 | 4 | 40.67 | 11 | 43.00 | 4 |
| X | Northern Mindanao | 156.27 | 3 | 85.05 | 6 | 71.21 | 3 |
| XI | Southern Mindanao | 212.63 | 2 | 53.42 | 8 | 159.21 | 1 |
| XII | Central Mindanao | 28.30 | 10 | 26.32 | 13 | 1.97 | 7 |

Source: From Gonzales, V. and E. Pernia (1983), as cited in Edna A. Reyes, "Labor Market Responses to Industrial Restructuring in the Philippines," (Geneva: International Labour Organisation, 1990), p.41.

The major streams of internal migration gravitated towards the National Capital Region (NCR) where Manila is located, Cagayan Valley, and the frontier areas of Mindanao. The migration to Mindanao is explained prior to 1960s by opportunities in rich agricultural resources in these regions especially near Davao, the largest metropolitan area on the island of Mindanao. The

attraction of NCR has long been established given its advantage of being the center of political power and the majority of economic activities (especially because of its location near all of the major ports for international trade). All of these tables illustrate that the post-independence economic policies pushed many Filipinos into the urban centers where most industries were located.

Limited Employment Opportunities and the Labor Force

As an outcome of these political and economic outcomes, the Philippine labor market experienced limited growth in employment opportunities for the highly educated. From the 1950s to the early 1970s, the structure of the Philippine economy has consistently maintained only one eighth of its labor force in the manufacturing sector.¹⁵⁴ Table 2.20 shows that between 1956 and 2000, the share of employment in the manufacturing industry was at its highest at 12.5 percent in 1956.

Table 2.20 Employed Persons by Major Industry Group, 1956-2000

| Year | Agriculture, Fishery, and Forestry | Mining and Quarrying | Manufacturing | Construction | Electricity, Gas, and Water | Wholesale and Retail Trade | Transportation, Storage, and Communication | Financing, Insurance, Real Estate, and Business Services; Community, Social, and Personal Services | Industry Not Adequately Defined or Reported | Total |
|------|--|-------------------------|---------------|--------------|-----------------------------------|-------------------------------|--|--|--|-------|
| 1956 | 59.0 | 0.4 | 12.5 | 2.6 | 0.3 | 10.4 | 3.0 | 11.2 | 0.6 | 100.0 |
| 1961 | 60.6 | 0.3 | 11.3 | 2.5 | 0.2 | 9.6 | 3.1 | 11.9 | 0.4 | 100.0 |
| 1970 | 53.7 | 0.4 | 11.9 | 3.9 | 0.3 | 7.4 | 4.4 | 16.4 | 1.6 | 100.0 |
| 1975 | 53.5 | 0.4 | 11.4 | 3.1 | 0.3 | 11.2 | 3.4 | 16.5 | 0.3 | 100.0 |
| 1980 | 51.4 | 0.6 | 11.0 | 3.6 | 0.4 | 10.1 | 4.5 | 18.4 | 0.0 | 100.0 |
| 1985 | 49.0 | 0.6 | 9.7 | 3.5 | 0.4 | 13.2 | 4.7 | 18.9 | 0.0 | 100.0 |
| 1990 | 45.2 | 0.6 | 9.7 | 4.3 | 0.4 | 14.0 | 5.0 | 20.7 | 0.1 | 100.0 |
| 1995 | 44.1 | 0.4 | 10.0 | 4.8 | 0.4 | 14.6 | 5.8 | 19.9 | 0.1 | 100.0 |
| 2000 | 37.4 | 0.4 | 10.1 | 5.1 | 0.4 | 16.5 | 7.3 | 22.7 | 0.0 | 100.0 |

Source: Philippine Statistical Yearbooks, various years

¹⁵⁴ Philip L. Martin, "Migration and Trade: The Case of the Philippines," *International Migration Review* 27, no. 3 (1993): 644.

The percentage of agricultural workers in the economy declined from 72 percent in 1952 to 57 percent in 1967, reflecting the growth of the middle and industrial working classes.¹⁵⁵

Manufacturing never grew to absorb the decreasing share of employment in the agricultural industry that decreased from 60.6 percent in 1961 to 53.7 percent by 1970. Instead of being absorbed by the manufacturing industry, workers who would normally be employed in the agricultural sector tend to be absorbed by services.¹⁵⁶ This is attributable to the growth of traditional activities such as wholesale and retail trade, community, social and personal services. The personal service industry such as financing, insurance, real estate and business services grew marginally from 11.2 percent of employed persons in 1956 to 16.4 percent in 1970. Translating these industry level employment statistics to occupational groups also highlights some trends and limitations of the domestic labor market. Table 2.21 provides the percentage of the employed labor force by major occupation group for selected years between 1956 and 2000.

Table 2.21 Employed Persons by Major Occupation Group, 1956-2000

| Year | Professional, Technical, and Related Workers | Administrative, Executive, and Managerial Workers | Clerical Workers | Sales Workers | Service Workers | Agricultural, Animal Husbandry, and Forestry Workers; Fishermen and Hunters | Workers in Transport and Communication Occupations | Miners, Quarrymen, and Related Workers | Craftsmen, Production Process Workers, and Related Workers | Manual Workers and Laborers | Production and Related Workers, Transport Equipment Operators and Laborers | Occupation Not Adequately Defined or Reported |
|------|--|---|------------------|---------------|-----------------|---|--|--|--|-----------------------------|--|---|
| 1956 | 2.8 | 4.6 | 2.0 | 5.9 | 7.0 | 58.8 | 1.9 | 0.4 | 13.9 | 2.2 | | 0.5 |
| 1960 | 2.8 | 3.8 | 2.5 | 5.2 | 6.6 | 61.0 | 2.2 | 0.3 | 13.3 | 1.9 | | 0.5 |
| 1965 | 3.7 | 4.3 | 3.5 | 6.7 | 8.3 | 56.2 | 2.7 | 0.1 | 12.6 | 1.5 | | 0.4 |
| 1971 | 5.6 | 1.4 | 3.6 | 11.3 | 9.1 | 50.1 | 4.1 | 0.2 | 12.6 | 1.8 | | 0.2 |
| 1980 | 6.4 | 1.0 | 4.5 | 10.2 | 7.6 | 51.1 | | | | | 19.2 | 0.0 |
| 1985 | 6.0 | 0.9 | 4.2 | 12.9 | 8.3 | 48.4 | | | | | 19.3 | 0.0 |
| 1990 | 6.2 | 1.2 | 4.4 | 13.4 | 9.2 | 44.5 | | | | | 20.6 | 0.4 |
| 1995 | 5.6 | 1.6 | 4.3 | 14.0 | 9.0 | 43.7 | | | | | 21.7 | 0.1 |
| 2000 | 5.8 | 2.3 | 4.6 | 15.5 | 10.8 | 37.0 | | | | | 23.7 | 0.1 |

Sources: National Statistical Coordination Board (National Economic and Development Authority), and Philippine Statistical Yearbook, various years

Clerical and service workers experienced only a slight growth. In 1956 the clerical workers group was 2.0 percent of employed persons whereas in 2000 they were only 4.6 percent. Service

¹⁵⁵ Masataka Kimura, "The Emergence of the Middle Classes and Political Change in the Philippines," *The Developing Economies* XLI-2 (2003).

¹⁵⁶ Alejandro N. Herrin and Ernesto M. Pernia, "Population, Human Resources, and Employment," in *The Philippine Economy: Development, Policies, and Challenges*, ed. Arsenio Balisacan and Hall Hill (Manila, Philippines: Ateneo de Manila University Press, 2003).

workers as well increased only from 7.0 percent in 1956 to 10.8 in 2000. The percentage of sales workers had a larger increase from 5.9 percent in 1956 to 15.5 percent in 2000. But these jobs were not enough to absorb the more high skilled workers. When looking at the share of those employed in professional occupations there was a small increase from 2.8 percent to 6.2 percent in 1990. Also, the share of those entering occupations in administrative, executive and managerial occupations was the highest at 4.6 percent in 1956 and decreased to 0.9 percent of total employed person by 1985. The statistics for these two occupational groups is important since these “white collar” jobs are where many graduates of tertiary educational institutions aspired to enter in the domestic labor market.

Inability to Absorb Skilled Workers

During the 1960s, unemployment became common among young and educated workers in the Philippine domestic labor market. Table 2.22 illustrates how in May 1961, the unemployment rates are lowest among those with no education (4.0) while they were the highest rate of 18.7 for Filipinos with at least 1-3 years of college education. This trend was consistent throughout the 1960s.

Table 2.22 Unemployment Rates by Educational Attainment, May 1961, October 1965, and May 1968

| Educational Level | May 1961 | October 1965 | May 1968 |
|-------------------------|----------|--------------|----------|
| None | 4.0 | 2.7 | 4.4 |
| Grade I-IV | 5.6 | 3.8 | 4.5 |
| High School 1-3 years | 12.6 | 9.4 | 13.7 |
| High School Graduates | 18.1 | 11.3 | 15.3 |
| College 1-3 years | 18.7 | 15.3 | 17.4 |
| College 4 or more years | 7.9 | 5.8 | 7.2 |
| Average | 8.5 | 6.1 | 7.8 |

Source: Encarnacion, et al, "Unemployment and Underemployment," in *Philippine Economic Problems in Perspective* (Quezon City: University of the Philippine Institute of Economic Development and Research, School of Economics, 1976), 170.

By the late 1960s, most of the unemployed were in the 15-24 year age group and had been educated to the secondary level.¹⁵⁷ However, a large proportion of the unemployed also possessed tertiary education. In 1961, the highest unemployment rate had been among the most educated at 18.7. On the other hand, the lowest unemployment rate was 4.0 for those who did not complete a year of school in 1961.

Despite educated unemployment, the country still had high private rates of return of investment in education. The college degree in the Philippines seems to be a profitable investment, despite the wide variance in quality and employment outcomes of graduates that vary from institution to institution.¹⁵⁸ When compared to time deposits of 6 to 8 percent and private bond issues of fixed interest of 10-12 percent, a rate of return on education of 7 to 7.5 percent does look attractive.¹⁵⁹ Public universities such as the University of the Philippines

¹⁵⁷ E. Reyes, E. Milan, and T. Sanchez, "Employment, Productivity and Wages in the Philippine Labor Market: An Analysis of Trends and Policies," in *Philippine Institute for Development Studies Working Paper Series* (Makati: 1989).

¹⁵⁸ United Nations Development Programme and International Labour Office, *Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines* (Geneva: International Labour Office, 1974), 317.

¹⁵⁹ *Ibid*, 317-318.

perform overwhelming better than all private tertiary schools. The growth of private tertiary schools continued to grow (see table 2.23), providing opportunities for many Filipinos to obtain a college degree. But at the same time it suffered from low quality credentials that led to high expectations in the labor market.

Table 2.23 Tertiary School Enrollment by public versus private institutions, 1903-1985

| Year | Institutions | | | | Enrollments (in 100,000) | | |
|------|--------------|---------|-------|-----------|--------------------------|---------|-------|
| | Public | Private | Total | % Private | Public | Private | Total |
| 1903 | 0 | n.a. | n.a. | 100 | 0 | 436 | 436 |
| 1910 | n.a. | 7 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 1918 | n.a. | 34 | n.a. | n.a. | <1 | 7 | 7 |
| 1929 | 4 | n.a. | n.a. | n.a. | 1 | 17 | 18 |
| 1936 | 4 | n.a. | n.a. | n.a. | 2 | 19 | 21 |
| 1946 | 5 | 498 | 503 | 99 | 1 | 45 | 46 |
| 1955 | 26 | 351 | 377 | 93 | 7 | 177 | 184 |
| 1965 | 26 | 440 | 466 | 94 | 59 | 468 | 527 |
| 1975 | 126 | 628 | 754 | 83 | 106 | 660 | 766 |
| 1985 | 319 | 838 | 1,157 | 72 | 230 | 1,274 | 1,504 |

Source: Philippine Statistical Yearbooks and Philippine Securities and Exchange Commission

The unemployment problem among the educated was a problem that the state was forced to deal with. Problems associated with the “educated unemployed” included pressures on government officials to find jobs for their supporters. Here’s what a journalist in the 1959 had to say about this problem:

no fewer than half a dozen parents—friends of ours—have come to us during the last couple of weeks and requested us to help their sons and daughters--who have just graduated from college—to find employment.

But if there's any group of people who are being swamped these days with requests for letters of recommendation to government offices, business establishments, industrial plants and various other firms, it is members of Congress. At a recent informal party in the house of a mutual friend, a congressman told us of the "unusually big number" of young college and high school graduates who have been making a bee-line to his office..."Approximately how many job-seekers among high school and college graduates request letters of recommendation daily?", we inquired. "An average of 50," was his quick reply....A Visayan congressman...had this to say: "Believe it or not, one fourth of my entire time, during weekdays, is spend in contacting government and private offices to see if there are jobs available."...Confessed a bureau director to this

writer: "To tell you frankly, I sometimes do not feel like reporting to work during office hours because of so many telephone calls from members of Congress, asking me to 'accommodate' their recommendees because they [the lawmakers] are 'personally interested' in the applicants...." (from *Philippine Free Press*, March 28, 1959, pp. 4, 65).¹⁶⁰

The educated unemployment problem became worse over time since the domestic labor market did not grow enough to absorb the educated labor force. The government faced even more political pressure from the educated unemployed during the 1960s and 1970s. As part of global problems surrounding the 1960s, student unrest on university campuses was widespread throughout the Philippines.¹⁶¹ During this time there was a strong communist party that was opposed to the Marcos government and the Philippine government's close alliance with the United States. This movement from the left, as well as opposition from the landed elite who were opposed to Marcos' populist approach to politics, were political issues that President Ferdinand Marcos had to deal with during his administration.¹⁶²

V. Conclusion

This chapter argues that an overdeveloped laissez-faire higher educational system and an underdeveloped labor market led to a major educated unemployment problem in the Philippines. Since independence from Spanish rule in 1898 to the ensuing period of American protectionism and full state independence after World War II, the Philippines broke away from over three hundred years of Spanish colonial rule. Instead of education exclusively for Spanish elites and clergy, the Philippines adopted the American educational system to bring education to the

¹⁶⁰ Justus M. Van Der Kroef, "The Educated Unemployed in Southeast Asia: A Common Problem in India, Indonesia, and the Philippines," *Journal of Higher Education* 31, no. 4 (1960): 184.

¹⁶¹ Justus M. Van Der Kroef, "Asian Education and Unemployment: The Continuing Crisis," *Comparative Education Review* 7, no. 2 (1963): 178.

¹⁶² Carl H. Landé, "The Political Crisis," in *Crisis in the Philippines: The Marcos Era and Beyond*, ed. John Bresnan (Princeton: Princeton University Press, 1986), 126-39.

masses. This was achieved by adopting universal public primary schools, secondary education provided both by public and private schools, and a largely private tertiary educational system. Since the Philippine government under the Americans concentrated its resources on primary and secondary education, the government built incentives for landed and financial elites to invest in private higher educational institutions. These policies decreased illiteracy, spread English as the language of government throughout the Philippines, and created a large tertiary educated population looking for jobs in the modern, urban economy. But during this same period, the weak Philippine state was unable to generate a labor market that could absorb a growing urban and educated population. American colonial rule emphasized local self-rule and never dismantled the Spanish land tenure system. There were two major contributing factors that produced an underdeveloped domestic labor market. First, the government's economic policies through import substitution industrialization (ISI) in the early 1960s, followed by export-oriented industrialization in the later half of the 1960s, dislocated the Philippine labor force that pushed the Filipino population towards the urban and industrial centers of the country. Second, these economic policies produced an economy in the 1960s and 1970s that was not producing enough jobs that could absorb those graduating from colleges and universities. These two problems, a growing highly educated population coming from private tertiary schools and a lack of jobs to absorb them led to a large educated unemployment problem.

Chapter 3 – Strong State and the Labor Export Program (1972 to 1986)

“We might have exported much of our youth’s discontent when we allowed them to find employment overseas. There is nothing humiliating that to discover after studying for many years that nobody needs your skill. The export market has expanded the possibilities for gainful employment to our youth and given them the means to acquire self-respect.”¹⁶³

–Manolo Abella, *International Migration & Filipino Scholar*

I. The Role of the State in Human Capital Development and Employment

When Ferdinand Marcos became President of the Philippines in 1965, he inherited the twin problems of development failure: an overdeveloped educational system and an underdeveloped domestic labor market incapable of absorbing high-skilled workers. In other words, his government was faced with the problem of how to deal with the outcome of development failure: a large educated unemployed population. Although the Philippine version of the American educational system helped the country to achieve key components of a democracy with high literacy rates and a large number of graduates with bachelor’s degrees and above, limited employment opportunities and the inability of the state to control the private tertiary educational system produced a large educated unemployment problem. The laissez-faire policies towards the private market for higher education allowed private HEIs to produce a large supply of graduates who ended up having a difficult time finding employment opportunities in the domestic labor market. This chapter focuses on the Philippine government’s response to the educated unemployment problem. It argues that the state had to assert its power over the unregulated and autonomous private higher educational system and create a state sponsored overseas employment program to alleviate the educated unemployment problem. This allowed

¹⁶³ Manolo I. Abella, “Export of Filipino Manpower: A Question of Competitive Advantage,” *Philippine Labor Review*, vol. 1, no. 2 (August 1976): 89-94, 93.

the state to appease the discontent and voice of the educated unemployed while increasing state control of the higher educational system to better guide it towards producing skills that were in demand locally (through regulatory and private incentives to keep the loyalty of the owners of the private HEIs). Over time, labor export became a major absorber of Filipino manpower, especially among the educated. This allowed private higher educational institutions to continue in the business of providing tertiary education that soon evolved to training Filipinos for overseas labor markets.

II. Discontent and Voice of the Educated Unemployed

The newly independent Philippine democracy was politically volatile. Many political scientists have generally argued that the success of democracy depends on the presence of a large middle class.¹⁶⁴ Shortly after World War II, the Philippines had a growing educated middle class composed mostly of the Filipino business community and of educated professionals and semi-professionals.¹⁶⁵ But the stability of Philippine democratic institutions was threatened during the 1960s and 1970s when the oversupply of tertiary degrees produced a population of an aspiring educated middle class whose expectations were unfulfilled because of the lack of jobs within the domestic economy. Moreover, high unemployment among educated youth in urban centers was an ingredient for political instability. During this period, political unrest and disruptive strikes were common throughout the Philippines, especially in these urban areas.¹⁶⁶ In 1972, the distribution of unemployment was highest among the urban youth: 50 percent of all unemployed

¹⁶⁴ Adam Przeworski and Fernando Limogni, "Modernization: Theories and Facts," *World Politics*, vol. 49 (January 1997: 155-183).

¹⁶⁵ Carl H. Lande, "The Philippines," *Education and Political Development*, edited by James S. Coleman (Princeton: Princeton University Press, 1965: 313-349).

¹⁶⁶ Gerardo P. Sicat, "Labor Issues of Philippine Development During Blas Ople's Times," Discussion Paper No. 0402, University of the Philippines School of Economics Discussion Paper Series, April 2004, 6.

persons were between 20-24 years old, and another 30 percent were between 25-44 years old.¹⁶⁷

The excessive production of specific skills that had no place in the domestic economy created a situation where people were willing to accept employment in fields where they had no training.¹⁶⁸ The voice of the educated, young, urban, and unemployed population became a major problem for President Ferdinand Marcos.¹⁶⁹

In order to deal with this rising discontent, Marcos suspended democratic institutions by declaring martial law in 1972. This allowed the Marcos administration to create job opportunities for the educated unemployed by implementing a coherent economic development plan called “new society” that, among other things, involved reigning in the highly autonomous higher education system and preventing it from overproducing graduates with degrees and skills irrelevant to the domestic economy. It also introduced a new state controlled technical skills and vocational education training program.

New Society Policies

During Ferdinand Marcos first term as President, he had difficulty implementing an export-oriented industrialization strategy. In the face of opposition from Congress, elites, and the political left, Marcos took a different approach to economic development. The balance of payments crisis at the end of the 1960s heightened political opposition and economic uncertainty. After President Marcos declared martial law in 1972 he developed what came to be termed “new

¹⁶⁷ Philippine Development, “Employment Situationer,” *Philippine Development*, vol. V, No. 17, January 31, 1978.

¹⁶⁸ Rony V. Diaz, “The Role of Accelerated Training Programs in Manpower Development,” *Philippine Economic Journal*, vol. 12. (1973: 650-691), 652.

¹⁶⁹ Cesar Virata, former Prime Minister of the Philippines under President Ferdinand Marcos, Personal Interview, January 19, 2005; Patricia Sto. Tomas, Secretary of Labor and Employment, Republic of the Philippines, Personal Interview, July 22, 2004; Casco, Rick, Director, International Labour Organisation Makati, Philippines, Personal Interview, January 26, 2006.

society” policies. The new society was a set of economic development policies that found a balance between agricultural and industrial interests. It was Marcos’s attempt at building a strong state to deal with the rapid societal changes of the 1960s and the inability of the existing state and private sector to deal with them. His technocrats instituted a development strategy that emphasized agricultural export; some industrialization in manufacturing, mining, construction and public utilities; and foreign borrowing that favored the politically well-connected.¹⁷⁰ Marcos built an elite class who became known as the President’s “cronies.”¹⁷¹ He was able to rule for twenty years under martial law from 1972 to 1986 since he obtained crucial backing from the U.S. government and the presence of U.S. military bases. He also created a domestic power base of military officers and civilian technocrats.¹⁷² The Marcos regime’s control of these key stakeholders allowed him to implement economic development policies without major opposition from wealthy landed interests, business elites, and the general population.

Central to the economic stabilization and development strategy under Marcos was to expand the role of government in development. The director of the newly established National Economic and Development Authority (NEDA), Gerardo Sicat, believed that the declaration of martial law in 1972 made it possible for the government to implement economic development policies faster and with a lot more flexibility than previous administrations.¹⁷³ This constant frustration with democratic institutions that gave the executive branch little to no power was resolved for many technocrats with the monopoly of power concentrated through martial law. Marcos staffed the heads of his departments with technocrats who were Filipinos with advanced degrees in economics, business, and engineering. He also reorganized and created the National

¹⁷⁰ Vos and Yap, *The Philippine Economy: East Asia's Stray Cat?*, 13-19.

¹⁷¹ Hutchcroft, *Booty Capitalism : The Politics of Banking in the Philippines*.

¹⁷² Boyce, *The Philippines: The Political Economy of Growth and Impoverishment in the Marcos Era*, 7-8.

¹⁷³ Gerardo P. Sicat, *New Directions in the Philippines* (Manila: National Economic and Development Authority, 1974), 121.

Economic and Development Authority (NEDA) that was the main economic planning department. Each department head was required to provide him with a list of problems in their functional areas and to create proposals for investment projects.

As a result of these reforms, Marcos increased government expenditures primarily with public investment that was supported by higher tax collections and foreign funds. A summary of public sector expenditures and investment is illustrated in table 3.1.

Table 3.1
Public Sector Expenditure, Revenue, and Investment (as percentage of GNP)

| | 1970-72 | 1973 | 1974 | 1975 | 1976 | 1978 | 1980 | 1982 |
|---------------------------------|---------|------|------|------|------|------|------|------|
| National government expenditure | 12.7 | 14.3 | 11.7 | 16 | 15.2 | 14.8 | 14.4 | 15.7 |
| National government revenue | 11.9 | 13.2 | 12.2 | 14.4 | 13.4 | 13.6 | 13.1 | 11.4 |
| National government surplus | -0.8 | -1.1 | 0.5 | -1.6 | -1.8 | -1.2 | -1.3 | -4.3 |
| Government investment | 1.6 | 2.3 | 3.4 | 4.3 | 6.6 | 7.2 | 6.9 | 7.2 |

Source: National Economic and Development Authority as cited in Robert S. Dohner and Ponciano Intal, Jr. "The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines," in Jeffrey S. Sachs and Susan M. Collins, *Developing Country Debt and Economic Performance* (Chicago: University of Chicago Press, 1989).

This table shows a rapid rise of public spending on public corporations. Government investment has increased during martial law showing a growth of 1.6 percent of GNP during the 1970-72 period to 7.2 in 1978 or 30 percent of the total domestic capital formation. To finance this public investment, the Philippines relied heavily on more foreign borrowing from multi-lateral development banks and private lenders. This reliance led the country's external debt to rise from

\$360 million in 1962 to \$28.3 billion by 1986, making the Philippines one of the most heavily indebted countries in the developing world.¹⁷⁴

Another key aspect of the export-oriented industrialization strategy was to establish export-processing zones. After Marcos declared martial law, he issued an executive order that created the Bataan Export Processing Zone (BEPZ), which provided incentives specifically for export production. This allowed firms that exported at least 70 percent of their products permission to be 100 percent foreign-owned and also provided for a host of other pro-business measures including a lower minimum wage than in Metro Manila, tax exemption privileges, tax credits on domestic capital equipment, tax exemptions on imported raw materials and equipment, exemption from the export tax and from municipal and provincial taxes, low rents for land and water, priority for Central Bank foreign exchange allocations for exports, and government financing for infrastructure and factory buildings.¹⁷⁵ Labor, on the other hand, was suppressed and unified under the government during the new society. Unions were not allowed to strike and the government provided an alternative method for settling disputes. The Philippine government monopolized labor organization by creating a “National Tripartite Congress of Labor, Management, and Government” that was used by the government to push through a new Labor Code that was eventually adopted in 1974 to provide mandatory arbitration of labor disputes.¹⁷⁶

In 1970, other measures were taken to protect specific industries from the shocks of a floating exchange rate. The devaluation of the Philippine peso in 1970 was accompanied with export taxes of 4-6% on major agricultural exports and additional export premium duties to balance the gains from higher world commodity prices in the mid-1970s. The government

¹⁷⁴ Boyce, *The Philippines: The Political Economy of Growth and Impoverishment in the Marcos Era*, 10.

¹⁷⁵ Kim Scipes, "Global Economic Crisis, Neoliberal Solutions, and the Philippines," *Monthly Review* 51, no. No. 7 (1999).

¹⁷⁶ Robert B. Stauffer, "Philippine Corporatism: A Note on the "New Society"," *Asian Survey* 17, no. 4 (1977): 398.

created a commodity control agency called the National Food Authority to control the international trade of specific agricultural products such as rice and corn.¹⁷⁷

Politically, martial law allowed Marcos to break away from the old political structure of the Philippines. As described earlier, the Philippines had been dominated by a relatively small number of wealthy landed families that benefited from the sociopolitical structure of Spanish colonial times. Since independence, these families had been able to control the Philippine Congress and block legislation that ran against their personal economic interests. Ferdinand Marcos was an outsider who was not part of this traditional elite. Martial law and the new society allowed Marcos to break the hold on political and economic power that these traditional elites have enjoyed. The key to accomplishing this political restructuring was the expanded role of the national government in development, centralization of authority and the displacement of regional powers, and a corresponding patronage machine for rewarding support and punishing dissent. The “new society” strategy did succeed in establishing the export-oriented industrialization program and trade liberalization. The export of cement, furniture and fixtures, lumber, plywood, and veneer increased significantly between 1969 and 1974.¹⁷⁸ Other products such as textiles, nonmetallic minerals, and paper products increased moderately during this period. Although this new society did succeed politically and economically, it also came with a very high price: increased debt accumulation, a repression of political freedom, and a new group of “elites” known as the President’s “cronies” who personally benefited from their access to political power.

¹⁷⁷ David, "Agriculture," 184-86.

¹⁷⁸ Robert S. Dohner and Ponciano Intal, Jr., “The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines.”

Other New Society Policies Increasing Skilled Employment

Under martial law, the Marcos government attempted to increase employment opportunities for educated Filipinos on several fronts. First, massive construction of infrastructure such as irrigation and power systems, roads, bridges, buildings, and similar facilities were developed to increase employment opportunities, especially in engineering. Second, the government assisted rural economies by providing a package of services to entrepreneurs and prospective entrepreneurs for small and medium enterprises. Third, there was a network of industrial enterprises established within newly developed export processing which encouraged the private sector to venture into new exportable industries and import-substitution. Fourth, the government established employment offices within the Bureau of Employment Services to improve the following:

- (1) employment promotion thorough direct matching of jobs and skills and self employment activities;
- (2) employment information through systematic labor market data collection, analysis and dissemination; and
- (3) employment regulation through a system of supervision and monitoring of private sector participation in recruitment and placement in both local and overseas labor markets.

These employment offices were successful in placing 114,798 individuals in domestic jobs in the period 1972-1977.¹⁷⁹ Fifth, the government created its first manpower development policy. Due to the oversupply of unwanted skills and a shortage of employable skills, the government overhauled the educational system and developed manpower training programs. The labor force was “encouraged to acquire skills needed by the economy. Thus, technical and vocational courses [were] now given emphasis under the new educational programs.”¹⁸⁰ And lastly, for the

¹⁷⁹ *Philippine Development*, “Employment Situationer,” vol. V, No. 17, January 31, 1978.

¹⁸⁰ *Ibid.*

first time, overseas employment became a major thrust of state policy to complement domestic employment opportunities. Government projections made in the early 1970s showed that overseas placement of Filipino contract workers would continue to rise and provide employment to the country's labor surplus. The government began looking at overseas employment favorably since foreign exchange earnings reached a total of \$200 million by the end of 1976; \$45 million of that total had been remitted by overseas workers.¹⁸¹

III. The Marcos Administration Addresses the Twin Problems of Development Failure

Despite these various strategies that the Marcos administration implemented, there were key Presidential orders that dealt directly with the mismatch of training with job opportunities for recent graduates of higher educational institutions. During the period of martial law, the issuance of the Educational Development Decree of 1972 (P.D. No. 6-A) and the New Labor Code of 1974 (P.D. No. 442) gave the Philippine government an opportunity to redirect, adjust, and innovate on education and manpower development policies.¹⁸²

State Control of Higher Education

President Marcos explained in a 1970s speech why the Philippines was experiencing an educated unemployment problem:

The introduction of education in the Third World, which in the colonial era initially began with a conception of education as something that confers ease, proved disastrous to the very effort of the society to advance. It bred as in our case a large group of graduates trained for white collar jobs. But the level of economic development was not such as to

¹⁸¹ *Philippine Development*, "Employment Situationer."

¹⁸² National Economic Development Authority, Presidential Decree No. 1200, "Education and Manpower," *Five-Year Philippine Development Plan, 1978-1982*, Prepared by NEDA and approved by the President of the Philippines."

absorb this group in the modern sector of society. Here we have the supreme irony of education proceeding much faster than economic development, and creating difficult burdens for the country in terms of an educated unemployed.¹⁸³

Marcos reached this conclusion based on a comprehensive study that he commissioned in 1969. He created a Presidential Commission to Survey Philippine Education that was funded by the Ford Foundation with the goal of developing policies “to meet the challenge of development and modernization in the 1970s.”¹⁸⁴ The study found that there were critical shortages of highly trained technicians and that a large proportion of secondary vocational-technical schools were focused on preparing students for colleges rather than going into the trade occupations—about 37 percent of vocational secondary graduates, the report noted, continued their studies in post-secondary schools.¹⁸⁵ This bias towards bachelor’s degrees was a major problem for the Philippines since only a few Filipinos were studying in vocational schools for the purpose of filling the shortage of trade workers. As table 3.2 illustrates, there were only 43 vocational schools in 1945-46 school year and only 14 of them were chartered as state colleges or universities. This increased to about 224 schools by the 1969-70 school year.¹⁸⁶

Table 3.2 Growth in Number of Vocational Schools by Training Programs, 1940-1970

| Type of Program | 1940-41 | 1945-46 | 1949-50 | 1959-60 | 1963-64 | 1963-64 | 1969-70 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|
| Trade-Technical | 20 | 23 | 30 | 36 | 47 | 87 | 92 |
| Agriculture | 24 | 20 | 21 | 38 | 52 | 82 | 89 |
| Fishery | — | — | — | — | 13 | 34 | 43 |
| Craftsman | — | — | — | — | — | 1 | — |
| Total | 44 | 43 | 51 | 74 | 112 | 204 | 224 |

Source: National Manpower and Youth Council, *Vocational-Technical Education in the Philippines* (Quezon City: National Manpower and Youth Council, 1974), 21

¹⁸³ President Ferdinand E. Marcos, “Education and the Realities of National Life,” *Philippine Development*, vol. IV, no. 16 (January 16, 1977: 1-10), 7.

¹⁸⁴ National Manpower and Youth Council, *Vocational-Technical Education in the Philippines* (Quezon City: National Manpower and Youth Council, 1974), 1-2.

¹⁸⁵ *Ibid*, 6-8.

¹⁸⁶ National Manpower and Youth Council, *Vocational-Technical Education in the Philippines*, 13.

Despite this growth, there was a decreasing utilization rate of educated manpower during the 1960's that led the Marcos regime to focus on policies that would focus resources on programs that had a greater demand.¹⁸⁷ The Presidential commission found that the utilization rate for those with college graduates in the 1970s was expected to decrease, while the utilization rates of those with educational levels below college would continue to be the same or grow.¹⁸⁸

President Marcos believed that manpower planning and human resources development should be developed within an overall National Economic and Social Development Plan.¹⁸⁹ The 1972 Education Decree focused on restructuring the educational system “to become more responsive to national development needs through a planned system of incentives and assistance to both public and private colleges and universities.”¹⁹⁰ He said that the shortage of skilled and semiskilled workers could not be met with existing educational institutions.¹⁹¹ Therefore, the Education Development Decree of 1972 focused on the following:

- Developing a ten-year national development agenda
- Improving curricular programs and quality of instruction by upgrading physical facilities, training, and retraining of teachers and administrators
- Upgrading academic standards through accreditation schemes, admissions testing, and guidance counseling

¹⁸⁷ Presidential Commission to Survey Philippine Education, “Education and Manpower Development,” Philippine Education Survey (Makati: Government of the Philippines, 1970), 58.

¹⁸⁸ Ibid, 61-62.

¹⁸⁹ Manuel S. Alba, “Educational Reforms in the New Society,” *Occasional Budget Papers* 9 (Manila: Ministry of the Budget, 1979).

¹⁹⁰ Juan L. Manuel, *A Harvest of Blessings* (Quezon City: Phoenix Publishing House, 1995), 104.

¹⁹¹ Rony V. Diaz, “The Role of Accelerated Training Programs in Manpower Development,” *Philippine Economic Journal*, vol. 12. (1973: 650-691), 652.

- Democratizing access to educational opportunities through the provision of scholarships and the establishment of institutions that would offer financial assistance.¹⁹²

The changes transformed the private higher educational system from a laissez faire system into one with the state at the helm of an effort to deal with the mismatch between the supply of graduates and availability of jobs.¹⁹³ In an attempt at moving away from this laissez-faire system, the 1973 Constitution established "a complete, adequate, and integrated system of education that should be relevant to the goals of national development." This coordinated system of education was based on the principle that "education is one of the 'social services' functions of the state 'to guarantee the enjoyment by the people of a decent standard of living.'"¹⁹⁴ But instead of closing down private HEIs or controlling the curriculum, the Philippine government regulated the higher educational system indirectly through various methods including accreditation, national college entrance examination and professional board exams, taxes, opening of more public colleges and universities, and developing a national technical skills training program.

Accreditation and Examination Requirements

The Presidential Commission to Survey Philippine Education recommended that the government develop "moderate" standards for accrediting associations. Studies had urged the government to increase the usage of accreditation to upgrade academic standards through a system of subsidies and incentives.¹⁹⁵ Marco's Education Secretary Jaime Laya encouraged the

¹⁹² Juan L. Manuel, *A Harvest of Blessings*, 104.

¹⁹³ Mark Bray, "Financing Higher Education: Patterns, Trends, and Options," *Prospects*, vol. XXX, no. 3, September 2000: 331-349.

¹⁹⁴ Juan L. Manuel, *A Harvest of Blessings*, 87.

¹⁹⁵ *Ibid*, 107.

development of a super-body of accrediting agencies.¹⁹⁶ In 1977, Secretary Laya pushed for the creation of the Federation of Accrediting Agencies of the Philippines (FAAP) to serve as an umbrella organization of all accrediting agencies: Association of Christian Schools and Colleges Accrediting Agencies, Philippine accrediting associations of schools, colleges, and universities, the Philippine Association of College and Universities (PACU-CA), and the Fund for Assistance to Private Education.¹⁹⁷ This body was in charge of setting standards for the accrediting associations, but the government still left accreditation itself to these private agencies.

Additionally, starting with the 1974-75 academic year, the Department of Education and Culture began administering the National College Entrance Examination (NCEE) as a requirement for admission to both public and private four-year postsecondary degree programs.¹⁹⁸ This step was taken to reduce the surplus of college graduates and to upgrade educational quality. Another step in increasing the quality of teachers was the requirement for teacher education graduates to pass a Professional Board Examination starting in 1978.¹⁹⁹

In 1973, President Marcos also created the Professional Regulation Commission (PRC) that regulates regulatory policies and licensing of 46 professions.²⁰⁰ In Presidential Decree No. 223, Marcos created a three-person commission under the Office of the President as a method of quality control of Filipino professionals.²⁰¹ Among its several regulatory powers, the licensing

¹⁹⁶ Victor Ordonez and Gina Ordonez, "Accreditation in the Philippines: A Case Study," Unpublished Working Paper, Manila: Commission on Higher Education, 2007.

¹⁹⁷ Ibid, 107.

¹⁹⁸ Presidential Decree No. 1200, "Education and Manpower," *Five-Year Philippine Development Plan, 1978-1982*, Prepared by NEDA and approved by the President of the Philippines."

¹⁹⁹ V.R. Cardozier, "Public Higher Education in the Philippines," *International Review of Education*, vol. 30, no. 2 (1984: 193-198), 197.

²⁰⁰ For more information about the professional occupations regulated under the Professional Regulation Commission see: <http://www.prc.gov.ph/about/default.aspx?id=11>.

²⁰¹ Presidential Decree No. 223, "Creating the Professional Regulation Commission and Prescribing its Powers and Function," issued by President Ferdinand Marcos, June 22, 1973.

of professional occupations was a major step in ensuring that Philippine tertiary educational institutions were producing graduates with the skills relevant to specific professions.

Quality of Higher Education from Private Tertiary Schools

The lack of quality control became apparent after Marcos instituted mandatory Board Examinations for many professions. Despite the accessibility of private higher education for Filipinos, there was a lack of quality control. According to the Presidential Commission of the 1960s, "students [had] pursued fields where employment opportunities were relatively better as in engineering or in those which could absorb large numbers of graduates as in business and education. However, the strong desire for education in the absence of education policy and planning inevitably resulted in the rapid expansion of the educational system at the expense of quality. The rapidly increasing enrollment could not be accommodated without sacrifice of quality."²⁰²

When examining the licensure exam passage rates of students in public versus private higher educational institutions (HEIs), public schools clearly did better in preparing students for the domestic labor force. One major outcome of the licensure examination requirements in the 1970s was to reveal how public school graduates measured against private schools. As an illustrative point from the 1970s Marcos government licensure exam policies, table 3.3 shows that public school graduates performed significantly better than private school graduates in licensure exams in the period 1994-1998.

²⁰² Presidential Commission to Survey Philippine Education, *Education for National Development: New Patterns, New Directions* (Makati: Republic of the Philippines, December 1970), 36.

Table 3.3 Licensure Examination Passage Rates by Discipline, 1994-1998

| Discipline | Public HEIs | | | Private HEIs | | | 0 |
|---------------------------|---------------------|-------------------|--------------|---------------------|-------------------|--------------|---------------------------|
| | Number of Examinees | Number of Passers | % of Passing | Number of Examinees | Number of Passers | % of Passing | Difference Public-Private |
| Chemical Engineering | 683 | 427 | 62.52 | 4,762 | 1,453 | 30.51 | 32.01 |
| Chemistry | 771 | 401 | 52.01 | 1,005 | 346 | 34.43 | 17.58 |
| Dentistry | 190 | 190 | 100.00 | 22,992 | 5,711 | 24.84 | 75.16 |
| Environmental Planning | 30 | 24 | 80.00 | 12 | 4 | 33.33 | 46.67 |
| Forestry | 3,429 | 1,481 | 43.19 | 439 | 123 | 28.02 | 15.17 |
| Geodetic Engineering | 80 | 68 | 85.00 | 2,016 | 779 | 38.64 | 46.36 |
| Geology | 83 | 67 | 80.72 | 49 | 17 | 34.69 | 46.03 |
| Landscape Architecture | 43 | 32 | 74.42 | 9 | 3 | 33.33 | 41.09 |
| Library Science | 451 | 298 | 66.08 | 1,072 | 519 | 48.41 | 17.66 |
| Medicine | 1,678 | 1,529 | 91.12 | 12,147 | 8,866 | 72.99 | 18.13 |
| Metallurgical Engineering | 93 | 73 | 78.49 | 78 | 24 | 30.77 | 47.73 |
| Mining Engineering | 8 | 6 | 75.00 | 188 | 70 | 37.23 | 37.77 |
| Occupational Therapy | 81 | 72 | 88.89 | 965 | 394 | 40.83 | 48.06 |
| Pharmacy | 307 | 306 | 99.67 | 10,166 | 6,594 | 64.86 | 34.81 |
| Veterinary Medicine | 1,042 | 598 | 57.39 | 790 | 181 | 22.91 | 34.48 |

Source: Professional Regulation Commission, 1994-1998

These licensure exams revealed how the growing number of for-profit educational institutions created adverse effects on the quality of higher education in the country. There was an increasing disparity in passage rates between private and public HEIs, particularly in Chemical Engineering, Dentistry, and Medicine (see tables 3.4 to 3.6).

Table 3.4 Chemistry Licensure Examination Passage Rates by type of HEI, 1975-2004

| Year | Private HEIs | | | Public HEIs | | | 0 |
|-----------|---------------------|-------------------|--------------|---------------------|-------------------|--------------|---------------------------|
| | Number of Examinees | Number of Passers | % of Passing | Number of Examinees | Number of Passers | % of Passing | Difference Public-Private |
| 1975 | 429 | 152 | 35.43 | 43 | 33 | 76.74 | 41.31 |
| 1980 | 522 | 146 | 27.97 | 57 | 22 | 38.60 | 10.63 |
| 1985 | 496 | 180 | 36.29 | 53 | 24 | 45.28 | 8.99 |
| 1990 | 203 | 48 | 23.65 | 100 | 39 | 39.00 | 15.35 |
| 1994-1998 | 1005 | 346 | 34.43 | 771 | 401 | 52.01 | 17.58 |
| 2000 | 278 | 98 | 35.25 | 252 | 136 | 53.97 | 18.72 |
| 2004 | 229 | 96 | 41.92 | 313 | 154 | 49.20 | 7.28 |

Source: Philippine Professional Regulation Commission

Table 3.5 Dentistry Licensure Examination Passage Rates by type of HEI, 1975-2004

| Year | Private HEIs | | | Public HEIs | | | 0 |
|-----------|---------------------|-------------------|--------------|---------------------|-------------------|--------------|---------------------------|
| | Number of Examinees | Number of Passers | % of Passing | Number of Examinees | Number of Passers | % of Passing | Difference Public-Private |
| 1970 | 269 | 164 | 60.97 | 14 | 13 | 92.86 | 31.89 |
| 1975 | 407 | 273 | 67.08 | 9 | 9 | 100.00 | 32.92 |
| 1980 | 1117 | 777 | 69.56 | 35 | 35 | 100.00 | 30.44 |
| 1985 | 2803 | 1506 | 53.73 | 56 | 56 | 100.00 | 46.27 |
| 1990 | 3812 | 2014 | 52.83 | 52 | 52 | 100.00 | 47.17 |
| 1994-1998 | 22992 | 5711 | 24.84 | 190 | 190 | 100.00 | 75.16 |
| 2000 | 3460 | 1301 | 37.60 | 28 | 28 | 100.00 | 62.40 |
| 2004 | 2944 | 997 | 33.87 | 22 | 22 | 100.00 | 66.13 |

Source: Philippine Professional Regulation Commission

Table 3.6 Medicine Licensure Examination Passage Rates by type of HEI, 1975-2004

| Year | Private HEIs | | | Public HEIs | | | 0 |
|-----------|---------------------|-------------------|--------------|---------------------|-------------------|--------------|---------------------------|
| | Number of Examinees | Number of Passers | % of Passing | Number of Examinees | Number of Passers | % of Passing | Difference Public-Private |
| 1985 | 3268 | 1675 | 51.25 | 266 | 187 | 70.30 | 19.05 |
| 1990 | 2830 | 1816 | 64.17 | 310 | 284 | 91.61 | 27.44 |
| 1994-1998 | 12147 | 8866 | 72.99 | 1678 | 1529 | 91.12 | 18.13 |
| 2000 | 2882 | 1809 | 62.77 | 468 | 374 | 79.91 | 17.15 |
| 2004 | 3657 | 1785 | 48.81 | 467 | 346 | 74.09 | 25.28 |

Source: Philippine Professional Regulation Commission

The difference between public and private HEI performance in board exams in Accounting and Nursing appears to have declined, but it is still considerable (tables 3.7 and 3.8). This shows that there were considerable differences between the quality of education students were obtaining at public and private HEIs, respectively.

Table 3.7 Accounting Licensure Examination Passage Rates by type of HEI, 1975-2004

| Year | Private HEIs | | | Public HEIs | | | 0 |
|-----------|---------------------|-------------------|--------------|---------------------|-------------------|--------------|---------------------------|
| | Number of Examinees | Number of Passers | % of Passing | Number of Examinees | Number of Passers | % of Passing | Difference Public-Private |
| 1970 | 6808 | 1199 | 17.61 | 129 | 71 | 55.04 | 37.43 |
| 1975 | 7369 | 1597 | 21.67 | 168 | 63 | 37.50 | 15.83 |
| 1980 | 10341 | 2453 | 23.72 | 804 | 305 | 37.94 | 14.21 |
| 1985 | 18009 | 3628 | 20.15 | 2894 | 745 | 25.74 | 5.60 |
| 1990 | 15282 | 2390 | 15.64 | 4035 | 686 | 17.00 | 1.36 |
| 1994-1998 | 37064 | 5834 | 15.74 | 8712 | 1895 | 21.75 | 6.01 |
| 2000 | 11861 | 2008 | 16.93 | 2199 | 638 | 29.01 | 12.08 |

Source: Philippine Professional Regulation Commission

Table 3.8 Nursing Licensure Examination Passage Rates by type of HEI, 1975-2004

| Year | Private HEIs | | | Public HEIs | | | 0 |
|-----------|---------------------|-------------------|--------------|---------------------|-------------------|--------------|---------------------------|
| | Number of Examinees | Number of Passers | % of Passing | Number of Examinees | Number of Passers | % of Passing | Difference Public-Private |
| 1970 | 2243 | 2153 | 95.99 | 168 | 162 | 96.43 | 0.44 |
| 1975 | 6274 | 5737 | 91.44 | 160 | 160 | 100.00 | 8.56 |
| 1980 | 14756 | 9413 | 63.79 | 532 | 446 | 83.83 | 20.04 |
| 1985 | 4164 | 2644 | 63.50 | 414 | 319 | 77.05 | 13.56 |
| 1990 | 18508 | 8109 | 43.81 | 1481 | 906 | 61.17 | 17.36 |
| 1994-1998 | 129249 | 72524 | 56.11 | 8554 | 5923 | 69.24 | 13.13 |
| 2000 | 7915 | 3756 | 47.45 | 1345 | 840 | 62.45 | 15.00 |
| 2004 | 22868 | 11221 | 49.07 | 2318 | 1356 | 58.50 | 9.43 |

Source: Philippine Professional Regulation Commission

The data show that there was also a considerable percentage of students at private HEIs who performed dismally. For example, there was an increase over time in the number of private HEIs that obtained a 0% passing rate in the mechanical engineering licensure exams. In 2004, 22% of the private HEIs had 0% passing rates compared to the 4% of public HEIs. The same trend can be observed in the private HEIs offering Midwifery and Nursing. On the other hand, the percentage of private and public HEIs with 0% passing rates are comparable in Civil

Engineering.²⁰³ Moreover, public HEIs performed better in terms of having a larger percentage of schools with high passage rates over the years. There is a constant and significant gap in the >75% passing rate bracket between public and private HEIs in Medicine and Nursing and in the >30% bracket in Accounting.

These licensure exams were one telling measure of the quality of education that tertiary schools provided. It tells us that public schools performed the best, especially in high capital-intensive fields that require laboratory and practical experience. The Marcos policy of implementing these licensure examination results became a clear indicator that the largely unregulated private HEI system was not producing high quality graduates in the Philippines. The accreditation system adopted by the Philippine government continued to allow private HEIs to keep high enrollments in degree programs without controlling for quality of the outcomes. This contributed to a very large problem where graduates' expectation of obtaining jobs in their field of study remained high even though many of them were not qualified.

Expansion of Public Universities

The Philippine government attempted to tackle this problem of poorly performing private HEIs by introducing competitors. During the martial law period of 1972-1983, there was an increase in the number of public tertiary schools that was a result of the reorganization of the education system. Presidential Decree 6-A created 13 political regions and the Philippine Development Plan "mandated the 'training' of manpower of middle level skills required for national development. In the context of this plan, new technical skills were needed for the export industrial zones there were to be set up in the country, and for the eventual policy of exporting

²⁰³ Analysis of Philippine Professional Regulation Commission data.

technician labor for overseas contract work.”²⁰⁴ As part of this plan, the national government decided to expand state universities beyond the University of the Philippines at a cost over US\$700.73 million. The World Bank and Asian Development Bank provided loans that covered up to 35 percent of these costs; it was the largest loan for an education project in the world during the 1970s.²⁰⁵

In addition to the expansion of public and state universities, the World Bank made three other major loans to the Philippine government for educational projects that dealt with national economic development goals in agricultural education and fishery training programs.²⁰⁶ With this financial backing, the Marcos administration converted many trade and technical schools and specialized colleges into public four-year tertiary educational institutions.²⁰⁷ Figure 2.1 in chapter 2 illustrates the significant growth of public state colleges and universities from 40 in 1973 to 400 in 1978.²⁰⁸

Three examples of public universities that were established during this period highlight the areas that President Marcos argued were important to achieving national development goals. The first example is Don Marino Marcos Memorial State University. This institution was

²⁰⁴ Ma. Luisa C. Doronila, "A Research and Development Approach to the Delivery of Comprehensive Functional Education and Literacy in the Philippines" (paper presented at the Asia Literacy Regional Forum, Manila, Philippines, 5-9 May 1997), 9.

²⁰⁵ International Development Association, "Report and Recommendation of the President to the Executive Directors on a Proposed Credit to the Republic of the Philippines for a Second Education Project," Report P-1146, (Washington: World Bank Group, November 30, 1972); International Development Association, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Republic of the Philippines for the University of the Philippines' College of Agriculture Education Project, Report No. P-401 (Washington: World Bank Group, October 2, 1964); International Development Association, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Republic of the Philippines for a Fourth Education Project, Report No. P-1997-PH (Washington: World Bank Group, February 16, 1977); International Development Association, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Republic of the Philippines for a Fishery Training Project, Report No. P-2658-PH (Washington: World Bank Group, November 26, 1979).

²⁰⁶ Ibid.

²⁰⁷ V.R. Cardozier, "Public Higher Education in the Philippines," *International Review of Education*, vol. 30, no. 2 (1984: 193-198), 194-195.

²⁰⁸ Author's analysis of data from Philippine Statistical Yearbooks. For illustrate see figure 2.1 in chapter 2.

expanded in 1974 to become a state college focused on agriculture, forestry, fishery, and industrial technology. This university consolidated the agricultural secondary school, and the four-year agricultural college.²⁰⁹ By 1981, Marcos Memorial State University incorporated other schools including La Union School of Arts and Trade (a former community college), Southern Illocos Polytechnic School, and Balaon School of Fisheries. The university expanded into seven different campuses throughout the Philippines.²¹⁰ Another example is Pangasinan State University, a consolidation of a teachers college, high school, primary school, agricultural school, fishery school, and a regional school of arts and trades. By 1973, additional colleges of engineering and of arts and sciences were added to the campus. The third example is the more elite, satellite campus of the University of the Philippines that opened in Los Banos. With a World Bank educational loan, the university expanded and improved major facilities on its campus so that UP Los Banos could expand bachelor's degrees in the agricultural sciences.²¹¹

Technical Education and Skills Development Authority (TESDA)

In 1966, the Manpower Development Council was created within the Office of the President to address unemployment and to align the educational and workforce training system with national economic needs. This was created by Executive Order No. 53 on December 8, 1966 and included representatives from government, industry, and labor. During this period, the Council launched a manpower training program for “out-of-school youths and unemployed adults during the summer months of 1968, as one of its major projects.” This pilot program operated in five provinces with the objective of channeling the country's manpower training

²⁰⁹ V.R. Cardozier, “Public Higher Education in the Philippines,” *International Review of Education*, 194.

²¹⁰ *Ibid*, 195.

²¹¹ President Ferdinand E. Marcos, “Education and the Realities of National Life,” *Philippine Development*, vol. IV, no. 16 (January 16, 1977: 1-10), 8.

program to benefit out-of-school youths and unemployed adults in rural and urban communities; and to provide them with opportunities to learn skills and acquire practical experience for gainful occupation or self-employment in courses of short duration.²¹²

The country's entire educational system was also restructured to include a third level of education: vocational-technical education. This new, four-level approach now included elementary, secondary, vocational-technical, and tertiary levels.²¹³ Vocational-technical education was key to tackling the youth unemployment problems. As part of vocational-technical education, the National Manpower and Youth Council (NYMC) was created to integrate national manpower development efforts by coordinating all non-formal training programs of public and private institutions. A \$12.7 million loan from the World Bank funded the creation of 10 manpower youth training centers, three technical institutions, four science educational centers, and the upgrading of 11 agricultural schools to improve farming programs.²¹⁴ Other complementary programs such as the Entrepreneurship for Development program, an integrated in-plant instructors training program, and the National Agricultural Skills Training program were also introduced. With 10 Regional Manpower Training Centers, NYMC trained 15,468 in agricultural courses and 5,315 persons in electrical courses from 1972-1976. And the entrepreneurship program produced about 220 new entrepreneurs during the same period.²¹⁵

The NYMC evolved to becoming the Technical and Educational Services Development Authority (TESDA), an agency now part of the Department of Labor. Blas Ople transferred the

²¹² Rony V. Diaz, "The Role of Accelerated Training Programs in Manpower Development," *Philippine Economic Journal*, vol. 12. (1973: 650-691), 654-655.

²¹³ Maria Luisa Canieso-Doronila, "The Philippines," *International Review of Education*, 116.

²¹⁴ President Ferdinand E. Marcos, "Education and the Realities of National Life," *Philippine Development*, 7.

²¹⁵ Philippine Development, "Employment Situationer."

traditional training units from the education department to the labor department to ensure that educational programs were aligned towards employment opportunities.²¹⁶

From Laissez-Faire to State Involvement in Tertiary Education

The push to align the supply of graduates with the workers relevant to national development goals was a top priority for the Marcos Administration.²¹⁷ But these goals were limited by a weak state. The majority of political science scholars agree that the Philippine state prior to martial law in 1972 was weak and dominated by the Filipino elite. Philippine scholar Willem Wolters says that:

The Philippine state... which emerged during the late-Spanish and American colonial periods, was characterized by a limited degree of centralization and a weak state apparatus. The land-owning elite in the provinces prevented the development of a strong central state. The classic state monopolies known from European history, namely those over violence and taxation, have never been fully developed in the Philippines.²¹⁸

Martial law gave President Marcos an opportunity to push through a major educational reform agenda with the financial assistance of the World Bank and Asian Development Bank. Although the various efforts under Presidential Decree 6-A shifted the Philippine educational system from a laissez-faire hands-off approach to a more centrally controlled system throughout the 1969 to the 1980 period, the state exercised certain limits on how far it regulated private business interests.

But even under martial law, the tension between state and elite interests continued to thrive when the state was heavily involved in transforming the postsecondary educational

²¹⁶ Gerardo P. Sicat, "Labor Issues of Philippine Development During Blas Ople's Times," 15.

²¹⁷ Mark Bray, "Financing Higher Education: Patterns, Trends, and Options," *Prospects*, 336.

²¹⁸ Willem Wolters, *Politics, Patronage and Class Conflict in Central Luzon* (Quezon City: New Day Publishers, 1984), 3. As cited in Paul D. Hutchcroft, "Oligarchs and Cronies in the Philippine State: The Politics of Patrimonial Plunder," *World Politics*, vol. 43, no. 3 (April 1991: 414-450).

system. Instead of closing down schools and removing tax incentives for opening private tertiary schools, the state adopted indirect regulations for quality control by pushing the use of private accreditation associations. As illustrated in chapter 2, many private tertiary educational institutions are owned by landed Filipino elites. Their interests would have been threatened if stronger state policies were adopted to close private schools that were oversupplying degrees and contributing to the educated unemployment problem. Instead, the Philippine state developed the Professional Regulation Commission to institute Board Exams and licensing of professions, rather than dictating the number of degrees private schools could grant per school year. Reform of the tax treatment of private schools was recommended by several studies of the Philippine educational system, but these recommendations were not fully implemented by the Marcos administration. This meant that private schools continued to enjoy having tax-free real estate holdings and lower income taxes than other for-profit entities. Furthermore, instead of providing incentives for private schools to supply more vocational-technical skills training, the state expanded public colleges and universities to supply the middle-level and trade skills it deemed necessary for economic development. Some of these state initiatives were eventually reversed in the 1980s, leading back to a more laissez-faire tertiary educational system by 1992.²¹⁹

²¹⁹ Mark Bray, "Financing Higher Education: Patterns, Trends, and Options," *Prospects*, 336.

IV. State Sponsored Exit through Overseas Employment

The emigration of educated labor became both a symptom and a solution to the educated unemployment problem.²²⁰ With these massive domestic economic problems, labor export increasingly became a source for Philippine economic development.²²¹ In addition to major reforms in the tertiary educational system, international labor migration became another key solution for easing the pressure growing from high unemployment rates during the martial law period. As illustrated in chapter 2, since the 1950s, labor markets in the Philippines exhibited little progress in terms of employment and real wages. According to Rodriguez and Horton, unemployment rates in the Philippines from 1956 to the present demonstrate a decline during the 1956-80 period, a sharp increase in the 1980s, and a peak in 1985.²²² Economic push factors such as unemployment together with low wages, meager career prospects for the highly-educated people, and risks for national investment pushed Filipinos to seek employment abroad.²²³ Emigration became a solution to reduce the pressure on domestic labor markets by creating a segment of workers with overseas appointments.

The Philippines experienced three distinct phases of migration. The first took place from 1906 to 1946, when farmers left to work on in agriculture in Hawaii and in the mainland United States. Then from 1946 until the late 1960s, the immigrant pool was largely composed of those who were recruited to become members of the U.S. Armed Forces, along with a number of skilled professionals, such as physicians, dentists, nurses and engineers whose immigration became easier with the abolition of the national origin quota (part of the US Immigration Act of

²²⁰ Presidential Commission to Survey Philippine Education, "Education and Manpower Development," 67.

²²¹ Edita A. Tan and Dante B. Canlas, "Migrant's Saving Remittance and Labour Supply Behaviour: The Philippine Case, in Amjad, Rashid (ed), *To The Gulf and Back: Studies on the Economic Impact of Asian Labour Migration* (Geneva: International Labour Organisation, 1989), 227.

²²² Edgar Rodriguez and Susan Horton, "International Return Migration and Remittances in the Philippines," Working Paper Number UT-ECIPA-HORTON-95-01, Department of Economics, University of Toronto, 1995, 2-3.

²²³ Andres Solimano, "International Migration and the Global Economic Order: An Overview," Macroeconomics and Growth Development Economics Research Group, The World Bank, November 2001, 7.

1965). The final phase of migration, which began in the early 1970s and continues today, started with President Ferdinand Marcos's imposition of martial law and involved the Philippine government's active promotion of a "labor export policy."²²⁴ This section will situate emigration before the 1974 labor export policy was adopted, outline the 1974 labor code, and then examine how this policy focused on placing educated labor into overseas labor markets.

Emigration Before 1974

Prior to the Marcos declaration of martial law in 1972, there was minimal government supervision of the labor exporting industry—a large majority of emigration was dominated by private industry.²²⁵ Most of Filipino emigration was already occurring to the United States because of its close colonial ties to the Philippines.²²⁶ The United States was the major destination for Filipino immigrants, composing about 70 percent of Hawaii's plantation labor and a large percentage of California's agricultural workforce by the late 1930s and 1940s.²²⁷ Table 3.9 illustrates the large flow of Filipino immigrants from Asia into the United States, especially after the U.S. Immigration and Nationality Act of 1965 abolished restrictions on nationalities and replaced it with a preference-based immigration policy focused on immigrants' skills and family ties with current U.S. citizens and permanent residents. Between 1965 and 1966 there was almost a doubling of Filipino immigrants admitted into the U.S. (from 3,130 to

²²⁴ Catholic Institute for International Relations, *The Labor Trade: Filipino Migrant Workers around the World* (London: Catholic Institute for International Relations, 1987), 15-17.

²²⁵ Patricia A. Sto. Tomas, "Overseas Employment in the Philippines: Policies and Program," edited by Fr. Anthony Pagononi, *Migration from the Philippines* (Quezon City: Scalabrinians, 1984: 100-121), 104-105.

²²⁶ Since the Philippines became fully independent as a Republic in 1946, the country did not have special movement rights into the U.S. like Puerto Rico. But Filipinos were allowed to enlist into the United States Military during World War II and during post-World War II reconstruction.

²²⁷ Patricia A. Sto. Tomas, "Overseas Employment in the Philippines: Policies and Program," 104.

6,093); by 1977, this number had steadily climbed to more than 40,000. Filipino immigration into the U.S. far exceeded that of other Asian countries during this period.²²⁸

Even though the U.S. was a major destination for Filipino emigrants, trends shifted in the 1960s when Filipino loggers were brought to Indonesia to work in logging camps, and construction workers were recruited to work in Vietnam, Thailand, and Guam during the Vietnam and Korean Wars.²²⁹

²²⁸ Gustav Ranis, "International Migration and Foreign Assistance: The Case of the Philippines," edited by W.R. Rohning and M.L. Schloeter-Paredes, in *Aid in Place of Migration?* (Geneva: International Labour Office, 1994: 151-202).

²²⁹ Manola I. Abella, *Export of Filipino Manpower* (Manila: Institute of Labor and Manpower Studies, 1979), 9.

Table 3.9 Asian Immigrants Admitted into the United States, 1960-1982

| Year | Asia | China | Japan | India | Philippines | Korea |
|------|---------|--------|-------|--------|-------------|--------|
| 1960 | 20,685 | 3,681 | 5,471 | 391 | 2,954 | 1,507 |
| 1961 | 18,432 | 3,213 | 4,313 | 421 | 2,738 | 1,534 |
| 1962 | 19,064 | 4,017 | 3,897 | 545 | 3,437 | 1,538 |
| 1963 | 20,436 | 4,658 | 4,056 | 1,173 | 3,618 | 2,580 |
| 1964 | 18,007 | 5,009 | 3,680 | 634 | 3,006 | 2,362 |
| 1965 | 17,080 | 4,057 | 3,180 | 582 | 3,130 | 2,165 |
| 1966 | 35,807 | 13,736 | 3,394 | 2,458 | 6,093 | 2,492 |
| 1967 | 53,403 | 19,741 | 3,946 | 4,642 | 10,865 | 3,956 |
| 1968 | 50,841 | 12,738 | 3,613 | 4,682 | 16,731 | 3,811 |
| 1969 | 65,111 | 15,440 | 3,957 | 5,963 | 20,744 | 6,045 |
| 1970 | 83,468 | 14,093 | 4,485 | 10,114 | 31,203 | 9,314 |
| 1971 | 92,165 | 14,417 | 5,326 | 14,317 | 28,471 | 14,297 |
| 1972 | 108,208 | 17,339 | 5,777 | 16,929 | 29,376 | 18,876 |
| 1973 | 111,927 | 17,297 | 5,676 | 13,128 | 30,799 | 22,097 |
| 1974 | 117,023 | 18,056 | 4,917 | 12,795 | 32,857 | 28,028 |
| 1975 | 118,952 | 18,536 | 4,293 | 15,785 | 31,751 | 28,362 |
| 1976 | 133,486 | 18,824 | 4,275 | 17,500 | 37,281 | 30,803 |
| 1977 | 138,771 | 19,765 | 4,192 | 18,638 | 39,111 | 30,917 |
| 1978 | 232,141 | 21,331 | 4,028 | 20,772 | 37,216 | 29,288 |
| 1979 | 170,851 | 24,272 | 4,063 | 19,717 | 41,300 | 29,248 |
| 1980 | 217,353 | 27,651 | 4,225 | 22,607 | 42,316 | 32,320 |
| 1981 | 244,075 | 25,803 | 3,896 | 21,522 | 43,772 | 32,663 |
| 1982 | 293,872 | 36,984 | 3,903 | 21,738 | 45,102 | 31,724 |

Source: Immigration and Naturalization Service, Statistical Yearbooks, various years.

Between 1947 and 1979, the large majority of Filipinos admitted into the United States were the highly-educated professional and technical workers and family members of immigrants. Table

3.10 shows that 22 percent Filipinos were working in the professional and technical occupations, and almost 60 percent of all Filipinos coming into the U.S. between 1947-1979 were family members.

Table 3.10 Total Number of Filipinos Admitted into the US (by Occupation), 1947-1979

| Occupational Category | Absolute Numbers | Percentage |
|---|-------------------------|-------------------|
| Professionals & Technical Occupations | 94579 | 22.0% |
| Clerical and Kindred | 15417 | 3.6% |
| Private Household Workers | 14837 | 3.5% |
| Farm Laborers and Farm Foremen | 9523 | 2.2% |
| Managers and Administrators, except farm | 8120 | 1.9% |
| Craftsmen and Kindred Workers | 7371 | 1.7% |
| Service Workers, except private household | 7228 | 1.7% |
| Operatives except transport | 5972 | 1.4% |
| Laborers except farm | 3928 | 0.9% |
| Sales Workers | 3002 | 0.7% |
| Farmers and Farm Managers | 1966 | 0.5% |
| Transport Equipment Operatives | 1388 | 0.3% |
| Housewives, Children Others | 256457 | 59.7% |
| Total | 429788 | 100.0% |

Source: US Immigration and Naturalization Service, as cited in Ma. Alcetis Abrera-Mangahas, "Filipino Overseas Migration: Focus on 1975-1986," SWS Occasional Paper, Manila, June 1988.

Female immigration into the U.S. from the Philippines composed 58.4 percent, exceeding male immigrants as illustrated in table 3.11.

Table 3.11 Filipino Immigrants Admitted into the United States by Age and Sex, 1988

| Age | Total (50,697) | Male (21,091 or 41.6%) | Female (29,606 or 58.4%) |
|----------------|-----------------------|-----------------------------------|-------------------------------------|
| Under 15 Years | 9,112 (18.0%) | 4,586 (21.7%) | 4,526 (15.3%) |
| 15-59 Years | 35,278 (69.6%) | 13,872 (65.8%) | 21,406 (72.3%) |
| Over 60 Years | 6,307 (12.4%) | 2,633 (12.5%) | 3,674 (12.4%) |

Source: Immigration and Naturalization Service, Statistical Yearbook, 1998

Filipino workers became a major source for U.S. defense and war-related civilian projects.²³⁰ During the 1960s Filipinos became heavily involved in the international seafarer labor market. Many Filipinos were hired for crews aboard commercial ships and by the early 1970s, seafarers accounted for about 60 percent of Filipinos leaving the Philippines for work.²³¹ But the demand for land-based workers shifted in the late 1960s and early 1970s when the Middle East experienced a development boom from increased oil prices and the demand for skilled workers in oil-producing countries.²³² This major pull factor was an opportunity that the Philippine government pursued.

The Labor Code of 1974 and State Export of People

The policies and institutions built by President Marcos during the 1970s made labor an export commodity of the Philippines. In 1974, Marcos issued Presidential Decree 442, which formalized the Philippines overseas labor migration program. In a 1976 speech, Marcos outlined the motivation behind the 1974 labor export policy:

We have provided jobs for our people not only in our new and expanding industries but also in the world labor market. Filipino talents and skills are becoming ubiquitous in many parts of the world. Returning Filipino workers have helped improve our skills and technological standards.²³³

The Labor Code of the Philippines established the country's first explicit labor export policy to promote "a systematic program for overseas employment of Filipino workers."²³⁴

²³⁰ Patricia A. Sto. Tomas, "Overseas Employment in the Philippines: Policies and Program," 104.

²³¹ Ma. Alcestis Abrera-Magahas, "Filipino Overseas Migration: Focus on 1975-1986," *Social Weather Stations Occasional Paper* (Manila: June 1998), 10.

²³² Patricia A. Sto. Tomas, "Overseas Employment in the Philippines: Policies and Program," 104.

²³³ Ferdinand Marcos, President of the Republic of the Philippines, as cited in Catholic Institute for International Relations, *The Labour Trade: Filipino Migrant Workers around the World* (London: CIIR, 1987), 120.

²³⁴ "New Labor Code of the Philippines," issued May 1, 1974, as cited in Elias T. Ramos and Patria P. Ramos, "Social Dimensions of International Labor Migration with Special Reference to Filipino Maids," in Japan Institute of Labor, *Present Issues of International Migration* (Tokyo: Japan Institute of Labor, 1992), 195.

Three new state institutions were created to begin a new period of government control of overseas employment: the Overseas Employment Development Board (OEDB), the National Seamen Board, and the Bureau of Employment Services.²³⁵ The OEDB promoted overseas contract work, marketed labor to potential host countries, recruited from the local population, and secured overseas employment. Whereas, permanent emigration was seen as a permanent loss to the country of origin, overseas contract work was deemed “temporary” and an expansion of the domestic labor market abroad. Through the OEDB, an agency attached to the Ministry of Labor, a variety of incentives were implemented to lower the cost of emigrating. Since there were more Filipinos (especially educated ones) entering the labor force at the time, there was a growing need for accelerating job creation activities abroad.²³⁶ The travel tax was reduced, one-stop shops for processing travel papers were created, and custom duties were lifted. The OEDB offered “a complete package of employment services” with aggressive marketing strategies that included a global network of OEDB representatives and foreign service officers readily available to employers.²³⁷ The OEDB also conducted fact-finding missions to examine issues regarding problems associated with overseas employment, and it developed a manpower bank that included preselected workers in about eleven different major occupational groups who were ready for overseas employment.²³⁸ The National Seamen Board (NSB) had the same functions as the OEDB but focused on sea-based workers. The NSB provided free placement services for seamen, assisted seafarers in negotiating terms of employment, and dealt with employer-employee relations, especially in cases involving wages.²³⁹ Finally, in a complementary role, the

²³⁵ Institute of Labor and Manpower Studies, *Working Abroad: The Socio-Economic Consequences of Contract Labor Migration in the Philippines* (Manila: Ministry of Labor and Employment, 1984), 13-16.

²³⁶ *Philippine Development Magazine*, vol. 6, no. 12 (November 15, 1978: 21-29), 22.

²³⁷ *Ibid*, 23.

²³⁸ *Ibid*, 28

²³⁹ Manolo I. Abella, “Labor Administration and Development in the Philippines,” *Philippine Labor Review*, vol. 3, no. 2 (1978: 21-49), 26.

Bureau of Employment Services was responsible for regulating domestic private employment agencies.²⁴⁰

Through the 1974 Labor Code, the Marcos administration regulated all private sector activities dealing with labor export. The Code stated that

The Department of labor shall, within four years from the effectively of this code, phase out the operation of all private fee charging employment agencies including those engaged in the overseas recruitment and placement of individuals for personnel services or to make up the crew of a vessel.²⁴¹

This effectively banned private fee-charging employment agencies from participating in the labor export industry. The Secretary of Labor set the minimum wage rates in agreements with employers.²⁴² The Labor Code also made it mandatory for Overseas Filipino Workers (OFWs) to remit their foreign exchange earnings. The period of 1974 to 1978 was not one of government regulation, but rather of full state control of the Philippine labor export industry.²⁴³ During this period, over 150 overseas recruitment agencies were shut down on the justification that the government was eliminating abuses by recruiting firms.²⁴⁴ Bureaucrats during this period thought that full state control of labor export would expedite the participation of Filipinos in overseas employment, but they quickly realized that the state had limited resources.

The labor export program expanded exponentially. Within its first four years, OEDB had job orders from over 1,500 employers in Middle East, Asia, and Europe. This included overseas placement program orders placed through the National Seamen Board and state licensed employment agencies (employed 245,970 workers from 1974-1977).²⁴⁵ Table 3.12 illustrates

²⁴⁰ Manola I. Abella, *Export of Filipino Manpower* (Manila: Institute of Labor and Manpower Studies, 1979), 4.

²⁴¹ Republic of the Philippines, "New Labor Code of the Philippines," issued May 1, 1974 by President Ferdinand Marcos, Republic of the Philippines.

²⁴² Manolo I. Abella, "Labor Administration and Development in the Philippines," *Philippine Labor Review*, 26.

²⁴³ Patricia A. Sto. Tomas, "Overseas Employment in the Philippines: Policies and Program," 106-107.

²⁴⁴ Dean Tiburcio Alegado, "The Political Economy of International Labor Migration from the Philippines," Doctoral Dissertation, Department of Political Science, University of Hawaii, 1992, 171-172.

²⁴⁵ *Philippine Development Magazine*, vol. 6, no. 12 (November 15, 1978: 21-29), 23.

this growth by showing how the number of OFWs increased from 3,694 in 1969 to 47,754 by 1976.

Table 3.12 Placement of Overseas Filipino Contract Workers, 1969-1976

| Year | Number of Overseas Filipino Contract Workers |
|------|--|
| 1969 | 3,694 |
| 1970 | 1,859 |
| 1971 | 1,863 |
| 1972 | 14,366 |
| 1973 | 36,418 |
| 1974 | 32,764 |
| 1975 | 36,022 |
| 1976 | 47,754 |

Source: Ministry of Labor, as cited in Manola I. Abella, *Export of Filipino Manpower* (Manila: Institute of Labor and Manpower Studies, 1979), 8.

The OEDB through the Ministry of Labor worked with experienced officials abroad to assist workers in negotiating better terms from employers, settle disputes between them, provide advice to those having difficulties in adjusting to a new environment, and be available to serve as their link to the Philippine government. During the 1970s, these services were provided through 15 labor attaches in thirteen countries: Hong Kong, Jakarta, Tokyo, Tehran, Cairo, Jeddah, Bonn, London, Madrid, Rome, Ottawa, New York, Washington, Guam, and Geneva.²⁴⁶

The initial 1974 Labor Code proved difficult to implement. The Marcos administration faced the dilemma of whether the government should allow private sector participation in the labor export industry to maximize the deployment of OFWs. The government also faced the

²⁴⁶ Manola I. Abella, *Export of Filipino Manpower*, 82.

question of how to best protect Filipino workers abroad from recruiters and non-existent jobs from employers abroad.²⁴⁷ During the 1970s, many private recruitment agencies criticized the government for monopolizing the expanding business of labor export.²⁴⁸ As the demand grew for OFWs in the 1970s, the OEDB and the NSB were simply not capable of handling this expansion. In 1978, the Philippine government made changes to the 1974 Labor Code to allow private recruitment agencies to recruit and place workers abroad.²⁴⁹ The government instead licensed new private recruitment agencies and regulated the business with heavy penalties if they violated rules.²⁵⁰ This created a public-private partnership for labor export and increased the country's capacity to export more Filipinos through formal channels.

V. Conclusion

This chapter argues that President Ferdinand Marcos reacted to the twin problems of development described in Chapter 2 by building a strong state through martial law. Marcos and his technocrats strengthened the state's capacity to address these problems through a stronger command of human capital development. They were guided by a new economic development plan developed under "New Society" policies that encouraged accreditation of tertiary educational institutions, the development of professional licensure exams to increase quality instruction in tertiary schools, the expansion of the public college and university system, and the development of a technical skills and vocational educational program. In addition, they

²⁴⁷ Manola I. Abella, *Export of Filipino Manpower*, 4.

²⁴⁸ Dean Tiburcio Alegado, "The Political Economy of International Labor Migration from the Philippines," 173.

²⁴⁹ Maruja M.B. Asis, "The Overseas Employment Program Policy," in Graziano Battisetlla and Anthony Paganoni (eds), *Philippine Labor Migration: Impact and Policy* (Quezon City: Scalabrini Migration Center, 1992: 68-112), 71-72.

²⁵⁰ Manola I. Abella, *Export of Filipino Manpower*, 79-80.

introduced a 1974 labor export policy to relieve the educated unemployment problem by facilitating employment in overseas labor markets.

What Albert Hirschman stated about firms applies to the Philippines: “the presence of the exit option can sharply reduce the probability that the voice option will be taken up widely and effectively. Exit was shown to drive out voice.”²⁵¹ On the other hand, his concept of “loyalty” is also pertinent here: the “most influential customers and members will stay on longer than they would ordinarily, in the hope or, rather, reasoned expectation that improvement or reform can be achieved from within. Thus loyalty, far from being irrational, can serve the socially useful purpose of preventing deterioration from becoming cumulative, as it so often does when there is no barrier to exit.”²⁵² The Marcos regime was able to solve the educated unemployment problem through tertiary educational reform and the creation of the overseas employment program to facilitate the exit of educated Filipinos who were becoming a major voice of disruption for the Philippine state. The private sector, especially the private higher educational system, continued its loyalty to the state since the government continued to allow them to operate with limited regulations. Instead of taking over the powers of the private sector (both in education and the labor export industry), the state partnered with it to work towards a common purpose: the export of Filipino labor to alleviate part of the educated unemployment problem. In the process, the state reaped the benefits of the foreign currency coming back to the country as remittances and established itself as a player in the business of educating and exporting people.

²⁵¹ Albert O. Hirschman, *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge: Harvard University Press, 1970), 76.

²⁵² *Ibid.*

Chapter 4 – Entrenchment of the Labor Export Industry (1986 to 2006)

“...for a long time to come, the Philippines will continue to offer a major highly competitive source of trained labor for the needs of countries abroad. We look forward to the day when, having attained some of our major objectives in the industrialization of the economy, there will be enough resilience and flexibility for us to absorb our own labor surpluses.”²⁵³

–Blas F. Ople, Minister of Labor and Architect of the Philippine Labor Export Policy

I. Introduction

This chapter focuses on how labor export became entrenched in political, economic, and social institutions of the Philippines. This period of labor export entrenchment began with the fall of President Ferdinand Marcos in 1986 and continued through 2006 with the building of more state institutions for facilitating the export of Filipino labor. During the Marcos era, overseas employment became one of the major solutions to alleviate the problems from an oversupply of educated degrees coming from a highly unregulated and autonomous private higher educational system. Furthermore, the Marcos regime made efforts to control the educational system and align it with the Philippine national economy. But over the years, the Philippine economy increasingly depended on overseas labor markets not only to relieve the educated unemployment problem, but also to create a massive new domestic economy geared towards jobs abroad. With about 10 percent of the Filipino population working abroad and financial rewards from foreign earnings returning to the Philippines, the labor export industry became a flourishing business for the private sector, the state, and the Filipino people. This growth and dependency increased the role of the Philippine state in this industry through the creation of emigrant institutions to regulate and protect the overseas labor industry; it also

²⁵³ *Philippine Development Magazine*, vol. 6, no. 12 (November 15, 1978: 21-29), 29.

created a cycle of dependency on emigration—from the Filipino population, government, and private businesses. First, the Philippine government had become increasingly dependent on foreign exchange from remittances to help address its balance of trade problems and to continue to generate employment for the educated unemployed. Second, political demands by overseas Filipinos and migrant households on the Philippine government to protect them from problems encountered in migrant-receiving countries created additional constituencies for the state to become even more committed to institutionalizing its involvement in facilitating migrant flows. Third, the rise of private business interests that were involved in remittances, overseas recruitment agencies, and the supply of higher education created powerful constituencies for the continued export of human capital.

II. The Filipino Population’s Dependency on Overseas Labor Markets

After the fall of Marcos in 1986, Presidential administrations continued to boost the labor export industry and overseas Filipinos as major contributors to the Philippine economy. In a speech delivered in 1988 to domestic workers in Hong Kong, President Corazon Aquino proclaimed “*aky po ang mga bagon bayani*” (you are the new national heroes). Successive governments also followed Aquino’s example. In order to recognize the “new heroes,” the Philippine government produced several events to emphasize OFWs’ connection to the homeland. On June 1999, the government began an official yearly celebration called Migrant Workers’ Day. Additionally, in December 2001 a program called, “*Pamaskong Kandog sa OFWs*,” was implemented to welcome back the estimated 100,000 OFWs who return to the country for Christmas vacation.²⁵⁴ President Gloria Arroyo-Macapagal made visits to the Ninoy

²⁵⁴ Philstar.com, “OFWs get red carpet reception,” November 28, 2001, http://www.philstar.com/philstar/search_content.asp?article=58791.

Aquino International Airport in Manila “to personally welcome OFWs and express the government’s appreciation for their contributions to the country’s economy.”²⁵⁵ Various activities were created, such as raffles with prizes and a government-sponsored “OFW bonds,” to provide opportunities for workers to invest their hard-earned savings in the country’s economic recovery program. In 2002, President Arroyo-Macapagal declared migrant Filipinos abroad as “overseas Filipino investors” who are the nation’s number one dollar earners and are vital in helping to attract investments, tourists, and in promoting the country’s image.²⁵⁶

The Globalization of Filipino Labor

Between 1975 and 1983, the number of OFWs leaving for overseas positions increased by 27 percent every year.²⁵⁷ By the early 1980s, changes in the global economy increased the demand for skilled and semi-skilled Filipino workers in the Middle East, Asia, and Western Europe. Many Filipinos left the Philippines to exploit these opportunities. According to Bengwayan, “growing domestic unemployment and huge remittances sent back by migrant workers have led successive governments to encourage Filipinos to go abroad.”²⁵⁸ In 1999, the total labor force in the Philippines was 32 million and had an estimated 9.4% unemployment rate.²⁵⁹

²⁵⁵ Philstar.com, “OFWs get red carpet reception,” November 28, 2001.

²⁵⁶ E.T. Suarez, “280,882 OFWs deployed in less than 4 months,” *Manila Bulletin*, May 2, 2002.

²⁵⁷ Francis C. Madigan and Imelda G. Pagtolun-an, “The Philippines,” in Serow, William J., et al., *Handbook on International Migration* (New York: Greenwood Press, 1990), 291-292.

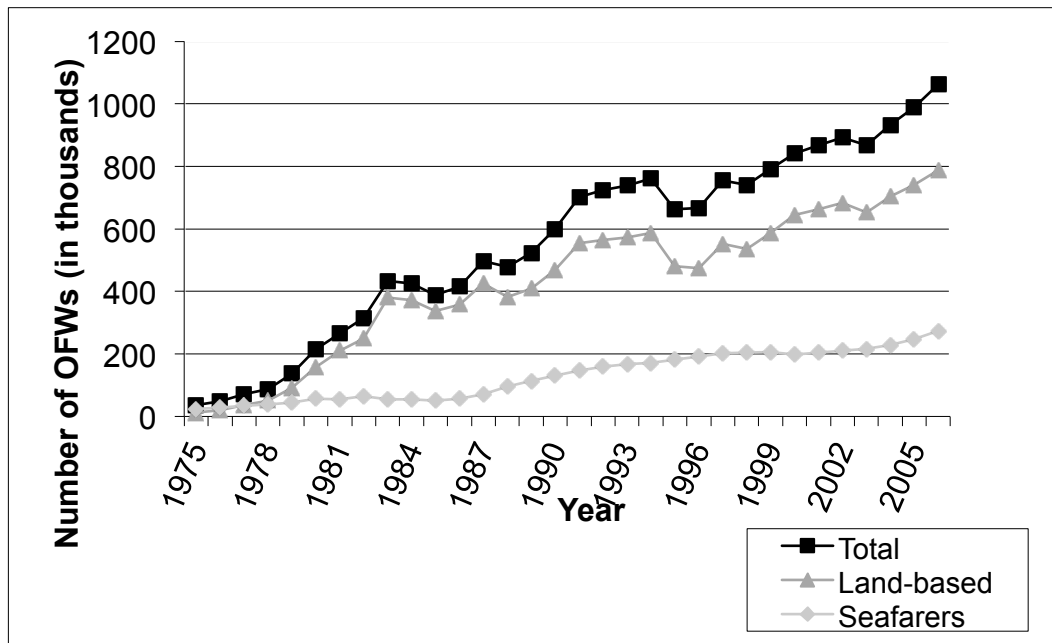
²⁵⁸ Michael A. Bengwayan, “When Filipino maids return home in coffins,” *New Straits Times (Malaysia)*, March 7, 2001, Opinion Section, 10.

²⁵⁹ National Statistics Office, *Philippine Yearbook 2000* (Manila: NSO, 2000), 3.

International labor migration created a dualistic Philippine labor market: domestic and overseas. Worldwide, about 2.8% of the total population living in the Philippines in 1990 is working overseas—translating to about 4.4% of the Philippine labor force.²⁶⁰

By the early 2000s, the Philippines had become the largest organized labor-exporting country in the world. Although a substantial proportion of the Filipinos abroad were permanent emigrants (46%), most of whom settled in the Americas, the majority of overseas Filipinos (54%) were contract or temporary workers, officially called “overseas Filipino workers” or OFWs. Figure 4.1 provides an overview of the astonishing growth of land-based and sea-based OFWs from 1974, when the government initiated its labor export policy, to 2006. Almost two-thirds of these OFWs originated from the countryside and half have college degrees.²⁶¹

Figure 4.1 Number of Processed Overseas Filipino Workers departing annually, 1975-2006



Source: Philippine Statistical Yearbooks, various years.

²⁶⁰ Edgard Rodriguez and Susan Horton, “International Return Migration and Remittances in the Philippines,” 5.

²⁶¹ Asian Development Bank, *Enhancing the Efficiency of Overseas Filipino Workers’ Remittances* (Manila: Asian Development Bank, 2004), 61 and Florian A. Albuero and Danila I. Abella, “Skilled Labour Migration from Developing Countries: Study on the Philippines,” *International Migration Papers*, Paper 51, (Geneva: International Labour Office, 2002), 16.

The number of OFWs has increased almost 25-fold from 1986 to 2006, with nearly 1.2 million registered deployments to over 190 countries in 2006 alone.²⁶² From the beginning of the labor export policy in 1975 to 2005 the Philippines experienced exponential growth of OFWs especially to the Middle East and other parts of Asia as illustrated in table 4.1. The growth of Filipino workers in the Middle East was due to the oil-boom in the 1970s, while the growth of OFWs in Asia during the 1990s and 2000s has to do with the economic boom years of East Asian economies.

Table 4.1 Processed Land-Based OFWs by Major Destination, 1975-2005

| | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 |
|--------------------|--------|---------|---------|---------|---------|---------|---------|
| <i>World Total</i> | 12,501 | 157,394 | 371,754 | 334,883 | 488,173 | 643,304 | 740,632 |
| Africa | 2.74% | 1.02% | 0.62% | 0.38% | 0.74% | 0.67% | 1.23% |
| Asia | 33.73% | 11.25% | 16.49% | 27.10% | 34.16% | 45.40% | 34.44% |
| Europe | 25.28% | 0.54% | 1.27% | 2.05% | 2.11% | 6.11% | 7.04% |
| Middle East | 12.42% | 83.89% | 79.21% | 65.13% | 48.00% | 44.04% | 53.25% |
| Oceania | 4.41% | 0.10% | 0.30% | 0.28% | 0.29% | 0.37% | 0.39% |
| The Americas | 18.29% | 2.25% | 0.30% | 2.85% | 2.76% | 1.19% | 2.01% |
| Trust Territories | 3.14% | 0.94% | 1.17% | 2.20% | 1.44% | 1.15% | 1.03% |

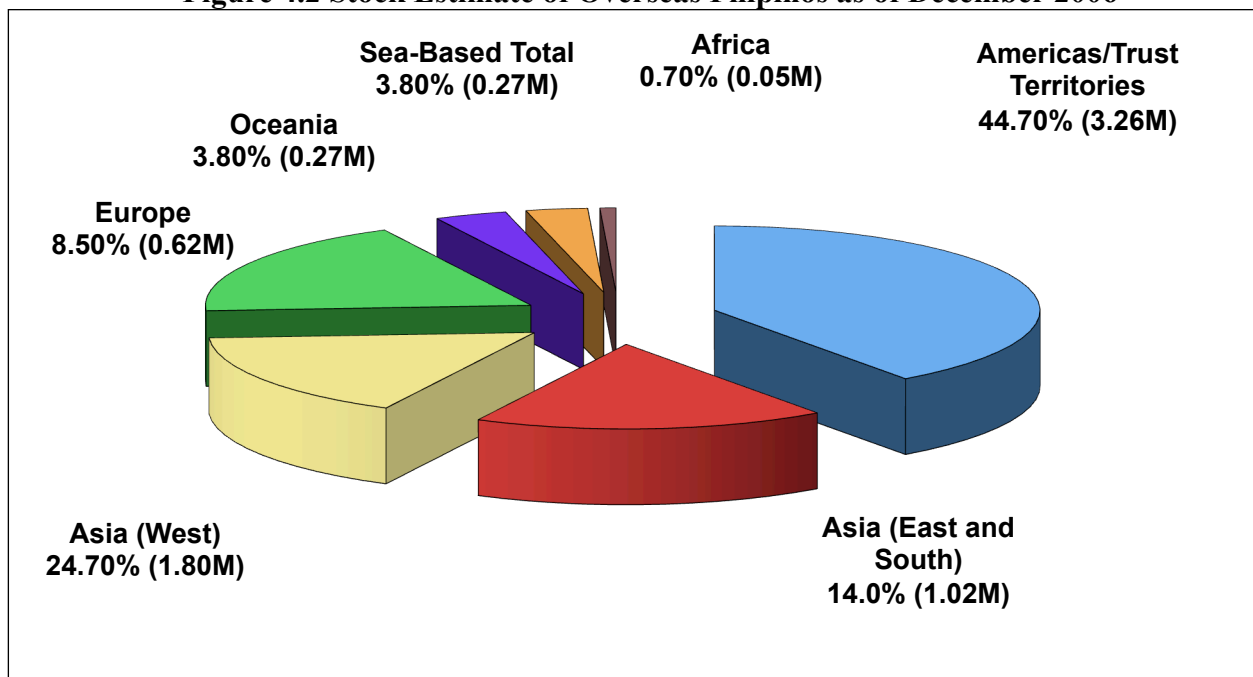
Source: Philippine Overseas Employment Administration. Cited in Ranis, "International Migration and Foreign Assistance: Concepts and Application to the Philippines," March 1992.

²⁶² Philippine Overseas Employment Administration, "Global Presences," 52

In addition to land-based OFWs, seafarers make up a significant proportion of OFWs with almost a quarter of a million deployed annually, composing 30 percent of all seafarers in the world in 2000.²⁶³

By 2006, the Philippines grew to becoming a global supplier of workers in over 160 different countries with about 7.5 million Filipinos abroad.²⁶⁴ Figure 4.2 illustrates the stock estimate of overseas Filipinos by world region.

Figure 4.2 Stock Estimate of Overseas Filipinos as of December 2006



Source: Commission on Filipinos Overseas, “Stock Estimate of Overseas Filipinos,” Released in first quarter, 2007.
Asia (West) includes Saudi Arabia and Middle East countries.

Of these numbers, there is an estimated 3.17 million Overseas Filipino Workers (OFWs) who work abroad on contracts.²⁶⁵ Among OFWs there are 274,497 who are sea-based and 2.9

²⁶³ Asian Development Bank, *Enhancing the Efficiency of Overseas Workers Remittances*, 14.

²⁶⁴ Commission on Filipinos Overseas, “Stock Estimate of Overseas Filipinos as of December 2006,” released 2007.

²⁶⁵ This only includes those working as contract laborers and excludes immigrants who settle permanently abroad. These estimates are difficult since many do leave illegally.

million who are land-based employees. For permanent migrants, there is an estimated 3.4 million living abroad.

Educational Attainment, Gender and Overseas Occupations

As labor export grew, overseas employment was also absorbing those who were educated. Blas Ople, the Minister of Labor during the 1970s and the architect of the overseas employment program said “by a stroke of public policy, we created millions of jobs for Filipino workers in the Middle East and throughout the world...we created the infrastructure to support the deployment of millions of our workers.”²⁶⁶ When looking at the educational backgrounds of the OFWs over time, the majority of them have college backgrounds.

In the 1990s, a larger share of college educated Filipinos continue to work abroad. About 95 percent of the growth in the number of OFWs between 1993 and 2002 was made up those with a college degree or higher. This increase in the number of college educated OFWs started in the late-1990s. Yet, the top five occupations in which OFWs with a bachelor’s degree or above work while abroad have remained relatively unchanged between 1993 and 2002.²⁶⁷ The share of OFWs with some college, a college degree or higher grew between 1993 and 2002. Of the 1.4 million OFWs in 2002, table 4.2 shows that tertiary educated OFWs made up 63.3 percent of all OFWs between 1993-2002, and that the majority of these were college graduates or had some college background (349,997).

²⁶⁶ Blas F. Ople, “Overseas employment and foreign policy,” *The Manila Bulletin*, April 27, 2003.

²⁶⁷ Author’s analysis of the raw data from the Philippine Survey of Overseas Filipinos, 1993-2002.

**Table 4.2 Overseas Filipino Workers (OFWs) by Educational Attainment
(as percent of total OFWs), 1993-2002**

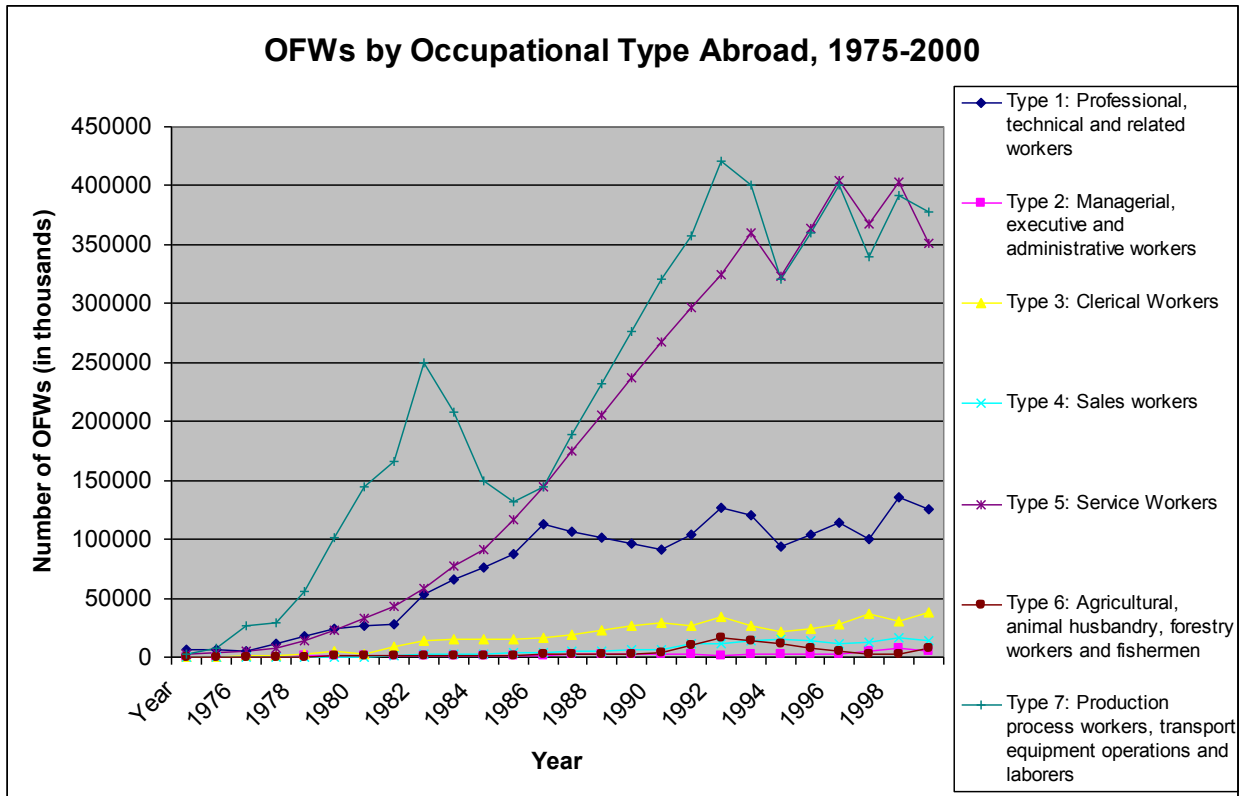
| Educational Attainment | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|------|------|------|------|------|------|------|------|------|------|
| No grade completed | 0.4 | 0.5 | 0.1 | 0.9 | 0.3 | 0.6 | 0.3 | 0.1 | 0.1 | 0.1 |
| Some elementary | 3.5 | 2.7 | 2.7 | 2.7 | 2.4 | 2.2 | 2.5 | 2.1 | 2.0 | 1.7 |
| Elementary graduate | 7.0 | 6.9 | 6.9 | 7.7 | 5.7 | 4.9 | 4.9 | 4.3 | 4.4 | 3.6 |
| Some high school | 8.0 | 7.9 | 8.3 | 8.4 | 8.0 | 8.1 | 6.6 | 7.3 | 5.4 | 5.3 |
| High school graduate | 25.4 | 27.4 | 24.4 | 23.3 | 25.6 | 24.3 | 24.9 | 23.5 | 25.0 | 23.5 |
| Post-secondary/Vocational | | | | | | 4.5 | 5.3 | 3.5 | 2.0 | 2.6 |
| Some college or College Grad and higher | 55.3 | 54.3 | 56.9 | 56.9 | 57.9 | 55.1 | 55.3 | 59.0 | 61.0 | 63.3 |
| Not reported | 0.3 | 0.3 | 0.6 | | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | |

Source: Survey of Overseas Filipinos, 1993-2002

Although government policy initially focused on exporting professionals, OFW occupations abroad have diversified over time to include factory workers, construction workers, and service workers (such as care givers and domestic helpers). Figure 4.3 shows the various occupations OFWs take outside the country, with those labeled type 7 and type 5 being the most common. Professionals, a category that includes nurses and engineers, are still the third-largest group of OFWs. Appendix I provides a more detailed description of the types of jobs falling within each category. These data indicate that higher education gives Filipinos a higher probability of obtaining overseas employment, but not necessarily a position matching their educational backgrounds. This also reflects educated Filipinos' willingness to go abroad to take jobs that pay higher salaries, rather than jobs that match their skills and educational backgrounds. Overseas labor market has become a significant absorber of Filipino manpower. Filipino workers are willing to accept jobs overseas requiring less education than what they possess because of higher wages (this is further analyzed in section II of chapter 5).²⁶⁸

²⁶⁸ Manolo I. Abella, "Current Trends in External Migration," *Philippine Labor Review*, vol. 2, no. 3 (1977: 95-101), 98-99.

Figure 4.3



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

Note: There was a change in data collection from Philippine National Statistics Office so data on 2001 onwards has a different set of occupational categories and is excluded in this figure for consistency.

Professional occupations (type 1) is the third most popular type of positions for OFWs.

Beginning in the 1970s and through to the mid-1980s, professional occupations constituted a high proportion of OFWs. But after the mid-1980s, their share leveled off and remained steady at between 100,000 and 150,000 OFWs, while the number of type 7 and 5 occupations grew to three times more.

Examining the top five occupations of OFWs abroad with a bachelor's degree or above for 1992 and 2002 using the Survey of Overseas Filipinos, table 4.3 shows that service-oriented occupations such as personal care and related workers rank at the top, followed by seafarers, domestic helpers, health professionals and professional architects and engineers. This illustrates that OFWs are not necessarily working as very high-skilled professionals, but are also working

in fields that are middle-level skilled or in occupations that do not necessarily require a bachelor's degree.

Table 4.3
Top 5 occupations among OFWs with a bachelor's degree or above, 1993 and 2002

| | | % all highly-educated OFWs |
|-------------|---|-------------------------------|
| 1993 | | |
| 1 | PERSONAL CARE & RELATED WORKERS | 19.03% |
| 2 | SHIP'S DECK CREWS & RELATED WORKERS | 14.60% |
| 3 | HEALTH ASSOCIATE PROFESSIONALS | 9.25% |
| 4 | SHIP/AIRCRAFT TECHNICIAN | 6.63% |
| 5 | ARCHITECTS | 6.52% |
| 2002 | | |
| 1 | SHIP'S DECK CREWS & RELATED WORKERS | 15.25% |
| 2 | DOMESTIC HELPERS & CLEANERS & RELATED WORKERS | 13.02% |
| 3 | NURSING & MIDWIFERY | 9.60% |
| 4 | ENGINEERS | 6.56% |
| 5 | PERSONAL CARE & RELATED WORKERS | 5.52% |

Source: Survey of Overseas Filipinos, 1993-2002

As the labor export industry grew, Filipinos who were highly educated, urban, and women increased their presence in the Filipino overseas labor market. There were also large differences in the educational attainment of OFWs based on gender. Table 4.4 shows that female OFWs had much higher level educational backgrounds in the early 1980s (62.2 percent were college graduates versus 29.9 percent among men). As discussed in chapter 2, women generally have higher educational attainment levels than men in the Philippines and this is more so the case among those working abroad on overseas contracts.

Table 4.4 Gender Distribution by Level of Education of OFWs (in percentage), 1983

| Level of Education | Sex | |
|--------------------|------|--------|
| | Male | Female |
| None or Elementary | 3.6 | 4.9 |
| Some High School | 8 | 4.9 |
| High School | | |
| Graduate | 30.2 | 17 |
| Some College | 20.1 | 10.4 |
| College Graduate | 29.9 | 62.2 |
| Vocational | | |
| Graduate | 8.2 | 0.6 |

Source: ILMS Survey, 1982, in "Working Abroad," Institute of Labor and Manpower Studies, 1984.

When examining the overseas labor market, a similar pattern emerges with OFWs. A shift in the international demand for Filipino labor took place in the 1980s, indicated by a decline in the relative share of workers in production processes and related occupations, and an increase in the international demand for service workers. This change in the overseas labor market's occupational mix also translated into a shift in the gender distribution of OFWs.

Studies from the early 1980s showed that men originally composed an overwhelming majority of OFWs. By 1987, 47 percent of all deployed land-based workers were women. This proportion rose to almost 50 percent in 1994, a trend that continues well into the current decade. The Philippines emerged in the 1990s and 2000s as one of the biggest exporters of skilled women workers in the world.²⁶⁹ During the past 11 years, more women have migrated abroad as OFWs than men—63 percent versus just 37 percent for men.²⁷⁰ According to the Survey of Overseas Filipinos, women OFWs mainly work in service (41 percent) and professional, technical and sales occupations (52.4 percent). On the other hand, table 4.5 shows major

²⁶⁹ Prime Sarmiento, "Philippines and India are the biggest exporters of skilled women workers," *Noticias Financieras*, October 2, 2008.

²⁷⁰ Philip C. Tubeza, "Overseas deployment of Filipino domestic workers continues to rise," *Philippine Daily Inquirer*, April 7, 2012.

differences in occupations of male OFWs who are mostly in craft (35 percent) and seafarer (26.7 percent) occupations for the 1993-2002 period.

Table 4.5 Gender Distribution by Overseas Occupation (in percentage), 1993-2002

| Overseas Occupation | Male | Female |
|---|-------------|---------------|
| Service | 9 | 41 |
| Craftsman | 35 | 2.4 |
| Transport | 11.6 | 1.2 |
| Clerical | 3.2 | 1.2 |
| Administrative, Executive, and Managerial | 2.5 | 0 |
| Professional, Technical, and Sales | 12 | 52.4 |
| Ship Crew | 17.5 | 1.2 |
| Ship Officer | 9.2 | 0.6 |
| Total | 100 | 100 |

Source: Institute of Labor and Manpower Studies, "Working Abroad," and Survey on Overseas Filipinos, various years.

Reflecting the higher educational attainment of women than men in the Philippine educational system (as discussed in chapter 2), female OFWs are also more educated than male OFWs. Over the 1993 to 2002 period, about 62.2 percent of all OFWs with college degrees were women, whereas male OFWs were largely trained in vocational and lower levels of education.²⁷¹ This also reflects the different types of training required for male OFWs—especially in the shipping industry that requires specific vocational education (92 percent of male OFWs have vocational degrees compared to only 8 percent of women).

When examining the OFW occupation that is dominated by educated women—professional nurses—there is a different hiring pattern. Saudi Arabia (46.3 percent) and the United States (24.9 percent) dominate the overseas employment of Filipino nurses with bachelor's level or higher training (table 4.6). There are very few OFWs that fall under the

²⁷¹ Analysis of Survey on Overseas Filipinos, 1993-2002.

nursing occupation that have not obtained a high school degree; these workers are usually nurse assistants or auxiliaries, rather than licensed, registered nurses (RN's).

Table 4.6 Top Destinations among those Working Abroad as Professional Nurses, 2002

| Bachelor's degree or higher | | | Under HS Degree | |
|-----------------------------|---------|------|-----------------|-----|
| | # | % | | # |
| Saudi Arabia | 111,103 | 46.3 | Saudi Arabia | 612 |
| USA | 59,711 | 24.9 | USA | 94 |
| Taiwan | 7,489 | 3.1 | | |
| Canada | 7,167 | 3.0 | | |
| UAE | 6,882 | 2.9 | | |
| Singapore | 6,809 | 2.8 | | |
| Libya | 5,776 | 2.4 | | |
| Israel | 5,608 | 2.3 | | |
| Kuwait | 5,492 | 2.3 | | |
| Oman | 3,944 | 1.6 | | |

Source: Survey of Overseas Filipinos, 2002.

Remittances as Key Benefit from Labor Export

The major benefit of overseas employment to a labor-exporting country comes from the foreign currency sent back in the form of remittances. When announcing the 1974 labor export policy President Marcos mentioned that “the labor code of the Philippines...optimize[ed] the national benefits from [overseas Filipino workers] in the form of dollar remittances.”²⁷² If labor can be considered an export, then remittances are that part of the payment for exporting labor services that return to the country of origin. Remittances are that portion of the monies earned or obtained by migrants that are transmitted back to the Philippines. This money from migrants abroad provides financial resources to recipient households and evidence has shown that it

²⁷² President Ferdinand E. Marcos, “Labor-Our Greatest Weapon,” President of the Philippines. Address on the occasion of Labor Day celebration, May 1, 1974.

reduces poverty and increases the welfare of migrant households.²⁷³ One of the major reasons why the labor code included a labor export policy was because the foreign currency benefited the nation. International migration scholars such as Douglass Massey argue that developing countries need foreign exchange to give them the ability to purchase important capital goods and energy on world markets for industrial development. Minister of Labor Blas Ople noted that the huge outflow of Filipinos abroad became important to the national economy since the approximately \$7-\$8 billion annually coming into the country as remittances “helped prop up the national economy, especially in times of financial adversity, such as the 1987 Asian financial crisis and the global economic slowdown.”²⁷⁴ Ople also said that the overseas employment program “has built more homes for the Filipino workers than all the housing programs of the government put together; it has sent more children to college than all the scholarship programs put together; it has jump-started more small-scale enterprises than what the DTI [Department of Trade and Investment] has ever thought of.”²⁷⁵

Through remittances, OFWs became a major source of foreign exchange for the country. Many developing countries need foreign exchange to purchase important capital goods and energy on world markets for industrial development. In the Philippines, between 1980 and 1992, remittances rose from 3 percent of the country’s total GDP to 5 percent. In 2000, it rose further to 8 percent of GDP.²⁷⁶ As a percentage of merchandise imports, from 1980 to 1992, remittances rose from 5 percent of imports in 1980 to 14 percent in 1992. By 1999, remittances represented

²⁷³ Dilip Ratha, “Leveraging Remittances for Development,” *Policy Brief* (Washington: Migration Policy Institute, June 2007), 1-5.

²⁷⁴ Blas F. Ople, “Overseas employment and foreign policy.”

²⁷⁵ Ibid.

²⁷⁶ Calculate using remittances in figure 3 for 2000 with GDP in 2000 as published in the *World Development Report 2002*.

19.64% of imports.²⁷⁷ Moreover, Foreign Direct Investment in 1999 was only a mere 573 million compared to the 6.79 billion coming in as remittances. By 2006 remittances had contributed to 12.5% of GDP, or \$15.3 billion (table 4.9). The Philippines also increased its receipt of annual remittances by over 68 times during this time period. Data from the Philippine government shows that more than 90 percent of OFWs sent money home to the Philippines in 2006.²⁷⁸ Table 4.9 gives an overview of the amount of remittances sent to the Philippines from 1975-2006. Remittances from OFWs became a driving force of the Philippine economy with the proportion of remittances as a percentage of export earnings growing from 4.7 percent in 1975 to 28 percent by 1995.

²⁷⁷ Calculated using remittances values for 1999 in figure 3 with merchandise trade imports indicator from the *World Development Report 2002*.

²⁷⁸ Stella P. Go and Monahar P. Sharma, "International Labor Migration and Remittances in the Philippines: Trends, Policy, and the Way Forward," Report prepared for International Food Policy Research Institute, May 2008.

Table 4.7 Remittances of Overseas Filipino Workers, 1975-2006²⁷⁹

| Year | Remittances (in USD millions) | GDP % | Export Earnings (%) |
|------|-------------------------------------|-------|---------------------------|
| 1975 | 103 | 0.6 | 4.5 |
| 1976 | 111 | 1.0 | 4.3 |
| 1977 | 213 | 1.7 | 6.8 |
| 1978 | 291 | 2.0 | 8.5 |
| 1979 | 365 | 2.0 | 7.9 |
| 1980 | 421 | 1.9 | 7.2 |
| 1981 | 545 | 2.2 | 9.5 |
| 1982 | 810 | 2.8 | 16.1 |
| 1983 | 944 | 3.4 | 18.9 |
| 1984 | 659 | 2.3 | 12.2 |
| 1985 | 687 | 2.6 | 14.8 |
| 1986 | 680 | 2.9 | 14 |
| 1987 | 792 | 3.1 | 13.8 |
| 1988 | 857 | 3.3 | 12.1 |
| 1989 | 973 | 3.2 | 12.4 |
| 1990 | 1181 | 3.3 | 14.4 |
| 1991 | 1500 | 4.1 | 17 |
| 1992 | 2202 | 4.8 | 22.4 |
| 1993 | 2230 | 4.8 | 19.6 |
| 1994 | 2940 | 5.4 | 21.8 |
| 1995 | 4878 | 7.2 | 28 |
| 1996 | 4307 | 5.9 | 21 |
| 1997 | 5742 | 8.3 | 22.8 |
| 1998 | 4926 | 7.1 | 16.7 |
| 1999 | 6795 | 8.1 | |
| 2000 | 6961 | 8.6 | |
| 2001 | 8769 | 11.5 | |
| 2002 | 9735 | 12.0 | |
| 2003 | 10243 | 12.2 | |
| 2004 | 11471 | 12.6 | |
| 2005 | 13566 | 13.2 | |
| 2006 | 15251 | 12.5 | |

Source: Central Bank of the Philippines as reported by the Philippine Overseas Employment Administration

Note: No data on export earnings is available for 1999-onwards.

These indicators illustrate the significance of remittances as a source of foreign exchange for the Philippine economy. Since these estimates are based on reports of money transferred

²⁷⁹ No data available for export earnings after 1999 so this study was unable to calculate remittances as percent of export earnings. The remittances as percentage of Gross Domestic Product (GDP) was calculated by the World Bank Development Indicators. Remittances as a percentage of GDP was used instead of Gross National Product (GNP) to understand the impact of remittances to the domestic economy. GNP measures the entire Philippine economy globally and remittances would be considered part of Philippine GNP.

through the banking system, they may actually be an underestimate of the actual received remittances. Remittances may also come in different forms such as undeclared hard currency when traveling back into the country, shipped goods, and gifts.

One of the main reasons why remittances were and continue to be important to the Philippines is because of economic policies that relied heavily on foreign borrowing. President Marcos' technocrats instituted a development strategy that emphasized agricultural export; some industrialization in manufacturing, mining, construction and public utilities; and foreign borrowing.²⁸⁰ To finance both agricultural and industrial growth, the Philippines relied heavily on foreign borrowing from official and private lenders. This reliance led the country's external debt to rise from \$360 million in 1962 to \$28.3 billion by 1986, making the Philippines one of the most heavily indebted countries in the developing world.²⁸¹ The combination of this formidable debt and unbalanced growth meant that remittances became a key method for the country to obtain foreign currency to pay back its debts. Remittances have played a major role in providing a "financial buttress to the problems of keeping capacity of the economy afloat with dollars by easing the burden of amortizing external debt and extending the capacity of the economy to pay for current imports."²⁸²

Remittances from overseas Filipinos provided the Philippines with valuable foreign currency that gave the government and businesses the ability to pay loans from the World Bank and other multilaterals, pay for importing goods from abroad, and prevented the country from entering a financial crisis in 1997. This large amount of financial resources also had a large effect on the households receiving them. At the household-level, families with an OFW increase

²⁸⁰ Rob Vos and Josef T. Yap, *The Philippine Economy: East Asia's Stray Cat?*, 13-19.

²⁸¹ James K. Boyce, *The Philippines: The Political Economy of Growth and Impoverishment in the Marcos Era*, 10.

²⁸² Gerardo P. Sicat, "Success and Adjustment in the Philippine Labor Market," University of the Philippines School of Economics Discussion Paper Series, No. 0403 (Quezon City: University of the Philippines, April 2004), 8.

their ability to purchase necessity goods and start-up businesses. According to Massey, “a survey of emigrants from the Philippines revealed that after buying basic necessities and paying off debts, migrant households tended to use remittances primarily for housing, education, and land, in that order.”²⁸³ Using the 2003 Philippines Family Income and Expenditures Survey, Aubrey Tabuga examined the data to understand the impact of remittances on recipient households. Tabuga found that households receiving remittances spend more on education and housing than non-recipient households.²⁸⁴ But at the same time, she also showed that they spend more on conspicuous consumption such as allocating more income to consumer goods and leisure. For instance the mean budget share of households receiving remittances on conspicuous consumption is about 0.0501 versus 0.0266 for non-remittance receiving households. Furthermore, remittance receiving households have a higher share of their household budget spent on medical care, as well as housing, whereas non-receiving households spend a larger share of their budgets on food.²⁸⁵ Dean Yang also studied the wide variation of where Filipinos live and work abroad on the effect of remittances on Filipino households. Yang found that a large majority of remittances were used for the education of children and to start new businesses.²⁸⁶

In addition to the benefits of remittances at the household level, the individual working overseas is earning higher wages for working abroad compared to his/her peers in the domestic labor market. Table 4.8 compares the monthly wages of Filipinos working overseas versus those

²⁸³ Citing Go and Postrado (1986) in Douglas S. Massey, “International Migration and National Development,” in Massey Douglas S., et al. (eds), *Worlds in Motion: Understanding International Migration at the End of the Millennium* (Oxford: Clarendon Press, 1998), 44.

²⁸⁴ Aubrey D. Tabuga, “International Remittances and Household Expenditures: The Philippine Case,” Philippine Institute for Development Studies Discussion Paper Series, No. 2007-18 (Manila: Philippine Institute for Development Studies, December 2007).

²⁸⁵ *Ibid*, 14.

²⁸⁶ Dean Yang and H. Choi, “Are Remittances Insurance? Evidence from Rainfall Shocks in the Philippines,” *World Bank Economic Review* 21(2), 219-248.

working in the domestic labor market within the same occupation. This table shows there are high returns to migrating for the large majority of occupations, but especially for nurses who earned on average \$10,464 more per year than those working in the Philippines in 2002.²⁸⁷

Table 4.8 Annual Gross Returns to Migration for Selected Occupations for New Hires, Foreign versus Domestic Wages (in US Dollars), 2002

| Occupations | Monthly Foreign Wage | Monthly Domestic Wage | Annual Gross Return |
|---------------------|----------------------|-----------------------|---------------------|
| Nurse | 1063 | 191 | 10464 |
| Other Professionals | 796 | 320 | 5712 |
| Clerks | 415 | 260 | 1860 |
| Service Workers | 407 | 192 | 2580 |
| Others | 407 | 285 | 1464 |

Source: Edita A. Tan, "The Wage Structure of Overseas Filipino Workers," University of the Philippines Discussion Papers, No. 0503 (Quezon City: University of the Philippines School of Economics, March 2005).

In 2002, professional occupations other than nursing also have a high return of \$5,712 per year compared to working in the same occupation in the Philippines. But these returns also vary by country of destination. The United States has the highest return and is the destination in most demand by Filipinos because of other benefits, such as ability to get permanent residence status and eventually citizenship.²⁸⁸ In contrast, Middle Eastern countries and other Asian countries have lower returns to migrating because Filipinos have no ability to obtain permanency or citizenship there. But, in general, Filipinos who work overseas receive higher wages, a major incentive for leaving the domestic labor market.²⁸⁹

Besides higher wages, job satisfaction and the type of occupation the OFW had previously in the domestic labor market also influenced and continues to influence Filipinos' desire to work abroad. A survey conducted in 1982 asked OFWs the following: "Disregarding

²⁸⁷ Edita A. Tan, "The Wage Structure of Overseas Filipino Workers," University of the Philippines Discussion Papers, No. 0503 (Quezon City: University of the Philippines School of Economics, March 2005). The data is based on surveys that were conducted in 2002 and there is no recent data available.

²⁸⁸ Ibid.

²⁸⁹ Ibid.

income, do you like your overseas job more, the same as or less than your last job in the Philippines?” In the survey, 55.8 percent responded more, 16.9 percent said the same, and 27.3 percent said less.²⁹⁰ But these results varied by country of destination. Table 4.9 illustrates how OFWs are less satisfied when working in the Middle East compared to the Americas, Africa, Europe and Asia.

Table 4.9 Country of Employment by Overseas Job Satisfaction (in percentage), 1982

| Overseas Job Satisfaction | Middle East | Europe | Americas | Africa | Saudi Arabia | Asia | Others |
|---------------------------|-------------|--------|----------|--------|--------------|------|--------|
| Like More | 42.6 | 69.8 | 90.3 | 71 | 48.5 | 64.1 | 47.6 |
| Same | 20.2 | 16.2 | 7.3 | 14.5 | 18.1 | 12.5 | 33.3 |
| Like Less | 37.2 | 14 | 2.4 | 14.5 | 33.4 | 23.4 | 19.1 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: Institute of Labor and Manpower Studies, *Working Abroad: The Socio-Economic Consequences of Contract Labor Migration in the Philippines* (Manila: Ministry of Labor and Employment, 1984), 178-187.

The survey revealed that job environment matters in OFWs’ satisfaction with working abroad, even though the Middle East continues to be the largest destination region for OFWs.²⁹¹

Since the development of the 1974 labor export policy, the demand for overseas work has increased among Filipinos. Not only is working abroad more desirable because of higher wages and job satisfaction, but Filipinos are willing to give up “professional” positions in the domestic labor market for a lower-skilled job abroad. Table 4.10 shows the top 5 occupations that OFWs worked in the domestic labor market prior to migrating abroad. In 2002, a large proportion (21.5 percent) were elementary school teachers, retail workers (10.5 percent), or professional architects (8.8 percent).

²⁹⁰ Institute of Labor and Manpower Studies, *Working Abroad: The Socio-Economic Consequences of Contract Labor Migration in the Philippines* (Manila: Ministry of Labor and Employment, 1984), 178-187.

²⁹¹ Ibid.

Table 4.10 Top 5 Occupations for OFWs in “Personal Care and Related Workers” Occupations Abroad before Migrating, 2002

| Occupation before migrating (with Bachelor’s degree and above) | Number | Percentage |
|--|--------|------------|
| Elementary Education | 35,928 | 21.5 |
| Shop Salespersons and Demonstrators | 17,913 | 10.5 |
| Architects and Draftsmen | 15,116 | 8.8 |
| Agricultural, Forestry and Fishery Laborers | 10,440 | 6.1 |
| Secondary Education Teaching Professionals | 8,139 | 4.7 |

Source: Survey of Overseas Filipinos, 2002.

Growth Leading to Household Dependency on Overseas Work

The growth of overseas employment since the government’s implementation of the 1974 labor export policy has led to a dependency by Filipino households to work abroad. Some have estimated that one in three Filipino households had a family member employed abroad.²⁹² According to a 1995 survey by the International Labour Organisation, a large share of the Philippine population (33 percent) aspires to work abroad. This is especially true for Filipino youth (55 percent) ages 18-24 and those living in the urban centers of the country (46 percent).²⁹³ By 2006, about 14 million adult Filipinos wanted to leave the country according to another survey conducted by Pulse Asia. This nationwide survey revealed that a large proportion of those surveyed (41 percent) believed that power in the Philippines was controlled by a small oligarchy and did not see hope for a better economic and political future for them.²⁹⁴

The returns to migrating are high: remittances increase the incomes of Filipino households, the more educated can get a high return for the training in the Philippines, and Filipinos in general are satisfied with working abroad compared to the domestic labor market.

²⁹² Migration News, “Labor Exporters Plan for Emigration,” *Migration News*, vol. 2, no. 12, December 1995, http://migration.ucdavis.edu/mn/archive_mn/dec_1995-17mn.html.

²⁹³ Alcestis Abrera-Mangahas and Luz Aguila-Bautista, *Profiling Filipino Worker-Families through a Socio-Economic Survey Module* (Geneva: International Labour Organisation, 1990).

²⁹⁴ Pulse Asia, “Media Release on Political Efficacy, Martial Rule, Hopelessness, and Intention to Migrate,” *Pulse Asia’s July 2006 Ulat ng Bayan Survey* (Manila: Pulse Asia Incorporated, September 6, 2006).

But there is also a cycle of dependency emerging since remittances also increase the emigrant households' capacity to spend more on education, which might not necessarily help the students obtain a job in the domestic labor market. Furthermore, the desire in the Philippines to work abroad is in high demand, especially among the youth. The Philippine state also has incentives to keep the business of labor export because of the large amount of foreign currency that flows back to the country—giving it the ability to pay its public debts and import goods. These incentives continue the wave of Filipinos entering the overseas labor market and expanding the population of Filipino contract workers abroad.

III. The Expanding Role of the State in the Labor Export Industry

The ability of the state to expand the Philippine labor export industry and to reap the benefits of emigration depends on its ability to provide for its migrants abroad. The Philippine state evolved several times since 1974 to expand its role in managing migration. As overseas employment continued to grow, the Overseas Employment Development Board (OEDB) evolved to become two agencies within the Labor Ministry on May 1, 1982: the Philippine Overseas Employment Administration (POEA) and the Welfare Fund Administration (WFA).²⁹⁵ The POEA was tasked to:

- Establish and maintain a registration and licensing system to regulate private sector participation in the recruitment and overseas placement of workers;
- Maintain a registry of skills for overseas placements
- Recruit and place trained and competent Filipino workers;
- Promote the development of skills and careful selection of Filipino workers for overseas employment;
- Undertake overseas market development activities for placement of Filipino workers;

²⁹⁵ Institute of Labor and Manpower Studies, *Working Abroad: The Socio-Economic Consequences of Contract Labor Migration in the Philippines* (Manila: Ministry of Labor and Employment, 1984), 13-16.

- Secure the best possible terms and conditions of employment of Filipino contract workers and ensure compliance;
- Generate foreign exchange from the earnings of Filipinos employed under its programs;
- Promote and protect the well-being of Filipino workers overseas.²⁹⁶

This move to change the OEDB into the POEA was to encourage the participation of the private sector in the labor export industry, especially recruitment agencies and construction contractors.²⁹⁷ Within the Department of Labor and Employment (DOLE), the POEA licenses private recruitment agencies. It informs potential overseas workers of agencies that have issued false contracts or have not complied with rules during the deployment process. The POEA publishes an updated list of overseas job openings, recruitment agencies' contact information, and the number of vacancies available through their website. The POEA also provides a quality control service by rating the status of the private recruitment agencies.²⁹⁸ Through Philippine Overseas Labor Offices and a dedicated labor attaché in embassies and consulates, the POEA monitors the treatment of Overseas Filipino Workers (OFWs),²⁹⁹ verifies labor documents, and assists OFWs in employment and labor-related disputes.

A 1977 Philippine Department of Labor and Employment White Paper proposed that the government should not focus solely on recruitment and placement of Filipinos into overseas employment, but should also create an agency for protecting and promoting the rights and welfare of OFWs.³⁰⁰ This white paper argued that private recruitment agencies were not in a

²⁹⁶ Institute of Labor and Manpower Studies, *Working Abroad: The Socio-Economic Consequences of Contract Labor Migration in the Philippines*, 14-15.

²⁹⁷ Ibid, 15.

²⁹⁸ The POEA rates recruitment agencies in the following categories: good standing, delisted, cancelled, forever banned, inactive, revoked, suspended, denied renewal. For a list of the current recruitment agency ratings see: <http://www.poea.gov.ph/cgi-bin/agList.asp?mode=all>.

²⁹⁹ This refers to Filipinos who are temporary workers on overseas employment contracts for two years or more years.

³⁰⁰ Department of Labor and Employment, "White Paper on the Phase-Out Policy," Unpublished (Manila: Department of Labor and Employment, 1977).

position to protect overseas Filipinos and that there was a role for the Philippine government on welfare issues. This new reorganization of the overseas employment program in 1982 created a framework for the WFA, which required recruitment companies and workers to contribute to a welfare fund that would provide services and assistance.³⁰¹ This evolution set the stage for the politics that would arise around protecting overseas Filipinos in the 1980s and 1990s. As labor export became larger, the Philippine state developed policies that extended beyond the boundaries of the nation-state, and into other countries. The politics surrounding overseas labor further developed state emigrant institutions.

The State and Protecting the Welfare of Overseas Filipinos

As a result of state involvement and an increase in Filipino emigration, major political issues arose around reports of the maltreatment, illegal recruitment, and even deaths of OFWs. Between 1987 and 1991, a total of 23 Senate bills and 32 House bills were filed in the Philippine Congress in an attempt to investigate several mysterious OFW deaths and issues related to overseas work.³⁰² According to the Philippine Department of Labor and Employment, about 1,224 overseas Filipino workers were sent back home dead during this period.³⁰³ All of them are said to have died of “unknown or mysterious circumstances.” Reports from the hearings revealed that many of the dead bodies, particularly from domestic workers working in Taiwan and Hong Kong, “bore bruises and deep cuts.” In some cases, autopsy examinations discovered that internal organs were missing and were possibly sold for transplants to unknown beneficiaries.³⁰⁴

³⁰¹ Institute of Labor and Manpower Studies, *Working Abroad*, 16.

³⁰² Maruja M.B. Asis, “The Overseas Employment Program Policy,” in Graziano Battisetlla and Anthony Paganoni (editors), *Philippine Labor Migration: Impact and Policy* (Quezon City: Scalabrini Migration Center, 1992: 68-112).

³⁰³ Michael A. Bengwayan, “When Filipino maids return home in coffins,” *New Straits Times*, Opinion Section, March 7, 2001, 10.

³⁰⁴ Michael A. Bengwayan, “When Filipino maids return home in coffins.”

During the 1990s the Philippine government had to deal with several major overseas Filipino cases that sparked major changes in how the government now handles overseas employment. During the 1991 Gulf War, the government brought home about 30,000 Filipinos from Iraq and Kuwait. The repatriation highlighted problems in coordination, lack of reliable data on the Filipinos in the region, and the inadequate number of government personnel abroad. The repatriation also strained relations between government officials and the workers they were trying to repatriate.³⁰⁵

In 1991, Flora Contemplación, a Filipina domestic worker in Singapore, was charged for a double murder of another domestic worker, Delia Maga, and the child of Maga's employer. Having minimal knowledge of English and after being drugged and administered electric shocks, she was reportedly coerced into a confession without a lawyer present.³⁰⁶ She was later put to death despite the Philippine president's direct appeal to the government of Singapore.³⁰⁷ This incident sparked an upheaval of protests in the Philippines challenging the state's labor export policy. A grenade exploded at the Singapore Airlines office in Metro Manila following the news of Contemplación's death,³⁰⁸ and mass demonstrations also took place at the Embassy of Singapore in Manila and at the departments of Foreign Affairs (DFA) and Labor and Employment (DOLE). The Philippines downgraded its diplomatic relations with Singapore, the

³⁰⁵ Graziano Battistella, "Return Migration in the Philippines: Issues and Policies," in *International Migration: Prospects and Policies in a Global Market*, ed, Douglas Massey and Edward Taylor (Oxford: Oxford University Press, 2004), 232.

³⁰⁶ Anne-Marie Hilsdon, "The Contemplacion fiasco: The Hanging of a Filipino domestic worker in Singapore," in Anne-Marie Hilsdon, Martha Macintyre, Vera Mackie and Maila Stivens (eds.), *Human Rights and Gender Politics* (New York: Routledge, 2000), 172-173.

³⁰⁷ Ibid.

³⁰⁸ US Department of State, "1995 Patterns of Global Terrorism," Office of the Coordinator for Counterterrorism, http://www.fas.org/irp/threat/terror_95/terasi.htm.

secretaries of DFA and DOLE resigned, and the deployment of domestic helpers to Singapore was temporarily halted.³⁰⁹

The perceived injustice surrounding Contemplación's death captured the sentiments of an increasingly uneasy society after more than two decades of large-scale temporary emigration. A 42-year-old mother of four and sole provider to her family, Contemplación came to symbolize the sacrifices of Filipino migrants — the "modern-day heroes" who are willing to risk even death to provide for their families back home. As Joaquin Gonzales, an expert on Philippine studies, noted, Contemplación's death "heightened long-standing debates in the Philippines and exposed the lack of adequate government attention to the plight of Filipino overseas contract workers (OCWs), not just in Singapore but in all the labor-receiving countries."³¹⁰

Other negative reports about OFWs spread throughout the Philippine media. Illegal recruitment for positions as prostitutes or "comfort women" became another politicized issue. In Hong Kong, Japan, Taiwan and Singapore, many Filipina women are brought to work as hostesses at bars. Reports illustrate how many of them were being imprisoned and under guard during the daytime, and released at night to work as prostitutes.³¹¹ They had been recruited from the Philippines to work as entertainers under contracts that did not inform them of having to provide sex in the job description. For example, Rosa, who was fresh out of high school, was lured to Japan from Manila in 1988 with promises of a trip to Tokyo Disneyland and opportunities to make good money. When she arrived in Japan, her employer turned out to be a gangster who ordered her to sit with the customers, pour their drinks and make dates. When she refused to make dates, her employer beat her and kept a close watch on her by prohibiting her

³⁰⁹ Joaquin Gonzales, *Philippine Labour Migration: Critical Dimensions of Public Policy* (Singapore: Institute of Southeast Asian Studies, 1998), 6-7.

³¹⁰ Ibid.

³¹¹ Glenn Schloss, "Sex-trade women kept like slaves," *South China Morning Post*, News section, January 21, 2001, 3.

from straying outside of the neighborhood.³¹² As a Filipino migrant, she was forced into modern-day slavery. Government statistics showed that women are more likely to be victims due to the nature of their work (see table 4.11).

Table 4.11 Number of OWWA Welfare Cases, January to September 1994

| Nature | Total | Male | Female | Female/Male Ratio |
|-----------------------------------|--------------|-------------|---------------|--------------------------|
| Overall (number) | 9,368 | 3,021 | 6,347 | 2.1 |
| Overall (percent) | 100 | 32 | 68 | |
| Maltreatment | 1,419 | 546 | 873 | 1.6 |
| Delayed or nonpayment of salaries | 1,272 | 565 | 707 | 1.2 |
| Contract violations | 1,373 | 691 | 682 | 0.9 |
| Physical abuse | 187 | 6 | 181 | 30.0 |
| Rape and sexual abuse | 15 | 0 | 15 | N/A |
| Sexual harassment | 330 | 0 | 330 | N/A |
| Health problems | 42 | 13 | 29 | 2.2 |
| Mental illness | 6 | 0 | 6 | N/A |
| Other | 3,769 | 694 | 3,075 | 4.4 |

Source: Overseas Workers Welfare Administration, as cited in “Filipino Women Migrants: A Statistical Factbook,” National Commission on the Role of Filipino Women and the Asian Development Bank.

These events in the early 1990s resulted in the most significant reorganization to date of the Philippines’ labor-export policy, namely Republic Act 8042, the “Migrant Workers and Overseas Filipino Act of 1995.” The so-called Magna Carta responded directly to the *Contemplación* case. The law called for the government to promote the welfare of migrant workers and place their protection above all else. It states:

While recognizing the significant contribution of Filipino migrant workers to the national economy through their foreign exchange remittances, the State does not promote overseas employment as a means to sustain economic growth and achieve national development. The existence of the overseas employment program rests solely on the assurance that the dignity and fundamental human rights and freedoms of the Filipino citizen shall not, at any time, be compromised or violated.³¹³

³¹² Teresa Watanabe, “Without a Country,” *Los Angeles Times*, View Section, March 31, 1992, E1.

³¹³ Senate Bill No. 2077, “To Institute the Policies of the Overseas Employment Program and Establish a Higher Standard of Protection and Promotion of the Welfare of Migrant Workers and for Other Purposes,” Ninth Congress of the Republic of the Philippines, Third Special Session, May 24, 1995.

The Philippine government put in place many programs to protect and represent Filipino migrants. The Magna Carta created an Office of the Legal Assistant for Migrant Workers Affairs (OLAMWA) within the Department of Foreign Affairs (DFA) to take responsibility “for the provision and coordination of all legal assistance services to be provided to Filipino migrant workers as well as overseas Filipinos in distress.”³¹⁴

The Overseas Workers Welfare Administration (OWWA)

Republic Act 8042 was an attempt to create a more centralized overseas migration system to control the recruitment, representation, and return of Filipinos living abroad. It was created “to institute the policies of overseas employment and establish a higher standard of protection and promotion of the welfare of migrant workers, their families and overseas Filipinos in Distress.”³¹⁵ Republic Act 8042 institutionalized labor recruitment by creating the Philippine Overseas Employment Administration (POEA) for licensing and supervising recruitment agencies. In order to be licensed, an agency had to “fulfill minimum capital requirements, pay annual licensing fees, and follow a complex set of regulations.”³¹⁶ As of April 2004, there were about 2884 recruitment agencies licensed by the POEA.³¹⁷ The POEA publishes an updated list of overseas job openings, recruitment agencies’ contact information, and the number of vacancies available through their website.³¹⁸ They also rate the status of the agency (good standing, delisted, cancelled, forever banned, inactive, revoked, suspended, denied renewal)

³¹⁴ Philippine House of Representative, “Republic Act 8042, Migrant Workers and Overseas Filipinos Act of 1995.” Available at <http://pinoymigrant.dole.gov.ph/ra%208042.htm>.

³¹⁵ Ibid.

³¹⁶ Peter Stalker, *Workers Without Frontiers: The Impact of Globalization on International Migration* (Geneva: International Labour Organization, 2000), 123.

³¹⁷ Philippine Overseas Employment Administration, “Status of Recruitment Agencies as of April 4, 2004,” <http://www.poea.gov.ph/cgi-bin/agList.asp?mode=all>.

³¹⁸ See <http://www.poea.gov.ph>.

based on assessments made by the POEA. This provides information about available jobs while also serving as a quality control of the private recruitment agencies.

The Workers Welfare Administration evolved to becoming the Overseas Workers Welfare Administration (OWWA) as the main agency for protecting Filipinos while abroad due to its much larger scope of responsibilities, which extend beyond the provision of legal assistance.³¹⁹ OWWA was reorganized to become the most extensive operation organized by a migrant-sending government for protecting its citizens abroad. It featured a complex organizational structure that now includes a board of trustees, a secretariat, and regional and international offices. Today, OWWA's board of trustees is a tripartite body with the DOLE secretary as chair and 12 members representing government, management, and OFWs. The president of the Philippines appoints all board members. The board is broadly representative of a cross-section of government agencies, including the Departments of Foreign Affairs, Finance, and Budget. OFWs are allotted sea-based, land-based, and women's sector representatives. An overwhelming majority of board members are not OWWA members, a major source of criticism from civil society and OFWs.

The board plans and implements policies and programs, crafts rules and regulations, oversees fund sources, and creates yearly appropriations for the Secretariat, OWWA's administrative arm.³²⁰ Unlike other Philippine government agencies that administer trust funds, OWWA has no charter. This setup allows for more flexibility but may also allow the board to

³¹⁹ Edgar Rodriguez and Susan Horton, "International Return Migration and Remittances in the Philippines," In University of Toronto Department of Economics Working Paper Series (Toronto: University of Toronto Department of Economics, 1995), 18.

³²⁰ Overseas Worker's Welfare Administration, Board of Trustees, http://www.owwa.gov.ph/page/board_of_trustees/.

exercise blanket and unregulated authority. As a permanent government agency, changes to OWWA's operations can only be made through legislation.

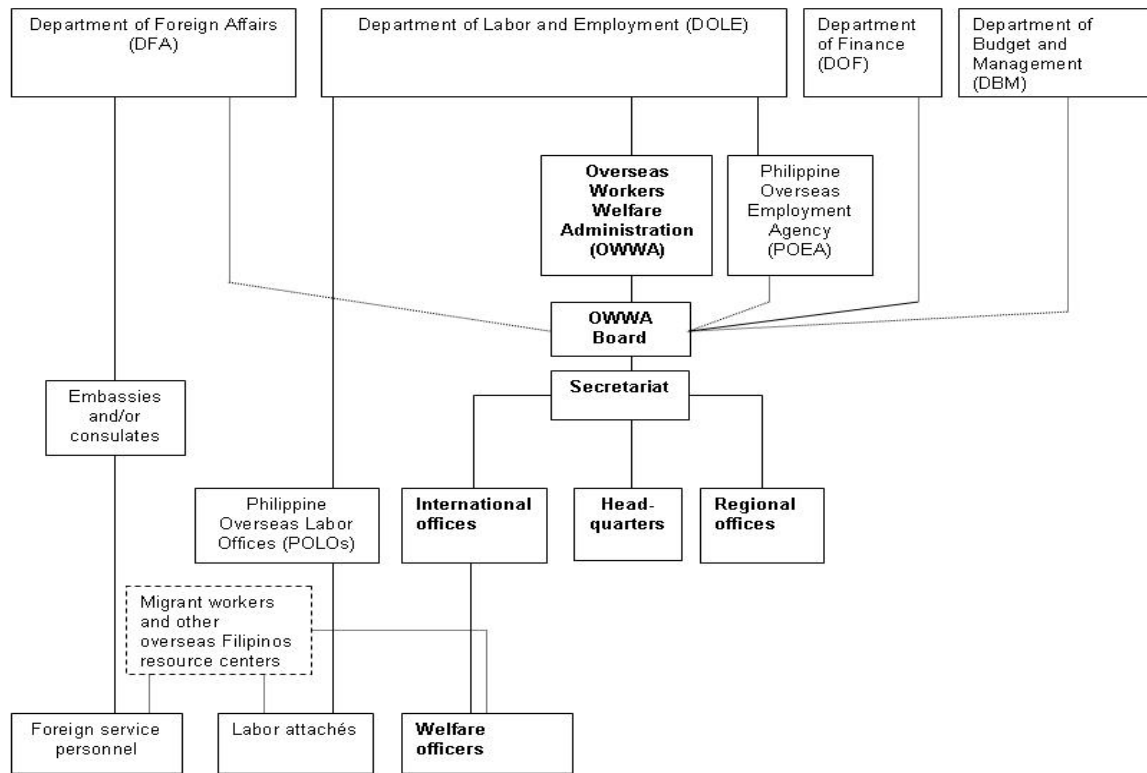
The Secretariat, headed by an administrator, manages day-to-day operations in the Philippines and abroad. Of its staff of 580, only about 100 employees are stationed at its main office in Manila. The rest are stationed at regional offices within the Philippines (about 300 employees) or based in countries with particularly large numbers of temporary workers (about 180 employees).³²¹ In 2006, 28 welfare officers were assigned to 16 countries, with more than half of them placed in the Middle East, including nine in Saudi Arabia alone.

The OWWA administrator recommends welfare officers, whom the DOLE secretary nominates and whom the president of the Philippines appoints. The welfare officers abroad work together with the labor attachés and the ambassadors or consuls-general to assist Filipino migrant workers (see figure 4.4). They are usually attached to Philippine embassies and consulates. Indeed, the government considers OWWA staff abroad to be part of its unified team in that country, with the ambassador as the leader.³²²

³²¹ The staff numbers are estimates; actual numbers are unknown according to OWWA.

³²² Section 23 of the Rights and Enforcement Mechanism Under International and Regional Human Right System of the Philippine Department of Foreign Affairs, as cited by Arnel F. de Guzman, "A Critical Assessment of the Migrant Workers and Overseas Filipinos Act of 1995 (RA 8042)," unpublished paper, September 2010.

Figure 4.4 Overseas Workers Welfare Administration within the Philippine Government



Source: Author interview of stakeholders and government documents.

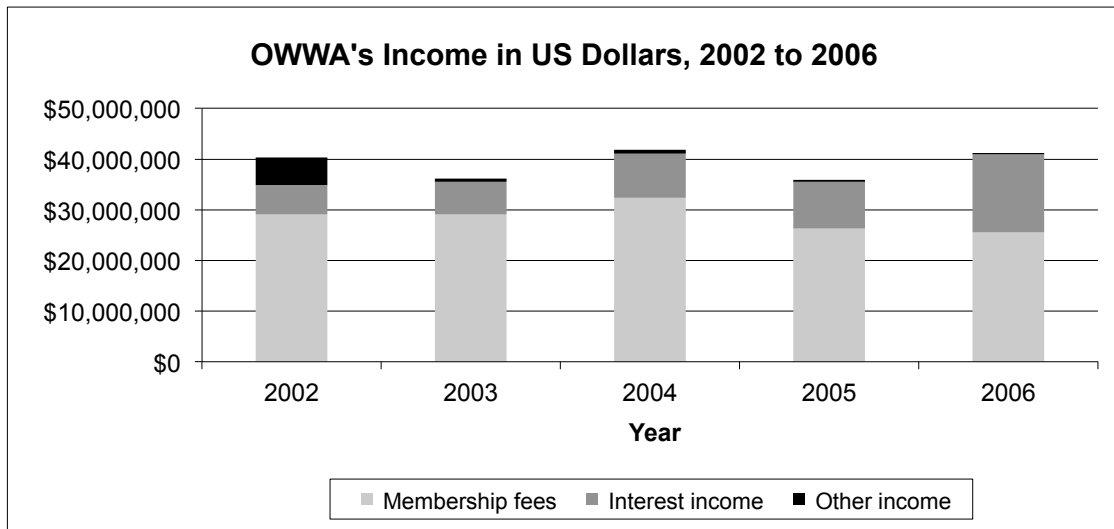
Membership in OWWA, which is mandatory for migrants going abroad through official channels, may be obtained in two ways: by enrollment upon processing of a contract at POEA or by voluntary registration of a would-be member at a job site overseas. Membership is valid until the OFW’s employment contract expires. For voluntary members who register at a job site, membership does not exceed two years.³²³ Ideally, the employer and/or agency pays the membership fee, a practice that some critics say rarely happens. A 2004 independent field study by the Scalabrini Migration Center, a Manila-based research institute, confirmed that the

³²³ Overseas Worker’s Welfare Administration, “Omnibus Policies, Board Resolution No. 138,” (Manila: OWWA, 2003). Available at <http://www.owwa.gov.ph/filemanager/download/>.

membership fee is “routinely passed onto migrant workers.”³²⁴ Although the mandatory nature of membership has been instrumental in shoring up the fund's assets, some migrant organizations are questioning the authority of OWWA to require such payment.

The number of OWWA members has increased through the years, reflecting the general upward trend in OFW emigration. It is important to note that, despite the mandatory membership requirements, a large proportion of temporary workers are not OWWA members. As of May 2007, OWWA had over one million members, which represents just 28 percent of the 3.8 million legal temporary workers abroad in 2006, as estimated by the Commission on Overseas Filipinos, another government body. Through these membership fees, OWWA managed to raise about \$40 million dollars per year between 2002 and 2006 (see figure 4.5).

Figure 4.5



Source: Overseas Workers Welfare Administration Financial Management System, 2001-2006.

The OWWA created a number of programs that fall under four major categories targeting contract workers. It offers integrated support services for: participation in pre-departure

³²⁴ Maruja Asis, *Preparing to Work Abroad: Filipino Migrants' Experience Prior to Deployment* (Manila: Philippine Migrants Rights Watch and Friedrich Ebert Stiftung, 2005), 52.

orientation seminars, public assistance programs, on-site services abroad, and an OWWA identification system.³²⁵

Prior to departure, all overseas contract workers must undergo the Philippine government's mandatory deployment process, two key components of which are pre-departure orientation seminars (PDOS) and the issuance of OFW identification cards. PDOS are largely organized by non-governmental organizations (NGOs) that work in partnership with the Philippine government's Overseas Workers Welfare Administration (OWWA) for OFWs and the Commission on Overseas Filipinos for permanent emigrants. Every departing OFW and Filipino emigrant must attend a one-day seminar and provide the government with a certificate of completion to receive permission to emigrate. Attendees learn about destination country customs and laws, resources available to them at the embassy or consulates, important contacts for any problems that might arise, and financial management seminars. The goal of this program is to give emigrating Filipinos as much knowledge as possible about their country of destination and the resources available to them abroad. Through financial management seminars, banks and other money transfer operators educate emigrating workers about methods of sending their money home, and in some cases open bank accounts for them. The POEA also processes overseas contracts and provides every OFW a government-issued identification card, which can also be used as an ATM card with one of the major Philippine banks.

The OWWA created Filipino Resource Centers throughout the world in order to provide further assistance abroad. These centers operate six programs: community reach-out, on-site repatriation, welfare assistance, reintegration preparedness, sociocultural and sports

³²⁵ Overseas Workers Welfare Administration, "Programs and Benefits," <http://www.mydestiny.net/~owwa/integrated.html>.

development, and country-specific pilot programs.³²⁶ The community reach-out includes projects that enhance awareness, unity, cooperation, and self-reliance among Filipino communities at the destination country. Through on-site repatriation, the OWWA can negotiate with employers/brokers and receiving country authorities, facilitate the documentary requirements such as exit visas, clearances, medical and police reports, and provide airport assistance. The welfare assistance program offers counseling for distressed workers, paralegal services, and some diplomatic services. Reintegration preparedness helps OFWs who are returning to the Philippines by providing business development information, training schemes, and psychosocial counseling services. The sociocultural and sports development program organizes cultural activities and celebrations around Philippine national events and sports activities to build the OFW community in the destination country. The pilot programs are aimed at specific issues such as gender-related and country-specific projects.³²⁷ Lastly, the identification system is used for easy processing of OFWs and to keep records of them and their dependents living in the Philippines.

The OWWA repatriation program facilitates the immediate repatriation of distressed and physically ill contract workers, as well as the remains of those who die while working abroad. In both planned and forced return, OWWA negotiates with employers/brokers and other host-country authorities; facilitates documentary requirements for issuance of exit visas, clearances, monetary claims, and medical or police reports; and coordinates with Philippine embassies and DFA for other necessary administrative actions and airport assistance. Recently, for instance, the government negotiated the release of 700 OFWs jailed in Saudi Arabia, mostly for cultural offenses like carrying a Bible or drinking alcohol. OWWA is instructed by law to maintain,

³²⁶ Overseas Workers Welfare Administration, "Programs and Benefits," <http://www.mydestiny.net/~owwa/integrated.html>.

³²⁷ Ibid.

among others, an Emergency Repatriation Fund to evacuate OFWs in case of wars, disasters, or epidemics. The 1995 act allotted a seed amount of 100 million pesos (US\$2.2 million) to comply with this law.³²⁸

During the war in Lebanon in July 2006, for example, OWWA reserved US\$10 million for the evacuation of Filipino workers.³²⁹ About 6,300 workers were repatriated between July and October 2006, with OWWA eventually spending \$1,200 per returnee.³³⁰ It is not clear how many of the repatriated were OWWA members. In 2006, OWWA assisted in the repatriation of 10,834 workers from Lebanon and other countries, spending almost 170 million pesos (US\$3.7 million) in airfares. This represented about 13 percent of revenue in 2006.

Apart from repatriation, OWWA offers other forms of assistance, services, and programs in its offices abroad, including counseling for distressed workers, paralegal services, and low-key diplomatic initiatives (e.g., negotiations for imprisoned OFWs, mobile welfare services, hospital and prison visits, sports development projects like sport leagues, cultural and recreational activities, and contingency operations during crisis situations.) About 600,000 members, or 62 percent of total membership in 2006 (both within the Philippines and overseas), received various kinds of assistance or services.³³¹ Embassies and consulates abroad provide legal assistance for overseas Filipinos in distress. OLAMWA coordinates all legal assistance services for Filipino migrant workers. The Philippine Congress created a legal assistance fund of 100 million pesos,

³²⁸ Philippine House of Representatives, “Republic Act No. 8042 Migrant Workers and Overseas Filipinos Act of 1995.”

³²⁹ Manila Standard, “Few Pinoys in Lebanon Want to Go,” *Manila Standard*, August 24, 2006.

³³⁰ Overseas Workers Welfare Administration, *Annual Report 2006*, 27.

³³¹ Note that members who used the workers assistance program might also be accounted for in other services, such as repatriation. Given the limitations of OWWA data, it is difficult to verify this assumption.

partly sourced from OWWA, to pay for foreign lawyers, bail bonds, court fees, and other litigation expenses.³³²

Another item provided by OWWA is insurance claims. OWWA provides members with life and personal accident insurance while abroad. The coverage includes 100,000 pesos (US\$2,173) for natural death and 200,000 pesos (US\$4,347) for accidental death; a burial benefit of 20,000 pesos (US\$434) is also provided. OWWA charges an additional 900 pesos (US\$19.50) per year for health insurance. As a rider to the life insurance, OWWA also offers monetary assistance to workers who suffer work-related injuries, illness, and disabilities during employment abroad. The benefit ranges from 2,000 pesos (US\$43) to 50,000 pesos (US\$1086) and up to 100,000 pesos (US\$2173) in case of permanent disability.

Between 2001 and 2006, a growing number of OFWs have used the death and disability benefits, from fewer than 600 in 2002 to more than 1,500 in 2006.³³³ This has been an effective tool used to protect overseas Filipinos while they are working abroad to ensure that their families are covered from the risks of overseas employment. But critics, especially among migrants, note that the OWWA needs to be more accountable to migrants to ensure the funds are properly used. These criticisms stem from government scandals involving misuse of the OWWA funds for other purposes.³³⁴

³³² Renee E. Ofreneo and Isabelo A. Samonte, "Empowering Filipino Migrant Workers: Policy Issues and Challenges," In *International Migration Papers* (Geneva: International Labour Organization, 2005), 8-12.

³³³ Overseas Workers Welfare Administration, Insurance and HealthCare Availment Report, 2002-2006.

³³⁴ Angie M. Rosales, "OWWA faces Senate inquiry over OFW fund disbursement," *Tribune*, July 13, 2013.

Expansion of Emigrant Institutions

In addition to regulation and protection overseas Filipinos, the Philippine government also sponsors many programs to represent Filipino migrants. These include the Commission for Filipinos Overseas (CFO).³³⁵ The CFO is a group of government officials who advise the President with specific concerns from Filipinos abroad. This body formulates policies and provides representation in the executive branch for the millions of Filipinos living outside of the country.

On January 20, 2000, President Estrada issued Executive Order No. 203 to create the Interagency Committee on Shared Government Information System for Migration (SGISM). This committee included leaders from the following government agencies: Department of Foreign Affairs, Department of Labor and Employment, Department of Justice, Department of Tourism, Philippine Overseas Employment Administration, Overseas Workers Welfare Administration, Bureau of Immigration, National Bureau of Investigation, National Statistics Office, and the Commission on Filipinos Overseas.³³⁶ Through the SGISM, the Philippine government can facilitate a more efficient and speedy response to the needs of OFWs. Furthermore, the Philippine government has attempted to gather accurate demographic information about their overseas contract workers and permanent emigrants so that the private sector and NGOs can provide migrant services. The POEA and the Commission on Filipinos Overseas keeps a record of Filipinos who are departing the country on overseas contracts or for permanent emigration. Since 1993, the National Statistics Office has conducted an annual Survey of Overseas Filipinos, which provides socioeconomic characteristics of migrants and statistics on cash and in-kind transfers sent by migrants to their families. The Philippine government also

³³⁵ Edgar Rodriguez and Susan Horton, "International Return Migration and Remittances in the Philippines," 18.

³³⁶ Department of Labor and Employment Administration, "SGISM Shared Government Information System for Migration," <http://pinoymigrant.dole.gov.ph/about.htm>.

developed an interagency committee to facilitate a more efficient response to the needs of OFWs.³³⁷ However, due to a lack of funds, this group has not been able to fully integrate information-sharing between its various components. The Bangko Sentral ng Pilipinas (BSP)³³⁸ works closely with the Association of Bank Remittance Officers Incorporated³³⁹ to ensure that regulations are favorable for a competitive remittances industry. Since 2006, the BSP has required banks and other financial institutions to clearly state remittance charges, available options for sending money, and other information posted on BSP's website for the benefit of both remitters and their recipients.³⁴⁰

Figure 4.6 provides an overview of the Philippine emigrant institutions involved in recruitment, representation and returns since the passage of the Migrant Workers and Overseas Filipinos Act of 1995 (Republic Act No. 8042).

³³⁷ These include the Department of Foreign Affairs, Department of Labor and Employment, Department of Justice, Department of Tourism, Philippine Overseas Employment Administration, Overseas Workers Welfare Administration, Bureau of Immigration, National Bureau of Investigation, National Statistics Office, and the Commission on Filipinos Overseas.

³³⁸ Translated as the Central Bank of the Philippines.

³³⁹ A network of bank officials in charge of remittances products and services in the private sector.

³⁴⁰ Bangko Sentral ng Pilipinas, SP Circular No. 534 dated June 26, 2006. For website of remittances costs by destination country see: http://www.bsp.gov.ph/about/advocacies_ofw.asp.

**Figure 4.6
Post-1995 Philippine Emigrant Institutions**

| Emigrant Institution | Role | Responsibilities | Institutionalized by |
|--|---|---|-----------------------------|
| Philippine Overseas Employment Administration (within DOLE) ³⁴¹ | Recruitment Regulation, Protection | Supervision of the deployment of OFWs ³⁴² under the best possible terms, and the regulation of private sector participation in recruitment and overseas placement <ul style="list-style-type: none"> • Licenses recruitment agencies • Pre-departure Orientations • Monitor migrants' abroad and protect their rights • Reintegration Program | Republic Act No. 8042 |
| Overseas Workers Welfare Administration (within DOLE) | Welfare and Protection | Extension of social, welfare and other assistance to OFWs and their dependents <ul style="list-style-type: none"> • Pre-departure loans and family assistance loan for Filipino migrant workers and their families • Funds for emergencies | Republic Act No. 8042 |
| Filipino Resource Centers | Welfare and Protection | Extension of OWWA duties to the following programs abroad: community reach-out, on-site repatriation, welfare assistance, reintegration preparedness, sociocultural and sports development, and country-specific pilot programs | Republic Act No. 8042 |
| Inter-Agency Committee on Shared Government Information System for Migration | System for Information Sharing on Migration | To facilitate a more efficient and speedy response to the needs of OFWs by sharing information between the: Department of Foreign Affairs, Department of Labor and Employment, Department of Justice, Department of Tourism, Philippine Overseas Employment Administration, Overseas Workers Welfare Administration, Bureau of Immigration, National Bureau of Investigation, National Statistics Office, and the Commission on Filipinos Overseas | Executive Order No. 203 |
| Commission on Filipinos Overseas | Representation, Promote stronger economic and cultural ties between the Philippines and Filipinos Overseas | <ul style="list-style-type: none"> • Provide assistance to the President and the Congress of the Philippines in the formulation of policies and measures concerning or affecting Filipinos overseas • Develop and implement programs to promote the interest and well-being of Filipinos overseas; • Serve as a forum for preserving and enhancing the social, economic, and cultural ties of Filipinos overseas with the motherland • Provide liaison services to Filipinos overseas | Executive Order No. 203 |

³⁴¹ DOLE=Department of Labor and Employment

³⁴² OFW=Overseas Filipino Workers

Extending Democratic Institutions Abroad

New policies have been developed to further institutionalize the representation of overseas Filipinos. Two significant pieces of legislation were passed in the Philippine Congress in November 2002 extending full citizenship rights beyond the Philippines' national borders. The Dual Citizenship Act allows natural-born Filipinos who have become foreign citizens to retain their Philippine citizenship.³⁴³ Additionally, the Absentee Voting Act permits qualified overseas Filipinos to register and vote for the positions of president, vice-president, senator, and party-list representatives from abroad.³⁴⁴ These legislative pieces would finally implement the 1987 Philippine Constitution proposition of granting OFWs the right to vote. Article V, Section 2 of the 1987 Constitution states: "The Congress shall provide a system for securing the secrecy and sanctity of the ballot as well as a system for absentee voting by qualified Filipinos abroad."³⁴⁵ Together with the Republic Act No. 8042 and Executive Order No. 203, these two pieces of legislation create a state outside the country's boundaries. Not only is the Philippine state responsible for the welfare of overseas Filipinos, the migrants can also make demands on the government—using the same instruments of citizenship rights as those residing in the Philippines. Figure 4.7 gives an overview of the major legislation and policies implemented by the Philippine government to deal with emigration.

³⁴³ Rocky Nazerno, "Senate Passes Dual Citizenship Bill," *Philippine Daily Inquirer*, October 24, 2002.

³⁴⁴ Aurea Calica, "Brother-Sister act speeds up passage of voting bills," Philstar.com, <http://www.philstar.com/philstar/print.asp?article=58915>.

³⁴⁵ Republic of the Philippines, *Constitution of the Republic of the Philippines*, 1987.

Figure 4.7
Philippine Legislation and Policies dealing with Emigration

| Legislation or Policy | What it Does? | Source of Legitimacy |
|--|--|---|
| Republic Act No. 8042: Migrant Workers and Overseas Filipinos Act of 1995 | <ul style="list-style-type: none"> • Creates a comprehensive piece of legislation that gives the Philippine government responsibility for overseas Filipinos • Institutionalizes the Philippine Overseas Employment Administration and Overseas Workers Welfare Administration within the Department of Labor and Employment | Passed in House and Senate, signed into law by President Fidel Ramos |
| Executive Order No. 203: Shared Government Information System for Migration, 2000 | <p>Creates new institutions to carry out the Republic Act No. 8042:</p> <ul style="list-style-type: none"> • Establishes the Interagency Committee on Shared Government Information System for Migration • Establishes the Commission on Filipinos Overseas | Ordered by former President Joseph Estrada |
| Republic Act No. 9225: Dual Citizenship Retention and Re-acquisition Act of 2003 | Allows former citizens to obtain Philippine citizenship even if gave up citizenship to obtain a new one, allow Filipinos to have more than one citizenship | Passed in House and Senate, and signed into law by President Gloria Macapagal-Arroyo |
| Republic Act No. 9189: Overseas Absentee Voting Act of 2003 | Allows overseas Filipinos to vote either through embassies and consulates or via mail | Passed in House and Senate, current negotiations and signed into law by President Gloria Macapagal-Arroyo |

These policies extend the representative powers of the Philippine nation-state abroad. Through citizenship rights, absentee voting, and representation in the executive branch, the state provides an avenue for migrants to participate in the state's domestic institutions. The sending government's emigrant institutions also become a legitimate force abroad. Through these

policies and emigrant institutions, the Philippine state obtains compliance, participation, and legitimacy from its emigrants—fulfilling all of the characteristics of a state functioning abroad.

IV. The Expanding Business of Overseas Labor

The expansion of Filipinos working in the overseas labor market not only benefitted Filipino households and the Philippine government, but also the private sector. The business of labor export involves transnational transactions among various actors both at home and abroad with potential and contracted overseas employees. It involves dealing with the various Philippine government agencies that manage the emigration process, making sure the OFW has the necessary contract and travel documents to enter the country of destination. Facilitating the transfer of migrant earnings to migrants' families has become a lucrative business for private financial institutions and money transfer operators. Education targeting specific overseas positions has also become a large business, especially with the laissez-faire system of tertiary education adopted by the Philippines (as discussed extensively in chapter 2). Three industries have flourished because of labor export: recruitment, remittances, and education. Together with the increasing demand by the Filipino population to work abroad and the government's need for foreign currency and to reduce the unemployment rate, businesses have managed to supply the market for labor export with services allowing them to make money off the prospect and deployment of overseas employment.

The Recruitment Industry

The recruitment industry focused on deploying overseas workers annually is a multi-billion dollar industry. Recruiters make money on both the prospect and actual deployment of

OFWs abroad. The Philippine Overseas Employment Administration’s (POEA) main purpose is to regulate private recruiters to ensure that Filipinos who hope to work abroad are not cheated by the recruitment agencies.. There are many opportunities for businesses to take advantage of Filipinos’ aspirations for working abroad; in fact, this prospect led the Philippine government to attempt to take over the entire recruitment industry from 1974 to 1978.³⁴⁶ But because it had difficulties keeping up with the huge demand by employers abroad who were looking for Filipino workers and the high interest by Filipinos to work overseas, this ban on private recruitment agencies was lifted in 1978.³⁴⁷

Since 1978, private recruitment agencies have grown tremendously. According to the Philippine Overseas Employment Administration, about 56 percent of all overseas placements were made by private employment agencies—the largest share compared to other intermediaries (see table 4.12).

Table 4.12 Recruitment and Placement by Recruitment Intermediary, 1986

| Recruitment Intermediary | Number of Workers | Total Placement (in percentage) |
|----------------------------------|--------------------------|--|
| Construction/Service Contractors | 53,348 | 17.0 |
| Private Employment Agencies | 176,741 | 56.0 |
| Government Placement | 13,188 | 4.0 |
| Manning Agencies | 70,973 | 23.0 |
| Total | 314,250 | 100.0 |

Source: Philippine Overseas Employment Administration, Annual Report, 1987.

The government has a very small share (4 percent) of all overseas placements. It focuses primarily on regulating the large private industry that also includes placement agencies (23 percent) for sea-based workers and contractors (17 percent) for land-based construction

³⁴⁶ Maruja M.B. Asis, “The Overseas Employment Program Policy,” in Graziano Battistella and Anthony Paganoni (editors), *Philippine Labor Migration: Impact and Policy* (Quezon City: Scalabrini Migration Center, 1992: 68-112), 70-72.

³⁴⁷ Ibid.

companies. The small percentage where the government is involved in recruitment is focused on bilateral agreements between the Philippine government and the foreign government.³⁴⁸

For private recruitment agencies to participate in the overseas employment program, they must obtain a license from the POEA by demonstrating that at least 75 percent of the company controlled by Filipino citizens; paying a 10,000 peso application fee, a 50,000 peso licensing fee, a bond to the government in the amount of 1 million pesos; and demonstrating a minimum capitalization of two million pesos.³⁴⁹ New licenses are given on a year-by-year conditional basis to ensure that the recruitment agency complies with the regulations. After three years, the agency can obtain a full license that lasts for another three years. The POEA may also ban travel agencies and members of government agencies dealing with migration from obtaining licenses. As of 2013, there were 3,479 private recruitment agencies listed in the POEA directory. Of these, 876 have valid licenses to recruit for land-based overseas jobs and 400 have licenses as manning agencies that recruit for sea-based positions.³⁵⁰ The large majority of this directory consisted of private agencies that at one point had licenses but were either “delisted,” “suspended,” or “banned” from recruiting overseas employees because of rules violations or fraudulent activity. According to the former Secretary of Labor and Employment, Patricia Santo Tomas, the purpose of POEA is to ensure that OFWs are not being taken advantage off. It is a complete public-private partnership, where the government concentrates its efforts on protecting

³⁴⁸ Patricia Santo Tomas, former Secretary of Labor and Employment, Republic of the Philippines, Personal Interview, July 22, 2004.

³⁴⁹ Philippine Overseas Employment Administration, “Participation of the Private Sector in the Overseas Employment Program,” available at <http://www.poea.gov.ph/rules/POEA%20Rules.pdf>.

³⁵⁰ Philippine Overseas Employment Administration, “Status of Recruitment Agencies,” accessed August 11, 2013. Available at <http://www.poea.gov.ph/cgi-bin/agList.asp?mode=all>.

the OFW and the private recruitment agencies concentrate on negotiating the details of the position with the employer abroad and with the employee.³⁵¹

Private recruitment agencies require fees and payments from the prospective OFW in order to operate. By law, the POEA does not allow recruitment agencies to charge more than the maximum placement fee to the OFW. This maximum placement fee grew from 300 pesos in 1979 to 5,000 pesos in 1985, to the equivalent of one month's salary from 1995 onwards.³⁵² To provide an idea of placement expenses, a 1989 study by Abrera-Manghas provides recruitment costs for migrating abroad. The paper shows that between 1980 to 1987, placement fees averaged between 2,020 pesos to 11,707 pesos (see table 4.13).

Table 4.13 Estimates of Placement Expenses, 1980-1987 (in Philippine Pesos)

| Year | Placement Fees (average) | New Hires Total | Total Expenses |
|-------------|-------------------------------------|----------------------------|-----------------------|
| 1980 | 2020 | 214,590 | 433 million |
| 1981 | 1821 | 266,243 | 485 million |
| 1982 | 3897 | 314,284 | 1.2 billion |
| 1983 | 5658 | 291,197 | 1.6 billion |
| 1984 | 6421 | 260,161 | 1.6 billion |
| 1985 | 3002 | 232,391 | 3.0 billion |
| 1986 | 11707 | 255,341 | 2.9 billion |
| 1987 | 9381 | 314,250 | 2.9 billion |

Source: Alcestis Abrera-Mangahas, "Response to New Market Opportunities: The Case of the Overseas Employment Sector," Philippine Institute of Development Studies, Working Paper Series No. 89-11, June 1989.

Examples of specific destinations reveal how it varies by destination country. In 1999, the costs for migrating OFWs going to Hong Kong and Italy are: between \$784 to \$1,487 for Hong Kong and \$1,556 to \$6,038 for those bound for Italy. These included the placement fee charged by the recruitment agency, the OWWA contribution, a POEA administrative fee and fees for medical

³⁵¹ Patricia Santo Tomas, former Secretary of Labor and Employment, Republic of the Philippines, Personal Interview, July 22, 2004. Patricia Santo Tomas was also the first Administrator of the Philippine Overseas Employment Administration and also worked for Blas Ople, the architect of the Philippine Labor Export Policy.

³⁵² Dean Tiburcio Alegado, "The Political Economy of International Labor Migration from the Philippines," Ph.D. Dissertation, University of Hawaii, 1992; Philippine Overseas Employment Administration, "Hiring Filipino Workers, accessed August 11, 2013, available at <http://www.poea.gov.ph/about/hiring.htm>.

treatment, passports, medical clearances, a pre-departure orientation, a POEA certificate of overseas employment, and agency registration.³⁵³

Where do potential OFWs obtain the capital to pay these fees before working? A 1990 survey was conducted to understand the financing of overseas employment. The large majority of financing came from loans (8 out of 10 respondents exclusively relied on loans). Additionally, 10 percent supplemented these loans by selling property and another five percent supplemented the loans with personal savings.³⁵⁴ The large majority of loans were provided by relatives (50 percent), money lenders (38.9 percent) and banks (6.1 percent). 27.7 percent of these loans were interest-free; 29.5 percent had preferred rates of 10 percent; 10.4 percent carried a yearly interest rate between 11 percent to 30 percent a year; and the balance of 32.3 percent carried rates of 120 percent a year. The Philippine government does have a lending wing of OWWA to offset the costs of working abroad, but these programs are a marginal source, accounting for only 1.8 percent of all funding transactions in overseas employment and used only by 2.6 percent of all OFWs in 1990.³⁵⁵

The Remittances Industry

The Philippine state has always had an interest in securing the foreign currency that overseas Filipinos send to the Philippines as remittances. Since 1968 mandatory remittances of OFW earnings were a requirement for overseas employment, although this remittances policy proved difficult to enforce. In 1982, an interagency body formed by the Central Bank, the Ministry of Foreign Affairs, and the Ministry of Labor and Employment, issued Executive Order

³⁵³ Edita A. Tan, "The Wage Structure of Overseas Filipino Workers," University of the Philippines School of Economics Discussion Paper Series, No. 0503, March 2005, 18.

³⁵⁴ Alcestis Abrera-Mangahas and Luz Aguila-Bautista, *Profiling Filipino Worker-Families through a Socio-Economic Survey Module* (Geneva: International Labour Organisation, 1990), 36-37.

³⁵⁵ *Ibid*, 43.

(EO) 857 which required migrants to send mandatory remittances of 50 to 70 percent of overseas workers' salaries.³⁵⁶ Under EO 857 if overseas workers did not show proof of sending remittances back to the country, they would be unable to renew their Philippine passports—making it impossible to continue working abroad.³⁵⁷ Sea-based workers as well as overseas workers employed by contractor and construction companies and various professional workers were required to send 70 percent of their salaries as remittances through official banks or intermediaries approved by the Central Bank. Other land-based workers such as domestic and service workers and workers who are not provided free housing during their overseas work had to send 50 percent of their salaries.³⁵⁸

The Central Bank enforced this policy by requiring all recruitment agencies approved by the Philippine Overseas Employment Administration (POEA) to submit basic information about each OFW that included the names and account numbers of the bank(s) that the worker used to send remittances back to the Philippines. This top-down state policy met protest by OFWs and private recruitment agencies, as well as criticism from the International Labour Organisation for violating article 6 saying that employees should have freedom to use their earnings as they wish.³⁵⁹ The policy was ineffective and the government eventually abandoned it in the mid-1980s.

There have been few estimates of the size of the Philippine remittances market. In 2004, the Asian Development Bank estimated that the remittance industry produces about \$250 million to \$500 million dollars in revenues per year.³⁶⁰ Table 4.14 outlines how this estimate, which is

³⁵⁶ Rodriguez, Edgar and Susan Horton, "International Return Migration and Remittances in the Philippines," 19-20.

³⁵⁷ Dean Tiburcio Alegado, "The Political Economy of International Labor Migration from the Philippines," 192-193.

³⁵⁸ Dean Tiburcio Alegado, "The Political Economy of International Labor Migration from the Philippines," 193.

³⁵⁹ Ibid, 193-194.

³⁶⁰ Asian Development Bank, *Enhancing the Efficiency of Overseas Workers Remittances* (Manila: Asian Development Bank, July 2004), 21.

based on official remittances that have flowed through the Philippine Central Bank, the size of remittances and average price for each transaction based on surveys and internal estimates from the Central Bank.

Table 4.14 Philippine Remittance Industry Revenue Estimate, 2004

| | |
|----------------------------------|---------------|
| Central Bank Remittances Figures | \$7.6 billion |
| Average transaction Size | \$350 |
| Transaction Volume | 21.7 million |
| Average Price | \$8.00 |
| Average Foreign Exchange Spread | 1% |
| Transaction Revenue | \$174 million |
| Foreign Exchange Revenue | \$76 million |
| Total Revenue | \$250 million |

Source: Asian Development Bank, *Enhancing the Efficiency of Overseas Workers Remittances* (Manila: Asian Development Bank, July 2004).

In 2004, the formal remittances industry had 17 Philippine-headquartered financial institutions that provided services through their branches or affiliates abroad. About 80 percent to 90 percent of the formal remittances market is controlled by six major financial institutions: Philippine National Bank (PNB), Bank of the Philippine Islands (BPI), Equitable PCI Bank, MetroBank, Rizal Commercial and Banking Corporation (RCBC), and Land Bank of the Philippines (LBP). Each of these banks reported handling at least \$700 million dollars of remittances annually from overseas Filipinos annually.³⁶¹ These private financial institutions are part of the Association of Bank Remittances Officers Incorporated (ABROI) that promotes the interests of the private remittances industry. In particular, ABROI has worked with the Central Bank of the Philippines to reduce the price of remittances by agreeing that 11 of the ABROI members would use the Central Bank’s real-time settlement system called PhilPass—that would serve as a local clearing house to credit banks.³⁶² Before PhilPass, banks used different clearing houses for interbank

³⁶¹ Asian Development Bank, *Enhancing the Efficiency of Overseas Workers Remittances*, 21-22.

³⁶² Amando M. Tetangco, “Supporting Overseas Workers thru lower Remittances Fees,” Speech made at PhilPass-ABROI Memorandum of Agreement Signing, Manila, December 2, 2009.

transfers that would pass on another 150-peso charge to the remittance sender.³⁶³ The PhilPass payment system infrastructure eliminates settlement risks when money passes through different clearing houses—making it faster, efficient, and less risky to transfer money from the origin institution abroad to the Philippine bank account. This also allows ABROI member banks to reduce costs.

There are also non-financial institutions such as cargo companies that are in the business of transferring overseas remittances. Companies such as iRemit Incorporated and LBC Express handle about \$25 to \$500 million in remittances volume per year. Other key players in the remittances market are the international money transfer agencies (MTAs) such as Western Union and MoneyGram. Western Union has the largest presence in the Philippines with a large network of 6,000 agents, sub-agents, and partnerships with BPI and many pawnshops and rural financial institutions. These international MTAs are able to deliver remittances in the least amount of time, although they are also the most expensive.³⁶⁴

The Overseas Workers Welfare Administration (OWWA) coordinates with private remittances companies—whether banks or money transfer operators—to educate migrants before they depart the Philippines. Every Overseas Filipino Worker (OFW) is required to attend Pre-Departure Orientation Seminars (PDOS) that orients the departing emigrant with information about their destination country; what to do in case of emergency, labor disputes or maltreatment; and government assistance programs abroad. Additionally, the PDOS has financial education seminars that a bank or money transfer operator conducts to inform the OFW about financial planning, savings, and options for sending remittances to their families back in the Philippines. During this multi-hour session, the OFW has the opportunity to open a bank account with the

³⁶³ Asian Development Bank, *Enhancing the Efficiency of Overseas Workers Remittances*, 11.

³⁶⁴ *Ibid*, 21-22.

bank conducting the PDOS seminar that day.³⁶⁵ Although this is a great opportunity for OFWs to open a bank account prior to departing the Philippines, it also prevents OFWs from getting perfect information about competitor remittances transfer companies. In order to run the PDOS financial seminar, the individual remittances service provider must submit a bid to OWWA for a multi-year partnership. OWWA has received multi-million dollar bids to conduct these seminars since it is one of the best opportunities to capture the remittance sender before being deployed for overseas work. The PDOS seminars are just one example of the intense competition among migration-centered businesses.

V. The Evolution of Labor Export Institutions

This chapter illustrated how labor export extended the economic and political boundaries of the Philippine state abroad. It argued that new political and economic forces arising from overseas employment led to the institutionalization of the overseas labor export program that made the Philippine state increasingly responsible for not only managing the emigration process, but also the protection of Filipinos working abroad. From 1986 to 2006, the labor export industry became entrenched into the economic, political, and social institutions of the Philippines. The returns for labor export were high for Filipino households and the Philippine government through the flow of foreign currency into the country as remittances from Filipinos working abroad. The Philippine state expanded its role to protect and manage the labor export program, and developed institutions for extending citizenship rights to overseas Filipinos.

Not only did labor export expand employment opportunities beyond the limited domestic labor market overseas, it also reaped major financial returns for the overseas worker and the

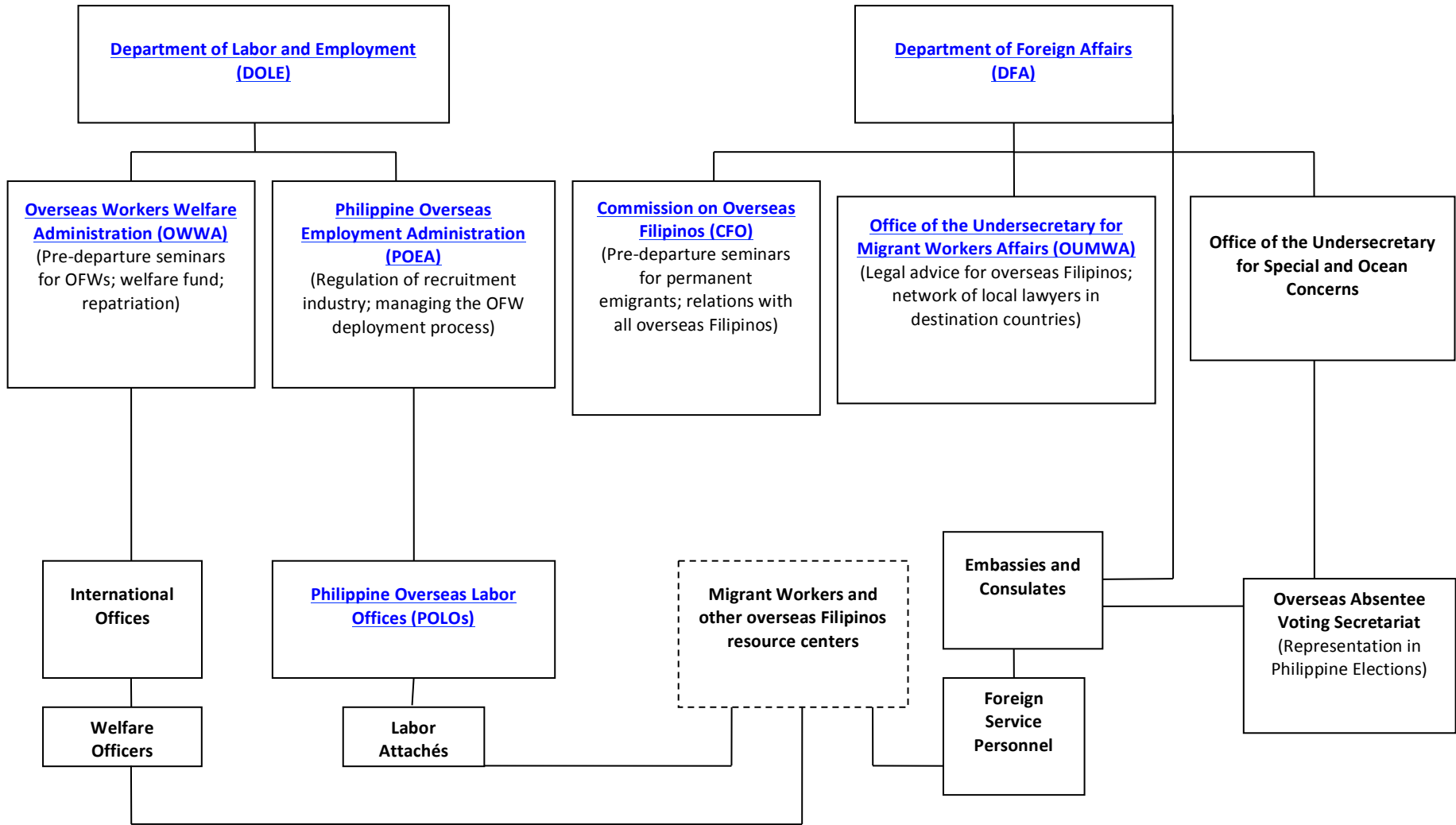
³⁶⁵ Based on observations during author's participation in Pre-Departure Orientation Seminars in September 2004.

migrant household receiving remittances. For the Philippine state, the labor export program continues to expand the labor market so that educated Filipinos can obtain a job—whether in their preferred profession or in a different occupation with higher salaries than if they stayed in the Philippines. For private businesses, the overseas employment program was filled with business opportunities to make a profit. The overseas labor market has penetrated the recruitment, remittances, and education industries. Altogether, labor export has penetrated all aspects of Philippine society. As the former Secretary of Labor and Employment Patricia Santo Tomas said, “overseas migration is now part of Philippine life.”³⁶⁶

The development of emigrant institutions allowed the state to capture the benefits from migration. In response to problems occurring abroad, the Philippine state developed emigrant institutions to protect and facilitate the employment of its OFWs. Citizenship rights were also given to Filipinos abroad to increase their representation. The Philippine state stood at the center of all of this with its ability to design policies and emigrant institutions to extend its arms beyond the territory of the state (see figure 4.8 for overview of the Philippine government emigrant institutions).

³⁶⁶ Patricia Santo Tomas, “Filipinos Working Overseas: Opportunity and Challenge,” in *World Migration 2005: Costs and Benefits of International Migration*.

Figure 4.8 Philippine Government Emigration Institutional Organizational Chart



Chapter 5 – Education for Labor Export

“The realignment of educational output with the demands of the labor market is now a major focus of our concern. We have stressed the training of middle- and high-level technical manpower. I have ordered the conversion of public high schools into technical, vocational, and technological or agricultural high schools.”

-President Ferdinand Marcos, State of the Nation Address, 1981

“For us, overseas employment addresses two major problems: unemployment and the balance of payments position. If these problems are met at least partially by contract migration, we expect an increase in national savings and investment levels.”

-President Ferdinand Marcos, 1982³⁶⁷

I. Education for the Overseas Employment Industry

More than four decades after its 1974 labor export policy was established, the Philippines now ranks second in the world in the highest emigration of skilled migrants.³⁶⁸ As discussed in chapter 4, the policy of facilitating out-migration has evolved to an elaborate set of institutions that protect and ease the pathway for Filipinos to live and work abroad. Leaders around the world recognize the Philippine overseas employment program as a global model of how to manage the outflow of people from a migrant-sending state.³⁶⁹ But what has been the major factor contributing to the perpetuation of the labor export industry? Using regional-level data from the Philippine Census and the Survey on Overseas Filipinos, this chapter empirically tests the relationship between post-secondary education and Filipinos leaving the country to work as Overseas Filipino Workers (OFWs). It argues that the Philippines’ management of higher education has led to a large exodus of Filipinos working in overseas labor markets. Specifically, the unregulated nature of Philippine tertiary educational institutions continues to develop a large

³⁶⁷ As cited in Joaquin Lucero Gonzalez, *Philippine Labour Migration: Critical Dimensions of Public Policy* (Singapore: Institute of Southeast Asian Studies, 1998).

³⁶⁸ Frederic Docquier and Abdeslam Marfouk, "International Migration by Education Attainment, 1990-2000," in *International Migration, Remittances, and the Brain Drain*, ed. Caglar Ozden and Maurice Schiff (Washington, DC: The World Bank, 2006), 175.

³⁶⁹ Global Forum on Migration and Development, “Roundtable 2: Secure, Regular Migration Can Achieve Stronger Development Impacts,” Philippine Global Forum on Migration and Development Working Paper Roundtable Session 2.2, Manila, Philippines, October 30, 2008.

Filipino population for labor export. Private tertiary schools continue to operate under a laissez-faire system with minimal government regulation that allows many of them, especially for-profit non-sectarian institutions, to create study programs specifically for the overseas labor markets. In contrast, the country's Technical Skills and Vocational Education Training System (TVET) has produced more Filipinos who stay in the domestic labor market. Although TVET is mostly provided by private schools, the Philippine government's Technical Education and Skills Development Authority (TESDA) has played a major role in shaping and regulating the programs involved in technical and vocation schools. Table 5.1 compares the two types of post-secondary educational institutions and their impact on the number of Overseas Filipino Workers (OFWs) leaving the country.

Table 5.1 Comparison between the Management of Post-Secondary Education and Number of Overseas Filipino Workers (OFWs)

| Dependent Variable | Independent Variable | Relationship |
|---|---|---|
| Number of OFWs leaving the country (out-migration flow variable) | Tertiary Education (High Autonomy, Voluntary Accreditation Associations and minimally regulated by Government) | Increase in tertiary enrollment 3-4 year earlier leads to increase in OFWs |
| Number of OFWs leaving the country (out-migration flow variable) | Technical Skills and Vocational Education Training (Less Autonomy, and Highly Regulated by Government) | Increase in technical skills and vocational education training 1 year earlier leads to a decrease in number of OFWs |

This chapter begins with an overview of employment trends in the Philippines over time. The next section (III) focuses on an empirical analysis between Philippine tertiary education and

overseas employment through four regression models. Section IV focuses on a regression analysis to test the relationship between technical skills and vocational education, and out-migration. Following these two empirical tests, the chapter closes with a discussion of what these empirical results mean for education, migration, and economic development.

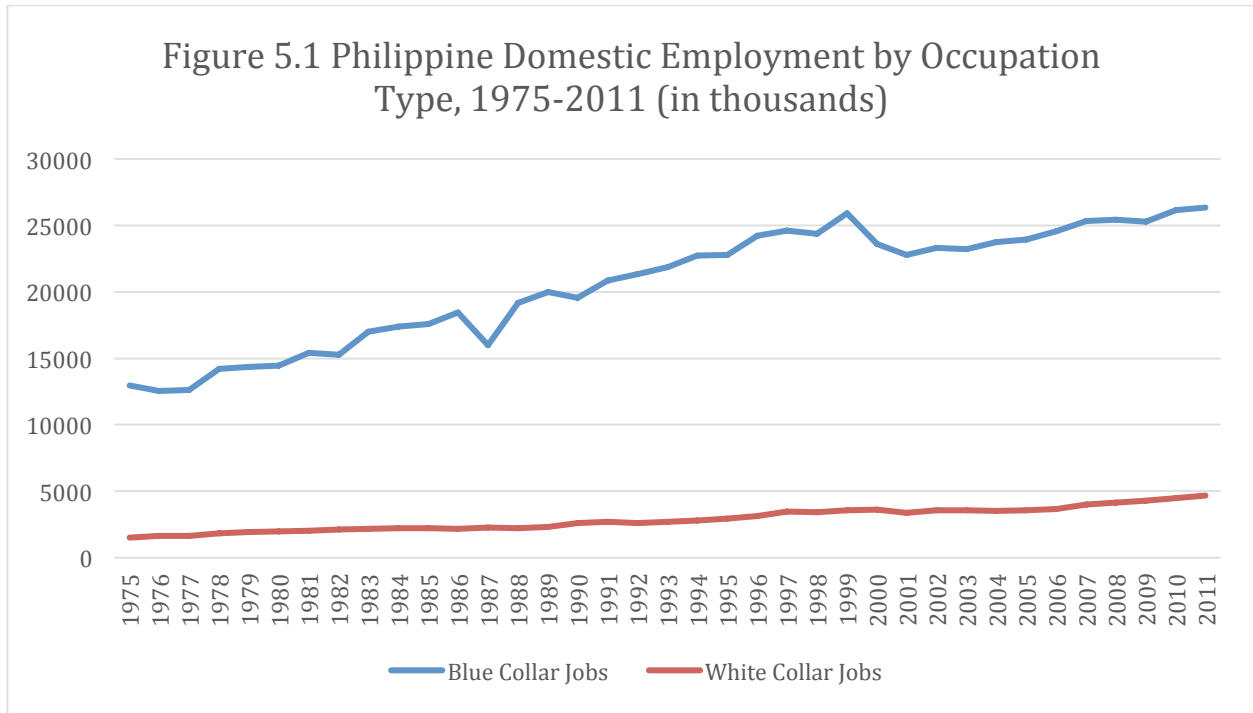
II. Employment Trends

In the Philippines, employment patterns differ between domestic and overseas labor markets. Moreover, each market contains two sectors: those working in the primary labor market (“white-collar” jobs) and secondary labor market (“blue-collar” jobs). As discussed in chapter 1, the more Filipinos obtain higher education, the more they expect to have more prestigious, higher-paying jobs and higher returns to their educational investment. As dual labor market theorists would predict, the sociology of the educated population results in their unwillingness to take low-paying jobs that require manual labor.³⁷⁰ This dual labor market not only plays a role in explaining in-migration to industrial societies, but also helps explain out-migration of educated labor in a developing country.

Figure 5.1 illustrates the dual labor market in the Philippines by categorizing employment into “white-collar” and “blue-collar” jobs for the years 1975 through 2011 (see appendix II for how the occupational groups were categorized). This time-series shows that there has been steady growth in employment with very marginal growth in domestic white-collar employment. In over three decades, the number of white-collar jobs grew from 1.5 million in 1975 to 4.7 million in 2011. On the other hand, blue-collar jobs grew from 13 million in 1975 to over 26

³⁷⁰ Michael J. Piore, *Birds of Passage: Migrant Labor and Industrial Societies* (Cambridge: Cambridge University Press, 1980).

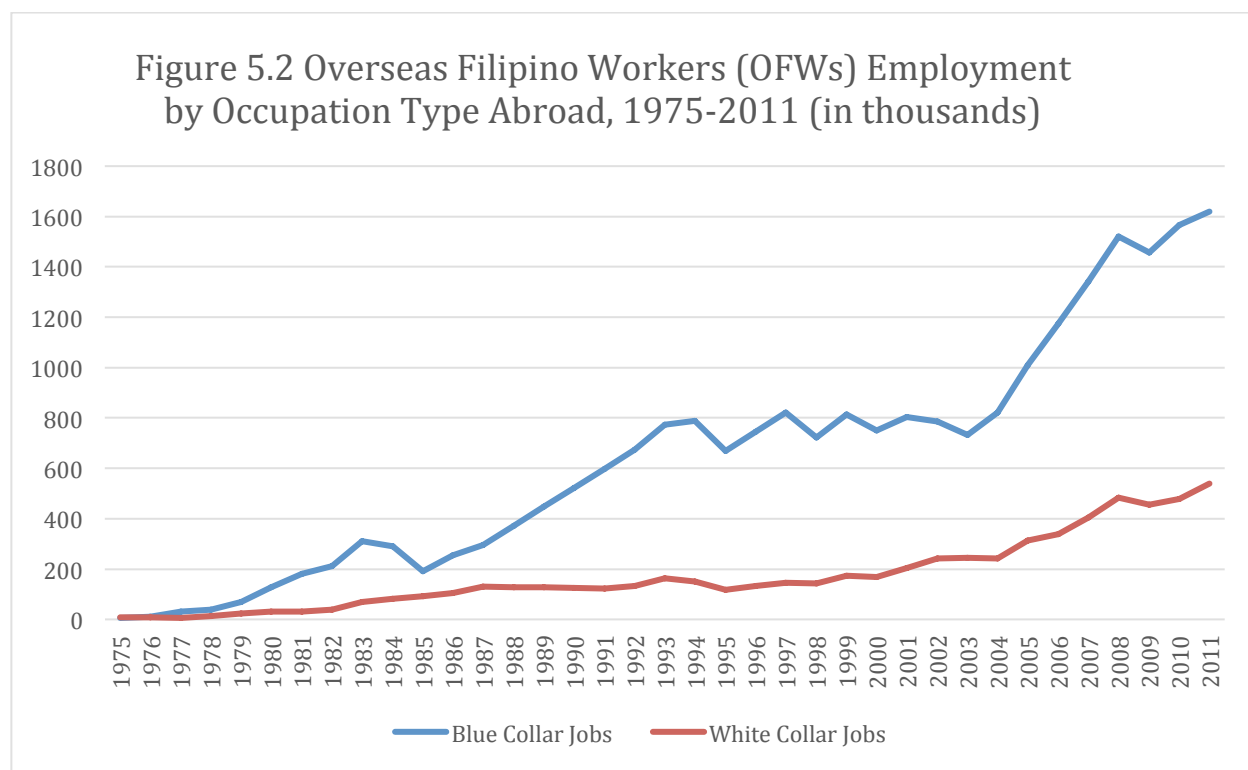
million in 2011. The ratio between white-collar and blue-collar jobs in the domestic labor market has stayed consistently between 0.12 in 1975 to 0.15 in 2011.³⁷¹



Source: Philippine Statistical Yearbooks, various years

When juxtaposing domestic employment with overseas employment for the same time period (see figure 5.2) the trends differ between the types of job being taken abroad. When labor export began in the early 1970s, overseas white-collar jobs dominated with a ratio of overseas white-collar jobs to overseas blue-collar jobs of 1.27 in year 1975. Then quickly over time, more “blue-collar jobs” were taken by Filipinos working overseas with this same ratio being 0.17 in 1981 and then rising to 0.33 in 2011. For overseas employment there seems to be heavy growth of *both* blue-collar and white-collar jobs, especially from 2004 to 2011.

³⁷¹ This ratio consists of white-collar jobs in domestic employment as the numerator, and blue-collar jobs in domestic employment as the denominator.



Source: Philippine Statistical Yearbooks, various years

For the Filipino investing in higher education, overseas employment in both blue and white-collar jobs are attractive since they pay higher wages abroad than their equivalents in the domestic labor market. For example, in 2002 Filipino nurses working abroad earned an average of USD\$1,063 per month compared to USD\$191 than those working within the Philippines.³⁷² Other occupational categories that fall under “white-collar” jobs include “other professionals” that earn on average USD\$796 a month abroad compared to USD\$320 in 2002.³⁷³ Blue-collar jobs such as “service workers” earn on average USD\$407 per month in 2002 while those working domestically would earn USD\$192 per month.³⁷⁴ In addition to higher wages, distance from family while working on an overseas employment contract allows OFWs to take “blue-

³⁷² Edita A. Tan, “The Wage Structure of Overseas Filipino Workers,” University of the Philippines Discussion Papers, No. 0503 (Quezon City: University of the Philippines School of Economics, March 2005).

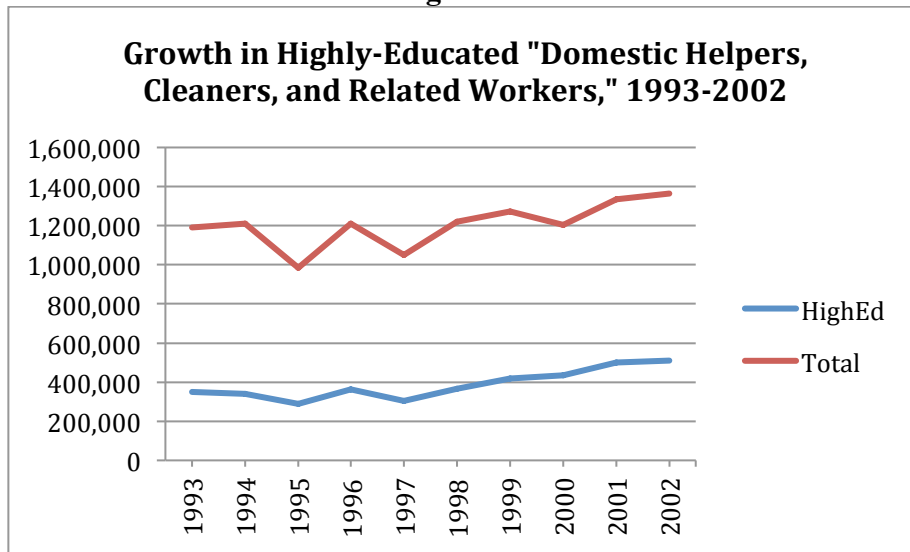
³⁷³ Ibid. This is the latest data available done by Edita Tan that uses survey data from both the domestic and overseas labor markets to compare wage rates within the same occupational categories. There could be future comparisons of the wages of OFWs from the Survey on Overseas Filipinos, but there needs to be a comparable survey of the same occupations in the Philippines.

³⁷⁴ Ibid.

collar” jobs even though they may be highly educated. An educated Filipino working abroad in a blue-collar job would still have high stature in the community and household since she or he would earning a lot more than in the domestic labor market (in some cases, even in domestic white-collar jobs).

From 1993 to 2002, 95 percent of the growth in Overseas Filipino Workers (OFWs) consisted of those holding a bachelor’s degree or higher.³⁷⁵ One example of highly educated OFWs taking blue-collar jobs abroad are OFW domestic helpers. Figure 5.3 shows the growth of highly educated Filipinos going into domestic help from 1993 and 2002.³⁷⁶ The phenomenon of educated OFWs taking overseas domestic helper positions grew from 29.4 percent in 1993 to 37.5 percent in 2002 in terms of percentage of OFW domestic helpers with a bachelor’s degree or higher.

Figure 5.3



Source: Survey of Overseas Filipinos, 1993-2002

³⁷⁵ Author’s analysis of data from the *Survey on Overseas Filipinos*, National Statistics Office, 1993-2004.

³⁷⁶ Higher education is defined by having a bachelor’s degree or higher.

This growth coincides with the emergence of neighboring East Asian countries becoming powerful centers of economic growth with a high demand for English speakers who can also serve as teachers for their children. Table 5.2 shows that East Asian countries such as Hong Kong, Singapore and Taiwan have been hiring a large percentage of the highly educated OFW domestic helpers. On the other hand, countries like Saudi Arabia, Kuwait, and other Middle Eastern countries have a high percentage of their OFW domestic helpers with less than a high school degree. This is one example of how OFWs are willing to take overseas jobs that pay well, but are not typically positions they would take in the domestic labor market.

Table 5.2 Top Destinations among those Working Abroad as Domestic Helpers, 2002

| Bachelor's degree or higher | | | Under HS Degree | | |
|------------------------------------|----------|----------|------------------------|----------|----------|
| | # | % | | # | % |
| Hong Kong | 191,557 | 40.8 | Saudi Arabia | 125,520 | 22.3 |
| Singapore | 54,506 | 11.6 | Hong Kong | 112,903 | 20.0 |
| Saudi Arabia | 45,025 | 9.6 | Singapore | 68,827 | 12.2 |
| Italy | 33,394 | 7.1 | Kuwait | 56,731 | 10.1 |
| Taiwan | 22,273 | 4.7 | Malaysia | 36,228 | 6.4 |
| UAE | 16,616 | 3.5 | Italy | 25,075 | 4.4 |
| Kuwait | 14,422 | 3.1 | Taiwan | 20,354 | 3.6 |
| Canada | 14,407 | 3.1 | UAE | 19,161 | 3.4 |
| USA | 14,182 | 3.0 | USA | 14,433 | 2.6 |
| Greece | 12,001 | 2.6 | Qatar | 13,864 | 2.5 |

Source: Survey of Overseas Filipinos, 2002.

III. Empirical Analysis of Tertiary Education and Overseas Employment

Now that there is an understanding of some of the types of employment OFWs are taking abroad versus the domestic labor market, this section empirically tests the relationship between tertiary education and overseas employment using regression analysis. Rooted in the American model of higher education that features minimal government regulation and high private sector participation, the Philippine higher education system continues to be second to that of the United States in the share of population who hold college credentials. The only government agency dealing with tertiary education, the Philippine Commission on Higher Education (CHED), exists more as a convening and data collection body that makes recommendations on development plans, policies, priorities, and programs on higher education and research.³⁷⁷ Through CHED the government plays a minimal role in regulating the Philippine tertiary education system. Tertiary schools are guided more by voluntary accreditation associations.³⁷⁸ As discussed in chapter 3, accreditation began in 1957 with the establishment of the Philippine Accrediting Association of Schools, Colleges and Universities.³⁷⁹ Then after several decades, a number of other accrediting agencies exist including the Philippine Association of Colleges in 1973 and Universities and the Association of Christian Schools and Colleges in 1976. By 1989, a fourth accreditation agency was founded, the Accrediting Agency of Chartered Colleges and Universities in the Philippines. These four accrediting agencies are self-governing, voluntary, and not governed by CHED.³⁸⁰

This freedom allows tertiary educational institutions to offer flexible curricula. Over time, this flexibility allowed these institutions to adjust their curricula for market demands

³⁷⁷ Commission on Higher Education, "Powers and Functions," (Office of the President: Republic of the Philippines, 2012), available at <http://www.ched.gov.ph/index.php/about/powers-functions/> (accessed April 1, 2014).

³⁷⁸ Manuel T. Corpus, "Historical Perspectives of the Philippine Quality Assurance System," *Journal of Philippine Higher Education Quality Assurance*, vol. 1 (1), January 2003: 1-7.

³⁷⁹ *Ibid.*, 2.

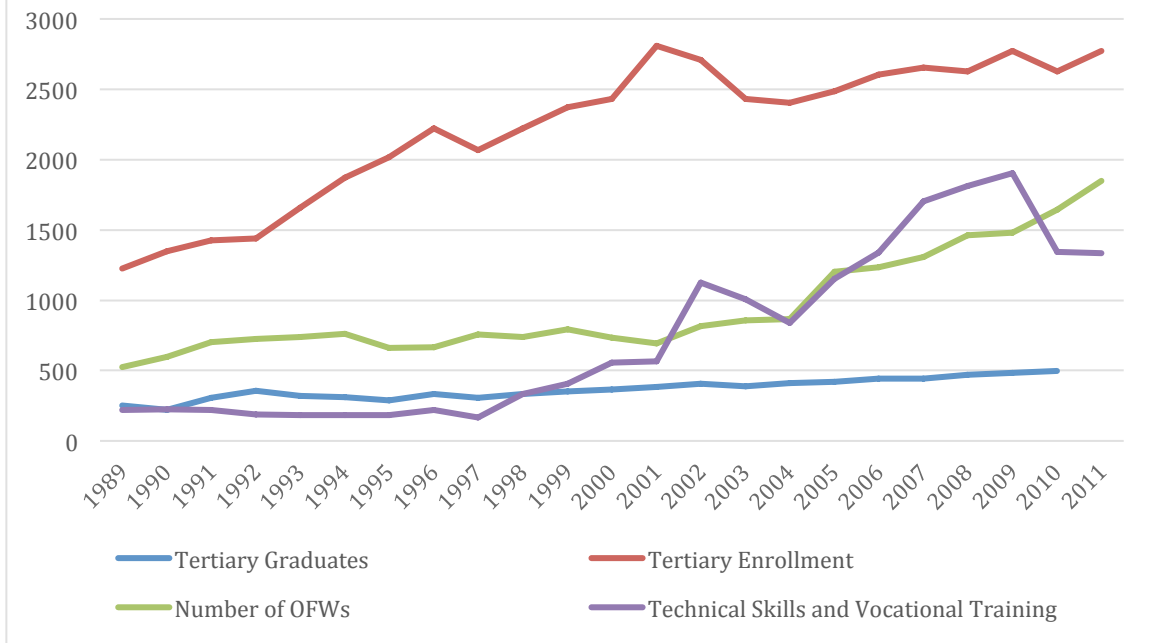
³⁸⁰ *Ibid.*

abroad. Domestic unemployment rates are still higher for those with college or higher educational attainment. Throughout the 1990s, Philippine labor market surveys reveal that the “educated unemployment” problem that surfaced in the 1960s and 1970s persists but in a different form. Edita Tan, a Philippine labor economist, argues that an open education-labor market exists in the Philippines where educational institutions are making constant adjustments to training for both domestic and overseas labor markets.³⁸¹ Philippine tertiary schools respond quickly to overseas labor market demand since the educational system is highly unregulated and composed mostly of private schools. This implies that graduates of tertiary schools are looking first to enter the overseas rather than the domestic labor market producing a “brain overflow” rather than a “brain drain.” As overseas positions became the first-choice employment for a large number of Filipinos, tertiary schools adjusted their programs to supply what the overseas market required. Figure 5.4 shows the trend for the number of OFWs, tertiary enrollment, tertiary graduates, and technical skills and vocational training for the 1989 to 2011 period.³⁸²

³⁸¹ Edita A. Tan, “Migration in an Open-Education Labor Market,” paper presented at the International Conference on Remittances organized by the Central Bank of the Philippines, March 30-31, 2009.

³⁸² No data exists to distinguish between private and public tertiary educational enrollment or graduates for the majority of this time period. But a large proportion (over 80% of all enrollment of tertiary schools are in private institutions).

Figure 5.4 Number of Overseas Filipino Workers and Post-Secondary Education in the Philippines (in thousands), 1989-2011



Source: Philippine Statistical Yearbooks and Survey on Overseas Filipinos, various years

This trend shows some patterns of lagging growth and declines in tertiary enrollment that have an impact on the number of Overseas Filipino Workers (OFWs) over time. It also shows a steady, slow growth of tertiary graduates and a fluctuating number of Filipinos being trained at technical and vocational institutions (to be discussed in detail in section IV of this chapter). To better understand these trends, this study exploits regional-level data on these variables to test if post-secondary education is influencing the number of Filipinos leaving the country as OFWs. This section uses quantitative methods to assess if enrollment in domestic tertiary education institutions in the Philippines is producing a population exclusively for employment abroad. By making use of a panel dataset on overseas employment and tertiary education enrollment and graduates in the Philippines, this section empirically tests whether tertiary education is a key

variable in determining the number of Filipinos who leave on overseas contracts. The hypothesis is that as more Filipinos become educated, the more likely Filipinos become OFWs when controlling for key economic variables such as unemployment, GDP per capita, urbanization, and population growth.

Data Sources

The panel dataset was constructed from several Philippine government documents and surveys that were collected from archives in the Government Documents and Microforms Collections at Harvard University, the International Monetary Fund (IMF) Library, the National Statistics Office in the Philippines, and the Library of Congress. The data included in the panel for this analysis ranges from 1989-2004. There is available data for previous years (from as early as 1975) and later years (2005-2011), but the data was not consistent across all variables and regions.³⁸³ And because this statistical model required to lag tertiary education by four years, it was important to have as many years at the regional-level as possible. The years 1989 to 2004 is the best possible consistent data available across time and within regions of the Philippines.

There are two sources for data on the number of OFWs: the Philippine Overseas Employment Administration (POEA) and the National Statistics Office (NSO). The POEA collects data on the “Deployment of Overseas Filipino Workers”: the actual number of OFWs who were processed through the Philippine government for their overseas contracts. The NSO publishes an annual *Survey on Overseas Filipinos* conducted in October of each year as part of

³⁸³ There reason why years 1989 to 2004 years were used for these regression analysis was because data on OFWs at the regional level was available for years 1993 to 2004 and tertiary educational enrollment was lagged four years prior to 1989. Unfortunately, there is no regional-level data for OFWs after 2004. Only national-level data is available which would not have enough variation to run a regression model.

the Philippine labor force surveys. It asks a representative sample of households in the Philippines about members of the household who left for overseas employment within the last five years. The NSO survey contains the number of OFWs by region, the types of jobs they obtain abroad, their highest educational attainment in the Philippines, the amount of remittances they send back to the Philippines, and the countries of destination where they are employed. The analysis in this chapter uses the POEA data instead of the NSO, since the former consists of the “actual” numbers of OFWs rather than a survey-based estimate. The NSO data was used to see if the numbers were consistent by regions with the POEA’s. One of the regression models in this section uses the *Survey on Overseas Filipinos* since it is the only source data that disaggregates OFWs by age groups.

Data for enrollment rates in tertiary educational institutions was compiled from the *Higher Education Data* that is published annually by the Philippine Commission on Higher Education (CHE). The CHE collected regional data on tertiary enrollment rates, the number of students enrolled in specific discipline groups, and the graduation rates within each program for the years 1989-2011. Prior to 1993, the Philippine Department of Education and Culture collected the same type of data, as reported in the *Philippine Statistical Yearbooks*. The type of categories included in the collection is not consistent over time. Before 1993, the government distinguished between private and public tertiary educational institutions but ceased to do so after 1993. Ideally, a future analysis should test for differences between private and public enrollment, but this can only be done prior to 1993. But because there is no data on OFWs by regions before 1993, this model would be impossible to test. Certain discipline groups have also been combined, newly introduced, or merged, thus making it difficult to create a consistent dataset on enrollment in specific discipline groups. The other control variables (regional GDP

per capita, population growth rates, unemployment rates, and underemployment rates) were compiled from the annual *Philippine Statistical Yearbooks* for the years 1989-2004.

Unit of Analysis

The unit of analysis in the regression models presented in this study is a Philippine “region”. There are a total of 17 regions, each made up of several provinces (of which there are a total of 79), which in turn are composed of cities (114 total); cities are made up of municipalities (1,496 total), which in turn contain *barangays*, or districts (41,945 total). Regional-level data provides enough variation to help to understand what is driving the number of OFWs. Descriptive statistics of the data used in this analysis is summarized in Table 5.3.

Table 5.3: Descriptive Statistics

| Variable | Mean | Min | Max | Std. Dev. | Observations | Unit |
|---|-------------|------------|------------|------------------|---------------------|---|
| Year | 1996.5 | 1989 | 2004 | 4.62 | 256 | Year |
| %Δ Overseas Filipino Workers (OFWs) | 0.0003 | -0.005 | 0.01 | 0.002 | 171 | Percent change in OFWs |
| %ΔOFWs ages 24 years old | 0.002 | -0.009 | 0.09 | 0.01 | 141 | Percent change in OFWs ages 24 years old and under annually |
| %ΔOFWs ages 25 to 49 years old | 0.0005 | -0.005 | 0.02 | 0.003 | 141 | Percent change in OFWs ages 25 to 49 years old annually |
| %ΔOFWs ages 50 years old | 0.004 | -0.009 | 0.19 | 0.02 | 141 | Percent change in OFWs ages 50 years old and over annually |
| %Δ Tertiary Enrollment | 0.001 | -0.007 | 0.05 | 0.006 | 126 | Percent change in Tertiary Enrollment annually |
| %Δ Tertiary Graduates | 0.001 | -0.008 | 0.04 | 0.006 | 96 | Percent change in Tertiary Graduates annually |
| %Δ Technical Skills and Vocational Education Training | 0.003 | -0.01 | 0.04 | 0.006 | 158 | Percent change in number of students trained at Technical Skills and Vocational Education Schools |
| Unemployment Rate | 0.08 | 0.006 | 0.178 | 0.03 | 156 | Rate of Labor Force annually |
| GDP per capita | 29.94 | 6.40 | 135.75 | 20.89 | 155 | Php per capita at current prices (in 1000s) |
| Population Growth | 0.02 | 0.01 | 0.04 | 0.006 | 145 | Rate annually |
| Underemployment Rate | 0.22 | 0.05 | 0.45 | 0.09 | 159 | Rate of Employed Labor Force annually |
| | 8.25 | 5.69 | 9.42 | 0.60 | 159 | |

| | | | | | | |
|-----------------|------|---|---|------|-----|--|
| Ln (Population) | | | | | | Log Total Population annually (in 1000s) |
| Urban Regions | 0.25 | 0 | 1 | 0.43 | 160 | 1=Region>50% urban 0=Region<50% urban |

Php=Philippine Pesos (Philippine currency)

Specification of the Regression Models

The challenge in testing for statistical significance between education and out-migration is how to deal with endogenous variables. Education and migration are highly correlated with one another, making it difficult to understand the direction of causality. To address these concerns, the regression models in this analysis employ panel data methods using first difference tests to see if percent increases or decreases of tertiary education in a region leads to increases or decreases in out-migration. Secondly, the regression models lagged tertiary education (*Enroll*) up to four years and tertiary graduates (*Graduates*) up to two years to realistically capture the direction of causality between education and migration. Tertiary students would not become out-migrants (*OFWs*) until after they graduate, which is usually between 2 to 4 years after initially enrolling in a tertiary school, finding a job and going through the Philippine Overseas Employment Administration's labor contract processing. Tertiary graduates were lagged up to 2 years since there is a wide variation in the length of each tertiary degree program and model 2 helps to control for this variation. Thirdly, this study ran a seemingly unrelated regression model with age cohorts for overseas Filipino workers (*OFWs*) to see if tertiary education enrollment had different effects on *OFWs* by age groups. And lastly, a regression model was used to test for the reverse relationship to see if out-migration had an impact on tertiary educational enrollment. These regressions excluded high school graduates as a control variable since high school graduates have consistently made up between 23% and 27% of all *OFWs* during the 1993-2004

period—with a downward trend of high school OFWs over this period. On the other hand, OFWs with tertiary education has grown from 55.3% to 66.0% of all OFWs during the 1993-2004 period.³⁸⁴

Model 1: First Differences Test
Impact of Percentage Change in Tertiary Enrollment on the Percentage Change in
Number of Overseas Filipino Workers (OFWs), 1989-2004

The first model uses an ordinary least squares (OLS) regression model for estimating the impact of percent change in tertiary education enrollment on the percent change in the number of Overseas Filipino Workers (OFWs). This model exploits the variation of Philippine regions to see if percent changes in enrollment have an impact on the percent increases or decreases in number of Filipinos leaving on overseas employment. In this model, the dependent variable (*OFW*) is equal to the percent change in number of Overseas Filipino Workers between the current year (t) and the previous year (t-1):

$$\% \Delta OFW_t = [OFW_t - OFW_{t-1}] \text{ divided by } [OFW_{t-1} \times 100]$$

The independent variable of primary concern, *Enroll*, is equal to the percent change of enrollment in Philippine tertiary educational institutions between current year (t) and the previous year (t-1) lagged up to 4 years (t-2, t-3, and t-4):

$$\% \Delta Enroll_t = [Enroll_t - Enroll_{t-1}] \text{ divided by } [Enroll_{t-1} \times 100]$$

These lagged variables are important since current OFWs would not be affected by the current students at tertiary schools. Instead, tertiary enrollees (*Enroll*) three to four years earlier (depending on the length of their study program) would have an impact on the number of OFWs leaving if there is a statistically significant relationship. The control variables include the following: 1 year lagged unemployment rate (*Unemploy*), 1 year lagged Gross Domestic Product

³⁸⁴ Analysis of Survey on Overseas Filipinos data, 1993-2004.

per capita (*GDP*) in thousands of Philippine Pesos, population growth (*Pop*), 1 year lagged underemployment rate (*Underemploy*) and Log Population (*LnPop*). The full specification of this OLS regression model is the following:

$$\begin{aligned} \% \Delta OFW_t = & \alpha + \beta_1 \% \Delta Enroll_t + \beta_2 \% \Delta Enroll_{t-1} + \beta_3 \% \Delta Enroll_{t-2} + \beta_4 \% \Delta Enroll_{t-3} \\ & + \beta_5 \% \Delta Enroll_{t-4} + \beta_6 Unemploy_{(t-1)} + \beta_7 GDP_{(t-1)} + \beta_8 Pop_t \\ & + \beta_9 Underemploy_{(t-1)} + \beta_{10} LnPop + \varepsilon_t \end{aligned}$$

This regression model includes the percent differences lagging *Enroll* up to 4 years to accurately capture the impact on the number of OFWs since on average tertiary educational programs last between 2 to 4 years. This 4-year lag gives a more accurate picture of the impact of tertiary education enrollment on *OFW* for a given year since current students enrolled would not migrate as an Overseas Filipino Worker (OFW) until after they graduate from school. Besides lagging the *Enroll* variable, another method is to obtain data on the number of tertiary graduates since there is variation in the length of the tertiary education enrollment program, which is done in model 2 (see model 2). The coefficient of *Enroll* is expected to be positive since there are more educated Filipinos than jobs available in the Philippine economy. As the percent change of tertiary enrollment goes up, there should be a percentage increase in the number of OFWs.

Unemploy is expected to be positive since the higher percentage of the labor force that is unable to find jobs in the domestic labor market, the more likely these unemployed people would seek jobs elsewhere. Underemployment (*Underemploy*) is defined as the percentage of the employed labor force that is willing to work more hours. This usually has a major impact on the adequacy of the current income levels of the employed. Its coefficient should be positive since the option of becoming an OFW becomes more attractive since people who are underemployed may be dissatisfied with the amount of income they are receiving from their current jobs. The coefficient of *GDP* is expected to be negative since, as the economy performs better, the more

likely people are able to find jobs in the domestic labor market. Lastly, the coefficient of *Pop* should be positive since the faster the population grows, the less likely the economy is able to produce enough jobs for this larger population and the more people will have to seek jobs abroad as OFWs.

**Model 2:
Impact of Percentage Change in Tertiary Graduates on the Percentage Change in
Number of Overseas Filipino Workers (OFWs), 1996-2003**

As an extension to the first model, model 2 uses the same control variables as model 1 but uses data on the number of tertiary graduates—those receiving degrees during year (t)—instead of tertiary enrollment. The independent variable of primary concern, *Graduates*, is equal to the percent change of graduates from Philippine tertiary educational institutions between current year (t) and the previous year (t-1) lagged up to 2 years (t-2):

$$\% \Delta \text{Graduates}_t = [\text{Graduates}_t - \text{Graduates}_{t-1}] \text{ divided by } [\text{Graduates}_{t-1} \times 100]$$

In this model, the dependent variable (*OFW*) is the same as model 1 equal to the percent change in number of Overseas Filipino Workers between the current year (t) and the previous year (t-1):

$$\% \Delta \text{OFW}_t = [\text{OFW}_t - \text{OFW}_{t-1}] \text{ divided by } [\text{OFW}_{t-1} \times 100]$$

The full specification of the regression model with control variables is the following:

$$\% \Delta \text{OFW} = \alpha + \beta_1 \% \Delta \text{Graduates}_t + \beta_2 \% \Delta \text{Graduates}_{t-1} + \beta_3 \% \Delta \text{Graduates}_{t-2} + \beta_4 \text{Unemploy}_{(t-1)} + \beta_5 \text{GDP}_{(t-1)} + \beta_6 \text{Pop}_t + \beta_7 \text{Underemploy}_{(t-1)} + \beta_8 \text{LnPop} + \varepsilon_t$$

This regression model controls for the variation in length of tertiary education degree programs since it uses (*Graduates*) instead of (*Enroll*). This model only lagged tertiary (*Graduates*) by 2 years since it takes into account the time it would take for a recent graduate to find employment.

The coefficient of *Graduates* is expected to be positive since as the percentage of tertiary graduates goes up between year (t) and (t-1), there should be a percentage increase in the number of OFWs migrating abroad for employment opportunities.

**Model 3:
Seemingly Unrelated Regression Equation
Impact of the %Δ Tertiary Education Enrollment on the %Δ Number of OFWs
by Age Cohorts**

The third model in this empirical analysis uses a seemingly unrelated regression equation (SURE) to run the dependent variable *OFW* by three different age cohorts (OFW ages 24 and under, OFW ages 20 to 49, and OFW ages 50 and over). This model provides a more specific understanding of the impact of tertiary education on the number of OFWs by age cohorts. Even though model 1 and 2 resolves the endogeneity problem by lagging tertiary enrollment and tertiary graduates and taking into account the percent differences between years, this regression provides further evidence that tertiary education has an impact on the working age population. The full specification for this model ran three regression equations for each age cohort using Zellner estimation technique³⁸⁵:

$$\% \Delta OFW_{\text{Ages 24 \& Under}} = \alpha + \beta_1 \% \Delta Enrollment_t + \beta_2 Unemploy_{(t-1)} + \beta_3 GDP_{(t-1)} + \beta_4 Pop_t + \beta_5 Underemploy_{(t-1)} + B_6 LnPop + \varepsilon_t$$

$$\% \Delta OFW_{\text{Ages 25 to 49}} = \alpha + \beta_1 \% \Delta Enrollment_t + \beta_2 Unemploy_{(t-1)} + \beta_3 GDP_{(t-1)} + \beta_4 Pop_t + \beta_5 Underemploy_{(t-1)} + B_6 LnPop + \varepsilon_t$$

$$\% \Delta OFW_{\text{Ages 50 \& Over}} = \alpha + \beta_1 \% \Delta Enrollment_t + \beta_2 Unemploy_{(t-1)} + \beta_3 GDP_{(t-1)} + \beta_4 Pop_t + \beta_5 Underemploy_{(t-1)} + B_6 LnPop + \varepsilon_t$$

³⁸⁵ Zellner, Arnold, "An Efficient Method of Estimating Seemingly Unrelated Regressions and Tests for Aggregation Bias," *Journal of the American Statistical Association*, 57 (1962), pp. 348-368.

The full specification of the SURE model is to run all three equations in one model specified in the following way:

$$\% \Delta OFW^* = \alpha + \beta_1 \% \Delta Enroll^*_t + \beta_2 Unemploy^*_{(t-1)} + \beta_3 GDP^*_{(t-1)} + \beta_4 Pop^*_t + \beta_5 Underemploy^*_{(t-1)} + \beta_6 LnPop^* + \varepsilon^*_t$$

If there is a positive statistical relationship for only certain age cohorts (25 to 49 years old) over others (under 24 years old and 50 years and over), this model would show that tertiary educational enrollment is leading directly to Filipinos leaving the country on overseas labor contracts after completing tertiary education.

Model 4: Reverse Regression--Impact of %Δ Number of Overseas Filipino Workers on the %Δ Tertiary Education Enrollment, 1989-2004
Dependent Variable: %Δ Tertiary Education Enrollment

To complement tests done in models 1 through 3 that produce conclusions that can imply the direction of causality, another OLS regression model was used to test for the reverse relationship. This model tests to see whether the number of OFWs leaving the country (lagged up to four years) has an impact on tertiary enrollment. First difference tests were used with the same control variables in the previous models. The full specification of the model is as follows:

$$\% \Delta Enroll = \alpha + \beta_1 \% \Delta OFW_t + \beta_2 \% \Delta OFW_{t-1} + \beta_3 \% \Delta OFW_{t-2} + \beta_4 \% \Delta OFW_{t-3} + \beta_5 \% \Delta OFW_{t-4} + \beta_6 Unemploy_{(t-1)} + \beta_7 GDP_{(t-1)} + \beta_8 Pop_t + \beta_9 Underemploy_{(t-1)} + \beta_{10} LnPop + \varepsilon_t$$

If there is a statistically significant relationship between the number of OFWs (lagged up to 4 years) on number of students enrolled in tertiary schools, it would be difficult to conclude that tertiary education is leading to more out-migration. Instead, out-migration can be leading to more Filipinos entering tertiary schools.

Results

Tables 5.4 to 5.7 summarize the results of these four regression models that test for statistical significance between tertiary education and out-migration. The results clearly show that there is a highly statistically significant relationship between tertiary education and out-migration controlling for other factors. The specific results for each model are outlined below.

Model 1 Results: Tertiary Enrollment 3-4 years earlier lead to increases in number of OFWs

Model 1 results show a strong statistically significant relationship between the tertiary enrollment of 3 and 4 years earlier on the number of OFWs when using the full sample and running the model with only year fixed effects (table 5.4). This means that a percentage change in tertiary enrollment in a given year leads to an increase in the number of Overseas Filipino Workers (OFWs) leaving the country three years later by 0.23% on average per region at the 1% level. The 4-year effect is an increase in the number of OFWs by 0.16% on average per region at the 5% level.

There are notable differences between urban and non-urban regions. The urban regions provide the majority of employment opportunities in industry, while non-urban regions are dominated by the agricultural sector. The sample was split into two types: “urban regions” that include urban populations greater than or equal to 50 percent. This includes Region 3, 4, 7 and the National Capital Region (NCR) where the largest city, Manila, is located. The rest of the regions are “non-urban” that contain less than the 50 percent urban population threshold. Table 5.4 reports the regressions of models 1 with the following samples: “all regions,” “urban regions,” and “non-urban regions.” Since this analysis uses a panel dataset, a year dummy was created to control for the variation in time.

Table 5.4:
Impact of %Δ Tertiary Education Enrollment on the %Δ Number of OFWs, 1989-2004
Dependent Variable: %Δ in Number of Overseas Filipino Workers (OFWs)

| | All Regions | | Urban Regions | | Non-Urban Regions | |
|---------------------------------------|-------------------|------------------------|-------------------|-----------------------|-------------------|----------------------|
| %Δ in Tertiary Enrollment | 0.16*** (0.04) | 0.18*** (0.06) | -0.08 (0.29) | -0.12 (0.41) | 0.17*** (0.04) | 0.21*** (0.07) |
| %Δ in Tertiary Enrollment (t-1 year) | 0.002 (0.04) | 0.12 (0.10) | 0.16 (0.13) | 0.16 (0.23) | -0.009 (0.04) | 0.02 (0.13) |
| %Δ in Tertiary Enrollment (t-2 years) | -0.02 (0.04) | 0.004 (0.05) | -0.18** (0.09) | -0.20 (0.18) | -0.007 (0.04) | 0.03 (0.06) |
| %Δ in Tertiary Enrollment (t-3 years) | 0.20*** (0.04) | 0.23*** (0.05) | -0.06 (0.09) | -0.06 (0.17) | 0.23*** (0.04) | 0.26*** (0.06) |
| %Δ in Tertiary Enrollment (t-4 years) | 0.13** (0.07) | 0.16** (0.09) | -0.06 (0.09) | -0.05 (0.16) | 0.20** (0.10) | 0.27** (0.12) |
| Unemployment Rate (t-1) | | 0.0003 (0.0004) | | 0.001 (0.001) | | 0.00001 (0.0005) |
| GDP per capita (t-1) | | -4.06e-06 (0.00005) | | -0.00003 (0.00007) | | 0.00005 (0.00008) |
| Population Growth | | 0.0004 (0.00005) | | -0.001 (0.002) | | 0.0003 (0.002) |
| Underemployment Rate (t-1) | | 0.00002 (0.00007) | | -0.00001 (0.0003) | | 0.00005 (0.00009) |
| Log Population | | 0.002 (0.003) | | -0.005 (0.03) | | -0.0002 (0.003) |
| Year Fixed Effects | N | Y | N | Y | N | Y |
| Observations | 94 | 94 | 24 | 24 | 70 | 70 |
| Adjusted R-Squared | 0.32 | 0.34 | 0.31 | 0.05 | 0.40 | 0.42 |

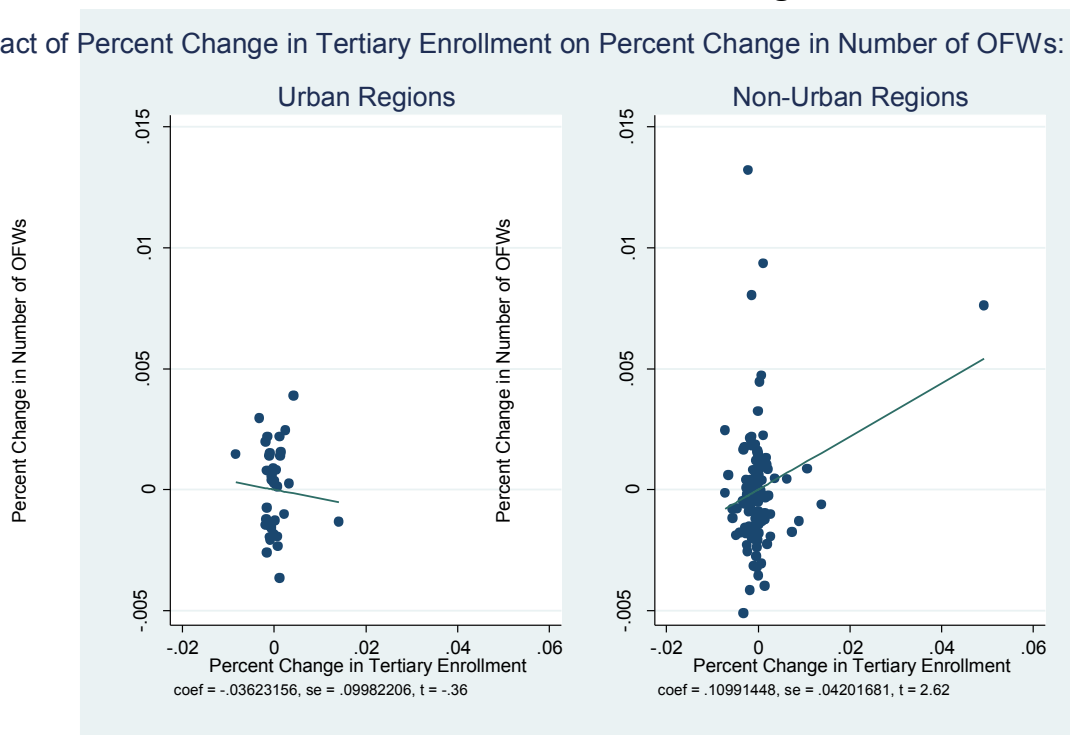
Y=Yes and N=No to indicate whether or not the Year Fixed Effects were taken into account in the model
Urban Regions=Regions with 50% or greater urban population; Non-Urban Regions=Regions with less than 50% urban
significant at 10%; ** significant at 5%; *** significant at 1%; Standard Errors are in parentheses

Figure 5.5 illustrates these differences in an avplot function controlling for other variables in the regression model to produce predicted values between urban and non-urban regions.

Figure 5.5
Comparison of Effects of Percent Change in Tertiary Enrollment
on the Percent Change in Number of OFWs,
Urban versus Non-Urban Regions, 1989-2004

AVPLOT: Predicted Values from Regression

Impact of Percent Change in Tertiary Enrollment on Percent Change in Number of OFWs: By Region



Model 2 Results: Tertiary Graduates 1 year earlier lead to increase in number of OFWs

When running a regression with the percent change in number of tertiary graduates instead of enrollment, the results confirm that tertiary education is having an impact on the number of OFWs. This regression controls for variation in the length of degree programs by focusing on data of those who graduated during a given year. Table 5.5 shows that there is a

statistically significant relationship for tertiary graduates lagged by 1 year on current year out-migration. This means that a percentage increase in tertiary graduates a year ago leads to a 0.13% increase in Overseas Filipino Workers on average per region at the 5% level. Building on regression model 1, this means that Filipinos graduating from 2 to 4-year tertiary degree programs are migrating abroad as OFWs a year after receiving their degree. Many programs such as nursing, allied health workers, and jobs in the maritime industry are 2 to 3-year educational programs, and it usually takes another year to find a job overseas and process their contract through the Philippine Overseas Employment Administration.

Taking a look at the percent change in tertiary enrollment and graduates by discipline group reveals increases in specific programs that are geared towards overseas employment.³⁸⁶ Table 5.6 shows that enrollment in medical and allied courses grew the highest of any discipline group (1.23%) during the 1996 to 2004 period and had the second highest growth in number of graduates in this field (0.71%). Of all discipline groups, medical and allied groups made up 9.71% of all tertiary enrollment in 1996 and 18.55% in 2004. This was a dramatic increase that includes those attending nursing schools and other health-related fields (physical therapy, nursing assistant, medical technologists, and medical doctors).

³⁸⁶ For the analysis of tertiary education enrollment and graduates by discipline groups, this analysis only used years 1996 to 2004 instead of starting at 1989 since the Philippine Statistical Yearbooks changed the categories of discipline groups between years 1995 and 1996 making it difficult to compare over time for all years in the regression analysis.

Table 5.5:
Impact of %Δ Tertiary Graduates on the %Δ Number of OFWs, 1996-2003
Dependent Variable: %Δ Number of Overseas Filipino Workers (OFWs)

| | All Regions | | Urban Regions | | Non-Urban Regions | |
|--------------------------------------|------------------|----------------------|-----------------|-----------------------|-------------------|----------------------|
| | | | | | | |
| %Δ in Tertiary Graduates | -0.04 (0.05) | -0.06 (0.13) | -0.27 (0.25) | -0.60 (0.48) | -0.03 (0.05) | -0.04 (0.08) |
| %Δ in Tertiary Graduates (t-1 year) | 0.11** (0.05) | 0.13** (0.06) | 0.28 (0.23) | 0.25 (0.28) | 0.11** (0.05) | 0.13** (0.07) |
| %Δ in Tertiary Graduates (t-2 years) | -0.06 (0.05) | -0.04 (0.10) | -0.30 (0.19) | -0.19 (0.32) | -0.05 (0.05) | -0.04 (0.12) |
| Unemployment Rate (t-1) | | 0.0006 (0.0004) | | 0.002 (0.001) | | 0.0005 (0.0004) |
| GDP per capita (t-1) | | -0.0004 (0.00007) | | -0.00007 (0.0001) | | -0.00001 (0.0001) |
| Population Growth | | 0.00004 (0.001) | | -0.002 (0.003) | | 0.0003 (0.002) |
| Underemployment Rate (t-1) | | 0.00003 (0.00009) | | -5.55e-05 (0.0003) | | 0.00005 (0.0001) |
| Log Population | | -0.0003 (0.002) | | -0.01 (0.04) | | -0.0002 (0.003) |
| Year Fixed Effects | N | Y | N | Y | N | Y |
| Observations | 80 | 80 | 20 | 20 | 60 | 60 |
| Adjusted R-Squared | 0.10 | 0.17 | 0.20 | 0.04 | 0.11 | 0.15 |

Y=Yes and N=No to indicate whether or not the Year Fixed Effects were taken into account in the model
Urban Regions=Regions with 50% or greater urban population; Non-Urban Regions=Regions with less than 50% urban
significant at 10%; ** significant at 5%; *** significant at 1%; Standard Errors are in parentheses

Other disciplines that channel students into overseas labor markets are educational and teacher training programs (0.66% increase in tertiary graduates) and humanities programs (0.92% increase in tertiary enrollment and 0.72% increase in tertiary graduates) that account for the bulk of growth in the number of teachers heading abroad on overseas contracts. Tertiary-level maritime education is important training for Filipinos leaving as sea-based overseas contract workers and make up an average of over 3% of all tertiary enrollment in 2001 and 2002.³⁸⁷

Table 5.6 Percent Change in Philippine Tertiary Enrollment and Tertiary Graduates between 1996 and 2004

| Discipline Group | %Change in Tertiary Enrollment | %Change in Tertiary Graduates |
|--|--------------------------------|-------------------------------|
| Agricultural, Forestry, Fisheries, and Veterinary Medicine | -0.01% | 0.07% |
| Architectural and Town Planning | 0.04% | 0.55% |
| Business Administration and Related Programs | -0.16% | 0.14% |
| Education and Teacher Training | 0.22% | 0.66% |
| Engineering | 0.05% | 0.27% |
| Fine and Applied Arts | 0.12% | -0.30% |
| General | -0.68% | -0.77% |
| Home Economics | 0.11% | -0.50% |
| Humanities | 0.92% | 0.72% |
| Law and Jurisprudence | 0.23% | 0.24% |
| Mass Communication and Documentation | 1.11% | 0.23% |
| Mathematics and Computer Science | 0.56% | 0.60% |
| Medical and Allied Courses | 1.23% | 0.71% |
| Natural Science | 0.02% | -0.26% |
| Religion and Theology | -0.06% | -0.38% |
| Service Trades | 0.70% | -0.02% |
| Social and Behavioral Science | 0.59% | 0.75% |
| Philippines | 0.17% | 0.22% |

Source: Philippine Statistical Yearbooks, 1997-2005

Model 3 Results: Tertiary Enrollment impacts OFWs in Age Groups 25 to 49 years old

³⁸⁷ The Philippine Statistical yearbooks only created a separate maritime category for tertiary education for year 2001 and 2002, and did not have a separate category for previous and future years. Therefore, no calculations can be made for the percent growth between 1996 and 2004 since data is not available for maritime education.

Regression model 3 utilizes data from the *Survey on Overseas Filipinos* that has the number of OFWs leaving the country at the regional-level by age. This allows for further breaking down of the dependent variable (percent change in number of OFWs) by age cohorts to understand if tertiary education has different impacts on OFWs by age groups. The analysis splits OFWs into three age cohorts to reflect typical educational ages (ages 24 years old and younger), working age (ages 25 to 49 years old), and the mature age population (ages 50 and over). This method uses Zellner's seemingly unrelated regression to simultaneously run three regression equations in one model.

The results show that for every percentage increase of tertiary enrollment, the number of OFWs ages 25 to 49 year old increases by 0.19% on average per region at the 1% level (see table 5.7). There is no statistical significant relationship for OFWs ages 24 years old and under, and OFWs ages 50 years and older. This regression result shows that tertiary education enrollment has a direct impact on the working age population (ages 25 to 49) rather than school age (those 24 and under) and those much older (50 and over). This regression provides further evidence about the direction of causality between education and out-migration. The reason why there is no statistical significance for school age population and OFWs is because this population is still in school and would not be in the job market until after they graduate. On the other hand, tertiary enrollment's effect on working age population means that after Filipinos complete their tertiary degrees, they would enter the job market and leave the country as overseas contract workers in the ages 25 to 49 year old age group. Furthermore, older OFWs ages 50 and over were not in school before they migrated abroad.³⁸⁸

³⁸⁸ The author collapsed the data into these three age cohorts to align with the Philippine National Statistics Office definition of "school-age" (under 24 years old) and "working-age" (25 to 49 years old). The seemingly unrelated regression did run this regression with 5 year intervals (e.g. ages 15-19, 21-24, etc) and found that the results

Table 5.7
Seemingly Unrelated Regression Estimates
Impact of %Δ in Tertiary Education Enrollment on the %Δ in Number of OFWs, 1993-2002
Dependent Variable: %Δ in Number of Overseas Filipino Workers (OFWs)

| Explanatory Variable | Equation for %Δ in Overseas Filipino Workers by Age Cohorts | | |
|----------------------------|---|-------------------------|-----------------------------|
| | Ages 24 years old and younger | Ages 25 to 49 years old | Ages 50 years old and older |
| %Δ in Tertiary Enrollment | 0.23 (0.16) | 0.18*** (0.04) | 0.48 (0.31) |
| Unemployment Rate (t-1) | -0.0004 (0.0006) | -0.0001 (0.0001) | -0.001 (0.001) |
| GDP per capita (t-1) | 0.00007 (0.00007) | 0.00001 (0.00002) | 0.0001 (0.0001) |
| Population Growth | 0.0006 (0.002) | -0.00007 (0.00002) | -0.001 (0.003) |
| Underemployment Rate (t-1) | 0.0002 (0.0001) | 0.00001 (0.00003) | 0.00005 (0.00005) |
| Log Population | 0.0001 (0.002) | 0.0006 (0.0005) | 0.002 (0.004) |
| Year Fixed Effects | Y | Y | Y |
| Observations | 123 | 123 | 123 |
| R-Squared | 0.04 | 0.15 | 0.70 |

Y=Yes and N=No to indicate whether or not the Year and Regional Fixed Effects were taken into account in the model
significant at 10%; ** significant at 5%; *** significant at 1%
Standard Errors are in parentheses

showed statistical significance between tertiary education on number of OFWs leaving for ages 25-29, 30-34, and 35-39—which are the most productive years of a person’s working age life.

Model 4 Results: Out-Migration has No Impact on Tertiary Enrollment

One method for ensuring that the direction of causality for the results of regression models 1 to 3 are correct is to run the reverse regression with the percent change of OFWs as the independent variable and the percent change in tertiary enrollment as the dependent variable. This regression lagged out-migration (% Δ of OFWs) for up to 4 years to see if out-migration 1 to 4 years earlier has an impact on the number of Filipinos enrolling in tertiary schools. The results of the regression show that there is no statistically significant relationship between out-migration (lagged from 1 to 4 years) on the number of Filipinos enrolling in tertiary schools (see table 5.8). There is a statistical significant relationship for percent change of current OFWs on the percent change of current year tertiary enrollment, but this is expected since the two variables are endogenous. Models 1-3 overcome the endogeneity problem by using first difference test and lagged variables, and a seemingly unrelated regression for splitting the dependent variable (out-migration) by age cohorts. This reverse statistical test in model 4 provides further evidence that prior year tertiary enrollment and graduation is having an impact on current year out-migration rather than vice versa.

Table 5.8:
Reverse Regression to Check for Endogeneity
Impact of %Δ Number of Overseas Filipino Workers on the
%Δ Tertiary Education Enrollment, 1989-2004
Dependent Variable: %Δ Tertiary Education Enrollment

| | All Regions | |
|--|------------------|-----------------------|
| %Δ Number of Overseas Filipino Workers | 0.63** (0.27) | 0.52* (0.27) |
| %Δ Number of Overseas Filipino Workers (t-1 year) | -0.07 (0.29) | -0.04 (0.33) |
| %Δ Number of Overseas Filipino Workers (t-2 years) | 0.03 (0.29) | 0.03 (0.34) |
| %Δ Number of Overseas Filipino Workers (t-3years) | -0.19 (0.29) | -0.11 (0.32) |
| %Δ Number of Overseas Filipino Workers (t-4 years) | 0.07 (0.32) | 0.29 (0.36) |
| Unemployment Rate (t-1) | | -0.001* (0.0007) |
| GDP per capita (t-1) | | -5.77e-06 (0.0001) |
| Population Growth | | -0.002* (0.002) |
| Underemployment Rate (t-1) | | 0.0002 (0.0002) |
| Log Population | | 0.003 (0.003) |
| Year Fixed Effects | N | Y |
| Observations | 107 | 107 |
| Adjusted R-Squared | 0.07 | 0.15 |

Y=Yes and N=No to indicate whether or not the Year and Regional Fixed Effects were taken into account in the model
significant at 10%; ** significant at 5%; *** significant at 1%
Standard Errors are in parentheses

IV. Technical Skills and Vocational Education Deterring Overseas Employment

The Technical Skills and Vocational Education and Training System (TVET) of the Philippines is the other key component of post-secondary education in the Philippines. The TVET program started when President Ferdinand Marcos and his technocrats developed the National Manpower and Youth Council (NYMC) and the Bureau of Technical Skills and Vocational Education in the early 1970s. Discussed in detail in chapter 3, this program was Marcos's attempt at aligning the educational system with local labor market needs and dealing with the educated unemployment problem. With Republic Act No. 7796 (the "Technical Education and Skills Development Act of 1994") these two agencies merged with the Apprenticeship Program of the Bureau of Local Employment to form the Technical Education and Skills Development Authority (TESDA), a government agency focused on training Filipinos in middle-level skills for the local domestic labor market.³⁸⁹

Compared to the highly unregulated "invisible hand" tertiary educational system, TESDA provided a "guiding hand" in technical skills and vocational education for the Philippines by: (1) direction setting, (2) development of standards and training systems, and (3) support to TVET providers.³⁹⁰ The majority of TVET programs are offered by private schools. As of 2006, there are 4,510 TVET providers, of which 62% (or 2,786) are private and 38% (or 1,714) are public. Public TVET schools include 121 TESDA Technology Institutes, 15 regional training centers, 45 Provincial Training Centers and 4 Specialized training centers.³⁹¹ Public state universities and colleges as well as local colleges also offer non-degree programs.³⁹²

³⁸⁹ Augusto Boboy Syjuco, "The Philippine Technical Vocational Education and Training (TVET) System," (Manila: Technical Education and Skills Development Authority, 2006).

³⁹⁰ Technical Education and Skills Development Authority, *The Philippine Technical Vocational Education and Training (TVET) System* (Manila: Republic of the Philippines, 2005).

³⁹¹ Augusto Boboy Syjuco, "The Philippine Technical Vocational Education and Training (TVET) System," (Manila: Technical Education and Skills Development Authority, 2006), 3.

³⁹² Ibid.

TESDA plays a major coordinating role with local employer and TVET providers to ensure that skills training are relevant to industry.³⁹³ The universe of potential trainees in TVET programs include high school graduates, secondary school leavers, college undergraduates and graduates, and returning Overseas Filipino Workers (OFWs) who decided to stay and work in the country as part of the government’s reintegration program (as described in chapter 4). In the same way section III ran regressions to test for the impact of tertiary education on the number of Filipinos leaving the country as OFWs, this section focuses on two regression models to see the impact TVET has on out-migration.

Specification of the Regression Models

Model 5: Impact of %Δ Number of Technical Skills and Vocational Training on the %Δ Number of Overseas Filipino Workers, 1989-2004

Statistical model 5 uses first differences to test if there is a significant relationship between a percent change in technical skills and vocational education (*Vocational*) lagged up to 2 years on the percent change in number of OFWs leaving the country of contract labor. This statistical model uses the same control variables as the previous models. The independent variable of primary concern, *Vocational*, is equal to the percent change of people trained in Philippine technical skills and vocational training (TVET) institutions between current year (t) and the previous year (t-1) lagged up to 2 years (t-2):

$$\% \Delta Vocational_t = [Vocational_t - Vocational_{t-1}] \text{ divided by } [Vocational_{t-1} \times 100]$$

³⁹³ Augusto Boboy Syjuco, “The Philippine Technical Vocational Education and Training (TVET) System.”

The dependent variable, *OFW*, is the same as in the previous regression models; it equals the percent change of OFWs leaving the country between the current year (t) and the previous year (t-1). The full specification of the regression is:

$$\% \Delta OFW_t = \alpha + \beta_1 \% \Delta Vocational_t + \beta_2 \% \Delta Vocational_{t-1} + \beta_3 \% \Delta Vocational_{t-2} + \beta_6 Unemploy_{(t-1)} + \beta_7 GDP_{(t-1)} + \beta_8 Pop_t + \beta_9 Underemploy_{(t-1)} + \beta_{10} LnPop + \varepsilon_t$$

This study expects a negative relationship between *Vocational* and *OFW* since the TVET system focuses on employing Filipinos in the domestic labor market rather than overseas. A statistically significance relationship showing technical skills-vocational education decreasing the number of Filipinos leaving the country would also show that a more highly-controlled system regulated by TESDA is successful in training Filipinos for the local labor market.

**Model 6:
Impact of %Δ Number of Technical Skills and Vocational Training on the
%Δ Tertiary Education Enrollment, 1989-2004**

Model 6 tests for the statistical relationship between technical-vocational education (*Vocational*) and enrollment in tertiary schools (*Enroll*). It uses the same first differences test to understand if a percent change in *Vocational* lagged up to 2 years leads to a percent increase or decrease in tertiary enrollment. This is the full specification of the regression:

$$\% \Delta Enroll_t = \alpha + \beta_1 \% \Delta Vocational_t + \beta_2 \% \Delta Vocational_{t-1} + \beta_3 \% \Delta Vocational_{t-2} + \beta_6 Unemploy_{(t-1)} + \beta_7 GDP_{(t-1)} + \beta_8 Pop_t + \beta_9 Underemploy_{(t-1)} + \beta_{10} LnPop + \varepsilon_t$$

This study expects technical skills and vocational education to have a negative statistically significant relationship with tertiary enrollment. If this is true, as more Filipinos attend TESDA schools, there is a decrease in the amount of those enrolling in tertiary schools.

Data Sources

The Philippine Statistical Yearbooks publishes annual data on the number of Filipinos trained in the Technical Skills and Vocational Education (TVET) system by regions. This is consistent with the other regional-level data used for the previous regressions. TVET data is available for years 1980 through 2011. This analysis uses TVET data for years 1989 to 2004 to be consistent with the regional-level data available for the other variables and also to be able to compare the same time period with tertiary education in the previous regression models. A summary of the descriptive statistics is outlined in table 5.3.

Results

Model 5 Results: Technical Skills-Vocational Training lead to decreases in Number of OFWs

This model tests to see if TVET training has an impact on out-migration. The results show that a percentage increase in technical skills and vocational education training 2 years ago leads to a decrease in the number of Overseas Filipino Workers leaving the country by 0.06% on average per region at the 5% level (see table 5.9 for results). This means that vocational education is training Filipinos for the domestic labor market, rather than for out-migration as demonstrated in the previous models for tertiary education enrollment. The results also show that this relationship is significant for non-urban regions versus urban regions. Therefore, Filipinos living in non-urban regions that attend TVET programs are more likely to stay and work in the Philippines two years after enrolling in the program. The lag of two years takes into account the typical length of TVET programs (usually 2 years or less) and the amount of time it takes to secure employment in the domestic labor market.

Table 5.9:
Impact of %Δ Number of Technical Skills and Vocational Training on the
%Δ Number of Overseas Filipino Workers, 1989-2004
Dependent Variable: %Δ Number of Overseas Filipino Workers (OFWs)

| | All Regions | | Urban Regions | | Non-Urban Regions | |
|--|-------------------|----------------------|-----------------|-----------------------|-------------------|----------------------|
| %Δ in Technical Skills and Vocational Training | -0.02 (0.03) | -0.03 (0.03) | -0.04 (0.04) | -0.01 (0.05) | -0.02 (0.03) | -0.03 (0.04) |
| %Δ in Technical Skills and Vocational Training (t-1 year) | -0.01 (0.03) | -0.03 (0.03) | 0.03 (0.04) | 0.06 (0.06) | -0.03 (0.04) | -0.06 (0.04) |
| %Δ in Technical Skills and Vocational Training (t-2 years) | -0.05** (0.03) | -0.06** (0.03) | -0.04 (0.04) | 0.001 (0.06) | -0.05* (0.04) | -0.09** (0.04) |
| Unemployment Rate (t-1) | | 0.0003 (0.0002) | | 0.0004 (0.0003) | | 0.0001 (0.0003) |
| GDP per capita (t-1) | | -0.0003 (0.00002) | | -0.00006 (0.00004) | | 0.00001 (0.00004) |
| Population Growth | | 0.0002 (0.0007) | | 0.001 (0.001) | | -0.0009 (0.002) |
| Underemployment Rate (t-1) | | 0.00001 (0.00005) | | -0.0002 (0.0001) | | 0.00006 (0.00006) |
| Log Population | | 0.004 (0.002) | | -2.81e-06 (0.01) | | 0.005 (0.003) |
| Year Fixed Effects | N | Y | N | Y | N | Y |
| Observations | 126 | 126 | 36 | 36 | 90 | 90 |
| Adjusted R-Squared | 0.03 | 0.07 | 0.08 | 0.31 | 0.03 | 0.10 |

Y=Yes and N=No to indicate whether or not the Year Fixed Effects were taken into account in the model
 Urban Regions=Regions with 50% or greater urban population;
 Non-Urban Regions=Regions with less than 50% urban
 significant at 10%; ** significant at 5%; *** significant at 1%; Standard Errors are in parentheses

Model 6 Results: Technical Skills-Vocational Education lead to decreases in Tertiary Enrollment

As an extension of model 5, this regression is used to test the relationship between the two types of post-secondary education: in other words, whether enrollment in TVET is a substitute for tertiary education. The results show that a percent increase in technical skills and vocational education training a year ago, leads to a decrease in tertiary education enrollment by 0.08% on average per region at the 5% level (see table 5.10). This means that Filipinos attending post-secondary schools are usually only attending one type of institution: either TVET, which leads to a higher chance of being employed in the domestic economy, or tertiary schools that lead to a higher chance of leaving the country on overseas employment.

Table 5.10:
Impact of %Δ Number of Technical Skills and Vocational Training on the
%Δ Number of Tertiary Education Enrollment, 1989-2004
Dependent Variable: %Δ Number of Tertiary Education Enrollment

| | All Regions | |
|--|-------------------|-----------------------|
| %Δ in Number of Technical Skills and Vocational Training | 0.02 (0.04) | 0.02 (0.04) |
| %Δ in Number of Technical Skills and Vocational Training (t-1 year) | -0.08** (0.04) | -0.08** (0.04) |
| %Δ in Number of Technical Skills and Vocational Training (t-2 years) | -0.05 (0.04) | -0.05 (0.04) |
| Unemployment Rate (t-1) | | 0.0001 (0.0002) |
| GDP per capita (t-1) | | -0.00002 (0.00002) |
| Population Growth | | 0.0004 (0.0002) |
| Underemployment Rate (t-1) | | 0.00002 (0.00003) |
| Log Population | | -0.0003 (0.0006) |
| Year Fixed Effects | N | Y |
| Observations | 126 | 126 |
| Adjusted R-Squared | 0.06 | 0.08 |

Y=Yes and N=No to indicate whether or not the Year Fixed Effects were taken into account in the model
 Urban Regions=Regions with 50% or greater urban population;
 Non-Urban Regions=Regions with less than 50% urban
 significant at 10%; ** significant at 5%; *** significant at 1%; Standard Errors are in parentheses

V. Education, Migration and Economic Development

The empirical results presented in this chapter show that management of post-secondary education matters in determining whether Filipinos will study to work in overseas or domestic labor markets. The chapter argues that domestic tertiary educational institutions played a key role in the evolution of the Philippine labor exporting industry by gearing training towards overseas employment. Using regional-level data from the Philippine Statistical Yearbooks and the Survey on Overseas Filipinos from 1989 to 2004, this chapter provides an empirical examination of the impact that Philippine tertiary education has on the number of Overseas Filipino Workers (OFWs) leaving the country on contract labor abroad. Using first differences tests and lagged variables to control for endogeneity, the regression results show a strong, statistically significant relationship between the increase in the number of Filipinos enrolling and graduating from tertiary schools and an increase in the number of OFWs, controlling for other factors. Furthermore, the results of a seemingly unrelated regression illustrate that there is a statistically significant relationship between tertiary enrollment and working age OFWs (ages 25 to 49) and no statistical significance relationship with school age OFWs (24 years and younger) and older OFWs (50 years and older). On the other hand, using regional-level data from the Technical Education and Skills Development Authority, technical skills and vocational training have a statistically significant negative impact on the number of OFWs leaving the country, controlling for other factors. As more Filipinos get training from TVET, the less likely they are to leave for work abroad. This difference in outcomes reveals that a more autonomous and largely unregulated tertiary educational system gears training towards out-migration, whereas the more state-controlled technical skills and vocational educational system focuses on local employment.

The Philippines' post-secondary education management has an impact on labor market outcomes. Both tertiary educational (62%) and vocational educational (75%) systems in the Philippines are dominated by private schools.³⁹⁴ At the national-level, tertiary schools produced about 220,000 to 410,000 graduates annually during the 1989 to 2004 period (refer back to figure 5.3 for trend lines).³⁹⁵ During the same time period, schools providing training for TVET produced between 182,000 to 1.1 million graduates a year. The tertiary system relies heavily on voluntary accreditation for quality control and a more “invisible hand” approach to education; in contrast, the curriculum and direction of the TVET system is managed by a “guiding hand” from the Philippine government's TESDA. Depending on the profession, tertiary graduates usually take a professional board exam to prove their competency in their field. Students are not required to pass the board exams in order to graduate, but passing scores are required to practice certain professions such as engineering, nursing, medicine, and law. These board exams are administered by the Philippine Professional Regulation Commission and passage rates vary by program. As shown in chapter 3, public tertiary schools have a much higher passage rate than private ones, perhaps an indication that the quality of instruction for passing the board exams are higher in public universities. On the other hand, TVET graduates are required to pass competency examinations in order to be “certified” as a TVET graduate.³⁹⁶ This certificate is used as proof that the TVET graduate is ready to work as a skilled worker. In 2001, about 145,000 out of the 185,000 or 78% of TVET enrollees were certified through the national competency assessment examination.³⁹⁷ Assessments of the TVET system show that over 60%

³⁹⁴ These statistics are both for 2010. Tertiary educational institutions data is provided by Philippine Commission on Higher Education and for Technical Skills and Vocational Education by the Technical Education and Skills Development Authority.

³⁹⁵ For trend lines refer back to figure 5.3 Source for data is Philippine Statistical Yearbooks, various years.

³⁹⁶ Augusto Boboy Syjuco, “The Philippine Technical Vocational Education and Training (TVET) System,” (Manila: Technical Education and Skills Development Authority, 2005), 11.

³⁹⁷ Ibid.

of graduates eventually join the domestic labor force.³⁹⁸ While the tertiary educational system continues to contribute to an educated unemployment problem that Philippine labor economist Edita Tan claims is an outcome of the flexibility of private higher educational institutions to quickly adjust their curriculum to train Filipinos for overseas labor markets.³⁹⁹

Tan's analysis is especially true for nursing. The Philippines has more trained nurses per capita than anywhere in the world.⁴⁰⁰ About 60 percent of those trained for nursing eventually leave the country to work abroad, whereas the rest either are unemployed or employed in a non-nursing occupation (in Philippines or abroad).⁴⁰¹ Private schools in the Philippines are able to supply this market since there is no cap to the number of nurses that can be trained. Instead, as discussed in chapter 3, the profession is regulated by the Philippine Regulation Commission for issuing licenses based on board examinations. Labor export continues to profit private tertiary schools that can provide for both labor markets simultaneously without restrictions from the government. The private tertiary educational system is globally responsive because it relies on private rather than public funds to finance the education of Filipinos working overseas, thereby allowing it the flexibility to meet the changing demands of overseas employers.⁴⁰²

While most of the literature on the nexus between migration and economic development focused on debates between “brain drain”, “brain gain” or “brain circulation”, this thesis provides evidence that a “brain overflow” is being created deliberately through a Philippine tertiary educational system that is training Filipinos for labor export. Tertiary education is feeding the labor export market. When Filipinos attend tertiary educational institutions, there is

³⁹⁸ Augusto Boboy Syjucu, “The Philippine Technical Vocational Education and Training (TVET) System.”

³⁹⁹ Edita Tan, “Migration in an Open-Education Labor Market.” Paper presented at the International Conference on Remittances, Manila, Central Bank of the Philippines, March 30-31, 2009.

⁴⁰⁰ World Health Organization, *World Health Statistics 2005* (Geneva: World Health Organization, 2005).

⁴⁰¹ A. King, “Philippines,” in Y. Atal and L. Dall'Oglio (editors), *Migration of Talent: Causes and Consequences of Brain Drain* (Bangkok: UNESCO: 15-118).

⁴⁰² Florian A. Albuero and Danilo I. Abella, “Skilled Labour Migration from Developing Countries: Study on the Philippines,” *International Migration Paper Series*, no. 51 (Geneva: International Labour Office, July 2002), 20-21.

an expectation for higher returns to investment in school. But the domestic labor market is limited in job offerings that can offer high returns to education. As discussed in section II, a dual labor market exists where tertiary graduates could gain higher returns to their education by going abroad working in the primary (white-collar) or secondary (blue-collar) jobs rather than staying in the domestic labor market. From 1975 to 2011, the growth trends in figures 5.1 and 5.2 show that white-collar employment in the domestic labor market grew slowly compared to the overseas labor market. On the other hand, the number of blue-collar jobs showed a much larger growth trend domestically and also abroad—about 50% of OFWs with a college degree or higher in 2001 take blue-collar jobs.⁴⁰³ As discussed in section II, there has been a high growth of tertiary-educated Filipino domestic helpers working abroad. As dual labor market theorists propose, even though domestic work and blue-collar jobs would be considered “low-status and low-paying” jobs in the domestic economy, the distance away from their homes and higher-pay makes the job desirable among tertiary-educated Filipinos working abroad.⁴⁰⁴

⁴⁰³ Analysis of the *Survey on Overseas Filipinos* 2002.

⁴⁰⁴ Dual labor market theorists have shown that social status is important in determining whether or not someone is willing to take a blue-collar job. Migrants, by their nature, are away from the social community they grew up with, and are more willing to take blue-collar jobs abroad because of this distance.

Chapter 6 – Conclusion

“Immediately after launching the Philippine overseas employment program in the wake of the OPEC oil embargo in the early seventies as the Philippine labor minister, I saw the South Koreans jostling our Filipino workers for jobs in the Middle East. Twenty years later, South Korea has stood the labor market on its head, and is now importing workers from the Philippines and the rest of Southeast Asia to relieve the acute manpower shortages in its small and medium-scale industries.”⁴⁰⁵

-Blas F. Ople, former Minister of Labor, Government of the Philippines

This dissertation examined the effects of postsecondary education on out-migration in the largest organized labor exporting country in the world.⁴⁰⁶ Two overarching themes were explored. First, to explain why the Philippines created the labor export program in 1974 by investigating the qualitative features of two interrelated problems that created the conditions for labor export: (1) fast growth of higher educational institutions, and (2) slow growth of the domestic labor market to absorb high-skilled labor. The Philippine state’s management of tertiary education—a laissez-faire approach with incentives for private sector participation—combined with a weak labor market unable to absorb the graduates led to a large educated unemployed population. The 1974 labor export policy and state control of human capital development under President Ferdinand Marcos were strong state interventions designed to address the twin problems of development failure that he inherited. Second, to explain why the labor export program has persisted for more than four decades by examining how the political and economic factors of out-migration led to the creation of more state institutions for facilitating emigration, and using quantitative methods to empirically test the relationship between postsecondary education and overseas employment. Over time, the labor export program

⁴⁰⁵ Blas P. Ople, “The Korea Challenge,” *The Manila Bulletin*, May 11, 2003.

⁴⁰⁶ Labor exporting nation-state means that the government has developed a deliberate policy and government institutions to facilitate the movement of its citizens abroad for work.

became entrenched in Philippine political, economic, and social institutions. The management of post-secondary educational institutions continues to matter in explaining whether or not Filipinos leave the country as the loosely regulated tertiary educational system continues to train graduates for labor export, and the state-controlled technical and vocational educational system continues to produce trainees for the domestic labor market.

These themes rest on four main arguments. The first argument outlined in chapter 2 maintains that during the 1898 and 1972 period, a weak Philippine state produced an educated unemployment problem that was itself an outcome of two interrelated problems: (1) an overdeveloped higher educational system that resulted from a hands-off approach to tertiary education and state incentives for private sector participation, and (2) economic policies developed prior to 1972 that rapidly dislocated the domestic labor force to modernity (favoring urban to rural areas, industrial/services to agricultural sectors, and white collar jobs to blue collar ones). The Philippines provided the education needed by this new economy because of the unregulated nature of higher educational institutions (HEIs) as well tax laws and incentives that created a large amount of autonomous private HEIs that produced large numbers of degree holders who were unemployable or underemployed. The Philippine state continued to have weak control of human capital development, especially with private tertiary schools that were owned by a powerful landed elite. Tax incentives for owning private tertiary schools such as a real estate tax waiver, lower income tax rates, and few government regulations made it easier to supply tertiary education. School owners benefited and profited from these policies. The structure of government incentives laid before higher educational institutions (HEIs) and the dislocating affects of industrial growth that increased demand for education led to an oversupply of degree holders. Even though education in the Philippines became a model for other

developing nations because it managed to expeditiously provide schooling to the mass population at all levels, the domestic labor market could not absorb high-skilled labor in the domestic labor market. Instead, the Philippine state had a major challenge of balancing the interests of elites that benefited from past economic and colonial policies with the need to develop the Philippine economy to generate employment in the labor market.

The struggle between industrialist interests that wanted import-substitution industrialization versus land-owning elites that wanted export-oriented industrialization took a toll on the country's economic development path. These twin problems of development failure, driven by education and conflicting economic development policies created a new generation of Filipinos that had the desire to live and work in the urban and modern sectors, rather than in the rural and agricultural areas. Education was viewed as the key to opening opportunities to the modern and urban economy and private schools quickly responded to this demand.

Second, the inability of the Philippine economy to absorb Filipinos obtaining tertiary education became a major political problem for the Philippine government. Political unrest from the young, educated, and urban population pressured the Philippine state to take action.⁴⁰⁷ In the late 1960s and early 1970s, President Ferdinand Marcos imposed more state control over human capital development and employment generation by declaring martial law in 1972. Marcos and his technocrats responded with several strategies: increasing the government bureaucracy, creating public works projects, expanding the public system of higher education and creating technical and vocational education to produce graduates who could be absorbed into the domestic labor market. Furthermore, some measure of control over private tertiary schools was achieved by incentivizing private accrediting associations to develop higher standards and by

⁴⁰⁷ Robert W. Cox, "Education for Development," *International Organization*, vo. 22, no. 1 (Winter, 1968: 310-331), 322-335.

creating the Professional Regulation Commission to implement professional board examinations for many professions. Rather than reforming the tax laws applicable to private schools or regulating the curriculum and courses that could be offered, the Marcos government developed state institutions to complement them by offering courses in fields for which there was less demand, but also a short supply in the domestic labor market: agriculture, vocational education, and technical skills training. But because of the magnitude of the educated unemployment and underemployment problem, and the difficulty of regulating the large pool of highly autonomous private HEIs, the government needed another avenue to deal with this major political problem. In 1974, the labor export policy created by the state to facilitate the exportation of Filipinos to overseas labor markets allowed the state to create employment opportunities for tertiary graduates, while continuing to allow private higher educational institutions to supply degrees that may not necessarily be aligned with domestic labor market needs.

Thirdly, after the introduction of the 1974 labor export policy, emigration colored the entire Philippine economy—Filipino households, government, and private businesses. Chapter 4 argues that political pressures from overseas and migrant households and the economic benefits of emigration lead to the growth of state involvement in emigration. The high returns for emigration in the form of remittances, the profits reaped by private recruitment agencies, the spawning of remittance transfer companies, and the increase in foreign currency received by the state all contributed to the entrenchment of labor export into Philippine society. As the overseas employment program became more popular, “the prospect” of emigration motivated Filipinos to study for college degree programs to get higher returns from their human capital.⁴⁰⁸ As the Filipino population abroad was growing, issues involving their welfare sparked political

⁴⁰⁸ Devesh Kapur, *Diaspora, Development, and Democracy: The Domestic Impact of International Migration from India* (Princeton: Princeton University Press, 2010), p. 23-24.

problems in the domestic political sphere. The Philippine Congress extended state institutions for protecting overseas workers and give them full representative rights while abroad, including voting and dual citizenship. Through these emigrant institutions, the Philippines extended the arm of the state overseas so that Filipinos, private businesses, and government could reap the benefits of the labor export program. The Philippine labor export program became a global model for migrant-sending nations, not only for facilitating overseas employment, but for creating an innovative set of government institutions developed to monitor, protect, and represent Filipinos abroad.⁴⁰⁹

The need for jobs, foreign currency, and to appease the “voice” of a discontented population benefited the Philippine government. As shown in chapter 4, reduction of educated unemployment and remittances are a huge return for sending migrants to work abroad.⁴¹⁰ The large influx of remittances from its emigrants abroad kept the nation afloat and even insulated the country’s economy from global economic shocks like the East Asian financial crisis and the U.S. Great Recession.

Lastly, in chapter 5 this dissertation argues that the way the Philippine state manages postsecondary education affects emigration. Tertiary schools are managed through a *laissez-faire* “invisible hand” whereas technical skills and vocational schools are closely managed by a “guiding hand” through the state’s Technical Education and Skills Development Authority (TESDA). Using regional-level data for years 1989 to 2004, regression analysis was used to empirically test for the relationship between post-secondary education (tertiary education and technical skills-vocational education) and overseas employment. The results show a sharp difference between tertiary and technical-skills vocational education on out-migration. Using a

⁴⁰⁹ Patricia Sto. Tomas, “Filipinos Working Overseas: Opportunity and Challenge,” in *World Migration 2005: Costs and Benefits of International Migration* (Geneva: International Organization for Migration, 2005: 239-252).

⁴¹⁰ “The View from Afar,” A Survey of Migration, *The Economist*, November 2, 2002, 11-12.

first difference test and lagged variables to control for endogeneity, the regressions show a strong statistically significant relationship between tertiary enrollment (3 to 4 years earlier), tertiary graduates (1 year earlier) and overseas employment. Furthermore, a seemingly unrelated regression model shows that tertiary enrollment has an impact on working age OFWs (25 to 49 years old) and not on school age OFWS (24 years and younger) or older OFWs (50 years and older). The regression results for technical and vocational education (TVET) show a different relationship with out-migration. For the same time period (1989 to 2004), the regression results show that TVET led to decreases in the number of Filipinos leaving to work overseas. The implication of these results is that the flexible nature of private tertiary schools allows them to adjust their curriculum to meet the demands of Filipinos to be trained for overseas jobs. On the other hand, the highly regulated technical and vocational education system is producing Filipinos who stay and work in the Philippines. Even though technical and vocational education is also predominantly offered by private institutions, the Philippine government's "guiding hand" through TESDA ensures that vocational schools are producing trainees for the domestic labor market and not for out-migration.

Chapter 5 also shows the types of occupations Filipinos hold within the domestic and overseas labor markets. Although Filipino college graduates are migrating abroad, they do not necessarily work in fields related to their degrees. A large majority of OFWs are college degree holders, yet a large proportion of these are working in occupations within what dual labor market theorists call the "secondary labor market" (blue-collar jobs). Furthermore, chapter 5 shows there are high returns to overseas employment when comparing the wages of those working overseas with their Philippines-based peers.

Generalizability and Further Comparative Research

This analysis of the Philippine case helps to narrow the possible explanations for why countries have or may develop policies to export their people to work overseas. Although limited in its ability to explain all labor exporting states, it identifies the following key variables for the genesis of labor export policy in the Philippines:

- Weak state control of higher educational institutions (particularly those in the private sector)
- Lack of domestic employment generation to absorb educated workers
- Presence of an educated unemployment problem
- Political pressures from the educated unemployed.

Through the case study of the Philippines, this dissertation illustrates the complex confluence of push and pull factors of international labor migration. This dissertation goes beyond traditional explanations in the international migration literature and develops a new framework that analyzes the interaction between both push and pull factors.

The Philippine educational system, particularly the large private tertiary schools, produced the “push” for Filipinos to emigrate. Advances in the Philippine educational system created a dilemma: whether to produce human capital for the domestic or overseas labor markets. This dissertation argues the higher educational institutions adopted in the Philippines became a system that lifted Filipinos’ expectations in two primary ways: (1) that education would yield financial returns in the form of higher wages as compared to the local domestic labor market and (2) that the traditional close link between social position and work was broken when Filipinos migrated abroad, making it easier to justify accepting overseas positions in jobs that would be deemed undesirable in the domestic labor market.

Once labor export became state policy, the following variables explain continued reliance on overseas labor markets and the development of emigrant institutions:

- The state's management of postsecondary educational institutions
- A large and growing overseas population that had reaped high returns to their investments in education and emigration
- The state's need for foreign currency for balance of payments of government accounts
- The private sector's reliance on the income generated from Filipinos' aspirations to work abroad
- Political responses to protecting the welfare of emigrants abroad.

In the short run, labor export became a means of increasing the domestic labor market's capacity to absorb the surplus human capital produced by higher educational institutions. Overseas labor markets provided Filipinos and their households with higher incomes than most jobs in the Philippines and it provided the Philippine government with a significant amount of foreign currency to help fuel the Philippine peso. But in the long run, the remittances empowered Filipinos to spend on goods imported from abroad, and may have crippled long-term development plans. Exporting labor made it harder for the Philippines to produce valuable exports because the flow of foreign currency through remittances keeps the value of the domestic currency higher, creating disincentives for the local economy to export tradable goods. Instead, it gave the Philippine government more power to continue debt-driven growth by providing a currency lifeline that it used to borrow from international financial institutions. Over time, the Philippine government found itself stuck in a cycle of exporting of its labor force and relying on the remittances sent home by that labor force to fund debt-driven growth. Private businesses reaped profits from educating and recruiting Filipinos for overseas jobs and the salaries they remitted back to the country. The loosely regulated tertiary educational system adjusted its

curricula to target Filipinos who wanted to work abroad. But on the other hand, the more highly controlled technical skills and vocational educational training system trained and continues to train Filipinos for the domestic labor market. Filipinos also became dependent on the labor export strategy since they wanted more for their investment in education, including increased consumer spending power, household debt reduction, and education for their children.

As skilled labor for export became the Philippines' competitive advantage and specialty in the global economy, there was little incentive to transform its domestic economy to produce the types of jobs that would absorb domestically educated labor. Conventional trade theorists would argue that this is a positive outcome: the Philippines is collecting high returns from exporting a tradable good that is desirable in the world market. But in the long run, as this study shows, this produced a debilitating dependency that transformed the Philippine economy into "a race to be trained for export" that continues to this day. All domestic institutions (educational, financial, and social) produce political incentives for the government and the people to create institutions that increase and manage the flow of labor abroad.

The politics surrounding the overseas labor market further institutionalized labor export as part of Philippines' strategy for economic development. Ever since President Ferdinand Marcos and his Labor Minister Blas Ople created the 1974 labor export policy, subsequent leaders have been obliged to react to the political pressure exerted on the country by overseas Filipinos. Domestic institutions dealing with emigration were created to mediate the politics that emerged from these individuals' participation in the global labor market.

Need for Comparative Cases

A comparison with other countries would certainly help advance this dissertation's analytic framework. An ideal case for comparison would be a country that has a large private

higher educational system, a labor export policy, and the development of emigrant institutions. Other possibly helpful comparative elements include (1) the presence or absence of labor export policy over time, (2) differences in educated and overall unemployment rates, and (3) centrally controlled private higher educational institutions. The best candidate for examining the relationship between labor export and private higher education is South Korea, a country that seems to compare and contrast well with the Philippines across the variables relating to labor migration and higher education examined in this dissertation.

Similarities and Differences with the South Korean Case

The experience of South Korea may tell us much about the Philippines and vice versa. As Blas Ople noted, he saw South Korea as the model for developing the Philippine labor export policy during his time as Minister of Labor and Employment in the 1970s.⁴¹¹ South Korea's labor export policy began in the early 1960s when mine workers and nurses emigrated to West Germany due to a lack of job opportunities in South Korea itself.⁴¹² By the 1960s and into the 1980s, South Korea had the largest East Asian presence in the Middle East.⁴¹³ All the while, the South Korean government followed a deliberate labor export policy that centered on construction companies that held contracts throughout the Middle East and Asia.⁴¹⁴ It created the policy for facilitating the emigration of Koreans to export the surplus labor that existed in the domestic economy, while at the same time alleviating the labor shortage that existed in the Middle East for

⁴¹¹ Cesar Virata, former Prime Minister of the Philippines under President Ferdinand Marcos, Personal Interview, January 19, 2005; Patricia Sto. Tomas, Secretary of Labor and Employment, Republic of the Philippines, Personal Interview, July 22, 2004.

⁴¹² Kil-Sang Yoo, "Financial Crisis and Foreign Workers in Korea," Paper presented at Research and Seminars at the University of California at Davis, March 2006, available at http://migration.ucdavis.edu/rs/more.php?id=61_0_3_0.

⁴¹³ L. Huan-Ming Ling, "East Asian Migration to the Middle East Causes, Consequences, and Considerations," *International Migration Review*, vol. 18, no. 1 (Spring 1984: 19-36), 26.

⁴¹⁴ Jin Ho Choi, "International Migration, Human Resource Development and Migration Policy in Korea." *Asian and Pacific Migration Journal*, vol. 10, no. 3-4 (2001: 463-483), 463; Philippine Labor Review, "Manpower Requisition Procedures in Korea," *Philippine Labor Review*, vol. 4, no. 2 (Second Quarter 1979: 57-66), 57-60.

small- and medium-sized firms that needed workers for that region's construction boom.⁴¹⁵ Labor export also played an important role in steering foreign currency towards government coffers to improve South Korea's balance of payments and relieve the country's unemployment problems.⁴¹⁶ In contrast to the Philippines, however, South Korea seems to have shifted course in the 1990s when the country's rapid economic development demanded that much of its workforce stay home.⁴¹⁷

South Korea also has the largest percentage of students enrolled in private higher education institutions (HEIs) (ranked number one in the world according to the Program for Research on Private Education (see figure 6.1). Over 80 percent of all tertiary-level students in South Korea attend private schools and 87 percent of all higher education institutions are private. But "private" HEIs for South Korea are not necessarily as free from state control as their peer institutions in the Philippines. The Education Act gives the Korean Ministry of Education authority to supervise both private and public schools to ensure uniformity.⁴¹⁸ Among other things, this means that each educational institution in Korea does not have its own charter.⁴¹⁹ This gives the Korean State full control over the type of degrees and programs that can be offered at all colleges and universities. On the other hand, the Philippines's system features highly autonomous private schools that have full control over their curriculum.

⁴¹⁵ Lee Kyubang, "South Korean Construction Industry in Southeast Asia," in Daljit Singh and Reza Y. Siregar, *ASEAN and Korea: Trends in Economic and Labour Relations* (Singapore: Institute for Southeast Asian Studies, 1997), 140-143.

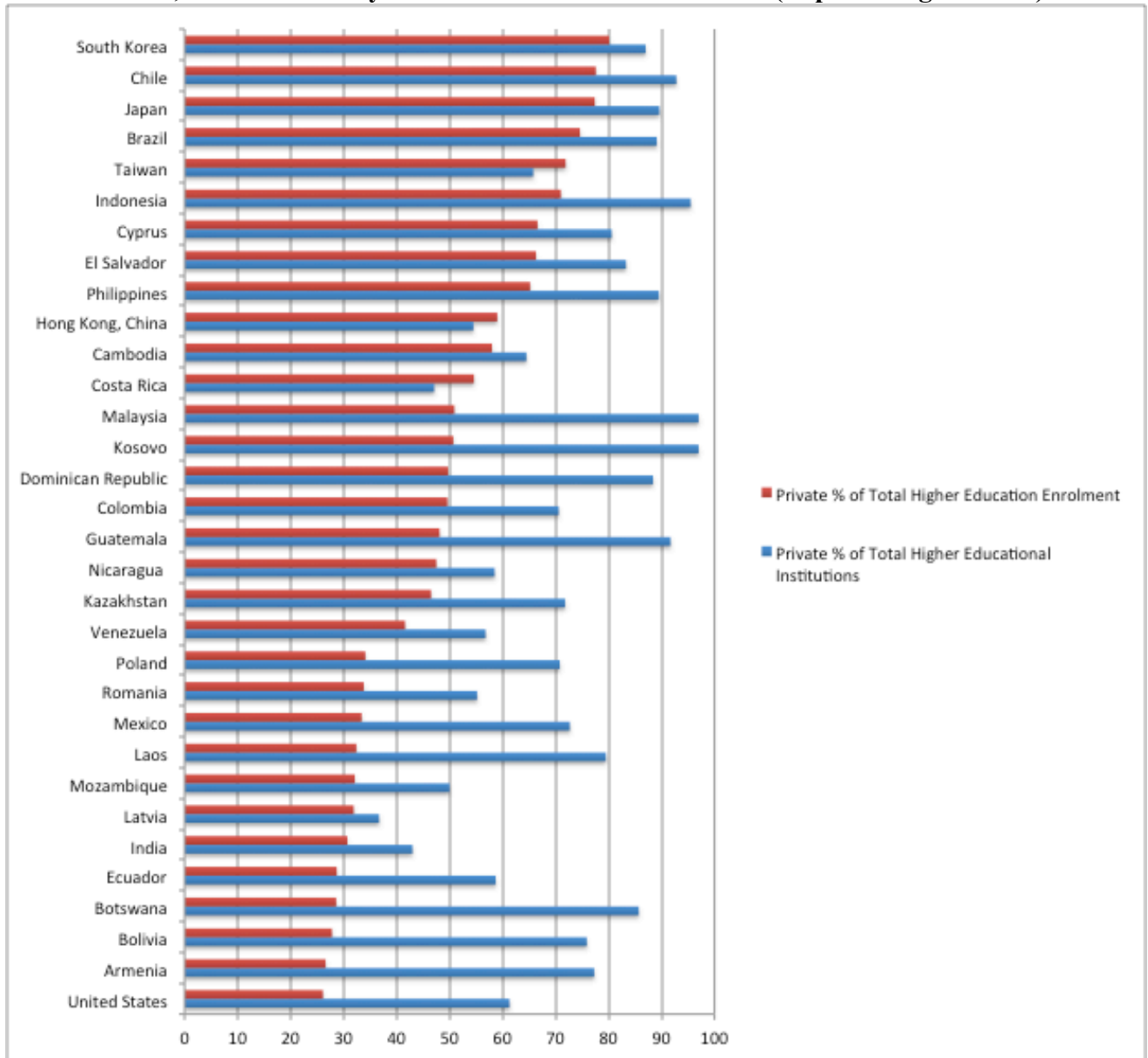
⁴¹⁶ Young-bum Park, "The Turning Point in International Migration and Economic Development in Korea," *Asian and Pacific Migration Journal*, vol. 3, no. 1 (1994: 149-173), 149-153.

⁴¹⁷ Young-bum Park, "The Turning Point in International Migration and Economic Development in Korea."

⁴¹⁸ Terri Kim, "Higher Education Reforms in South Korea," *Policy Futures in Education*, vol. 6, no. 5 (2008: 558-568).

⁴¹⁹ Ibid.

Figure 6.1 Top Countries with Enrollment and Number of Institutions in Private Higher Education, based on latest year available between 2001-2010 (as percentage of total)



Source: The Program for Research on Private Education

The key difference between South Korea and the Philippines is that economic development policies adopted by the former transformed the country from a labor exporting state into a modern industrial developmental state.⁴²⁰ Manufacturing became a major force in developing the Korean economy. Between 1965 and 1975 annual growth of employment in manufacturing grew by 11.33 percent in South Korea compared to just 4.13 percent in the Philippines.⁴²¹ In 1978 the percentage of manufacturers who exported goods was 89 percent in South Korea compared to only 34 percent in the Philippines.⁴²² Different economic development policies and control over the higher educational system also produced different labor market outcomes. Since the mid-1980s, South Korea has enjoyed consistently low unemployment rates, even for those with college degrees.⁴²³ In 2010, Korea had an educated unemployment rate of just 3 percent and just 4 percent for those with only primary and secondary schooling.⁴²⁴ Since the 1990s, the country has seen an influx of immigrants who come to fill labor shortages in its domestic industries.⁴²⁵

Emigrant Institutions Comparison

Migrant-sending countries have also responded to pressures from global labor markets in variety of ways. Further research into the variety of emigrant institutions that exist around the world can also provide an understanding of how governments respond to the politics of

⁴²⁰ For a full account of the Korean development state, see Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (Oxford: Oxford University Press, 1992).

⁴²¹ Bank of Korea, *Economic Statistics Yearbook*, various years, 1965-1990.

⁴²² World Development Report, various years. As cited in Gustav Ranis, "International Migration and Foreign Assistance: Concepts and Application to the Philippines," Working Paper, World Employment Programme Research (Geneva: International Labour Organisation, March 1992).

⁴²³ Republic of South Korea, "Issues Paper from the Republic of South Korea," *Migration Issues in the Asia Pacific*, Asia Pacific Migration Research Network. March 16, 2006. Available at <http://www.unesco.org/most/apmrnw12.htm>.

⁴²⁴ World Bank, *World Development Indicators*, Washington: World Bank, 2011.

⁴²⁵ Jin Ho Choi, "International Migration, Human Resource Development and Migration Policy in Korea."

emigration. Civil society groups, non-governmental organizations, private recruitment agencies and state institutions have taken root in many migrant-sending countries. In order to deal with the unbounded space between the sending and receiving countries, some migrant-sending countries have extended the role of their state's institutions. Emigrant institutions such as the Institute for Mexicans Abroad, the Office for Salvadoran Community Abroad, the Bureau of Senegalese Abroad, the Bangladesh Ministry of Expatriates Welfare and Overseas Employment, and the Philippines Overseas Employment Administration appear in countries with large number of emigrants. Some of these institutions formed for the purpose of exporting labor in particular ways:

- (1) by expanding or creating formal bilateral, government-to-government relationships;
- (2) by placing labor attachés in foreign embassies they have sought to identify and develop new possibilities for labor export;
- (3) by establishing training and pre-departure orientation programs they have sought to provide contract workers with specific and general skills for overseas employment;
- (4) by establishing regional and local offices throughout the home country, they have sought to provide information about overseas employment opportunities and to facilitate the processing of workers' applications;
- (5) by streamlining the application process and transportation, they have sought to minimize the recruitment costs spent by both employers and workers;
- (6) through advertising and other forms of marketing, they have sought to widely disseminate information about overseas work through domestic channels; and
- (7) in some countries, governments have actually become involved directly in labor export by establishing a recruitment organization to compete with those in the private sector.⁴²⁶

⁴²⁶ Graeme Hugo and Charles Stahl, "Labor Export Strategies in Asia," in Douglas S. Massey and J. Edward Taylor (eds.), *International Migration: Prospects and Policies in a Global Market* (Oxford: Oxford University Press, 2004), 179.

Will the Philippines Evolve from a Labor Exporting State?

Despite achieving a highly educated population earlier than its neighbors, the Philippines fell behind the so-called “Asian Tigers” by the 1980s and since then is more aptly called the region’s “stray cat.” Even a cursory comparison between the Philippine case and the South Korean one reveals that the Philippines was simply unable to develop its domestic economy to generate employment opportunities for graduates of its colleges and universities. But recent economic indicators show that the country is growing quickly and is now considered one of the four most promising economies in the world along with Turkey, Indonesia, and Mexico (the so-called “TIMP” group).⁴²⁷ In 2012, the Philippines experienced a 6.6 percent economic growth rate, second only to China.⁴²⁸ Furthermore, the Philippine Stock Exchange exploded by 30 percent over the past year and the country received an “investment grade status” from Standard and Poor’s and Fitch.⁴²⁹ With these promising economic indicators, will the Philippines move away from being a labor exporting state and take on the status of a developmental state? This dissertation suggests that the answer to this question depends on whether the Philippine state is able to shift its thinking and resources towards managing the country’s postsecondary educational institutions to train Filipinos for the domestic labor market.

⁴²⁷ Conrad de Aenlle, “BRICs, move over. TIMPs are the new emerging market stars,” *Reuters*, March 28, 2013. Available at <http://www.reuters.com/article/2013/03/28/us-column-deaenlle-timps-idUSBRE92R0IF20130328>.

⁴²⁸ John Otis, “Filipino Job Seekers Come Home,” *GlobalPost*, June 6, 2013. Available at <http://www.globalpost.com/dispatch/news/regions/asia-pacific/philippines/130529/philippines-job-seekers-economy-ofws>.

⁴²⁹ *Ibid.*

Appendix I

Detailed Description of Occupation Types Abroad

| Type | Broad Category | Specific Occupations |
|-------------|---|---|
| Type 1 | Professional, technical and related workers (includes entertainers) | -Medical, dental veterinary and related workers -Aircrafts and Ships' officers -Architects, Engineers and related technicians -Composers and performing arts -Sculptors, painters, photographers and related creative artists -Teachers (including supervisors and principals) -Mathematicians, statisticians, system analysts and related workers -Other |
| Type 2 | Managerial, executive and administrative workers | -same as broad category |
| Type 3 | Clerical workers | -Clerical and related workers NEC -Bookkeepers, cashiers and related workers -Computing machine operators -Telephone and Telegraph operators -Secretaries, stenographers, typist and card/tape-punching machine operators -Other |
| Type 4 | Sales workers | -Salesmen, shop assistants and related workers -Sales supervisors and buyers -Others |
| Type 5 | Service workers | -Helpers and related housekeeping service workers NECK -Cooks, waiters, bartenders and related workers -Building caretakers, cleaners and related workers -Service workers NEC -Hairdressers, barbers, beauticians and related workers -Protective Service Workers -Others |
| Type 6 | Agricultural, animal husbandry, forestry workers and fisherman | -Agricultural, and animal husbandry workers, fishermen hunters and related workers -Others |
| Type 7 | Production process workers, transport equipment operations and laborers | -Transport equipment -Bricklayers, carpenters and other construction workers -Electrical fitters and related electrical and electronics workers -Plumbers, welders, sheet-metal and structural metal preparers and erectors -Machinery fitters, machine assemblers and precision-instrument makers -Laborers NEC -Tailors, dressmakers, sewers, upholsterers and related workers -Material handling and related equipment operators -Painters -Production and related workers NEC -Production supervisors and general foreman -Blacksmiths, toolmakers and machine-tool operators -Food and beverages processors -Furniture makers and related workers -Stationary Engine and Related Equipment Operators |

Appendix II
Categories of Blue-Collar and White-Collar Jobs

| Job Type | Broad Occupational Category |
|---------------------|---|
| Blue-Collar | <p><u>For Years 1975-2000:</u></p> <ul style="list-style-type: none"> • Type 4: Sales Workers • Type 5: Service Workers • Type 6: Agricultural, animal husbandry, forestry workers and fishermen • Type 7: Production process workers, transport equipment operations and laborers <p><u>For Years 2001-2011:</u></p> <ul style="list-style-type: none"> • Type 5: Service workers, shop, and market sales workers • Type 6: Farmers, forestry workers and fishermen • Type 7: Trade and related workers • Type 8: Plant and machine operators and assemblers • Type 9: Laborers and unskilled workers |
| White-Collar | <p><u>For Years 1975-2000:</u></p> <ul style="list-style-type: none"> • Type 1: Professional, technical and related workers • Type 2: Managerial, executive and administrative workers • Type 3: Clerical workers <p><u>For Years 2001-2011:</u></p> <ul style="list-style-type: none"> • Type 1: Officials of Government, Special-interest organizations, corporate executives, managers, managing proprietors and supervisors • Type 2: Professionals • Type 3: Technicians and associate professionals • Type 4: Clerks |

Note: The Philippine National Statistics Office changed categories of occupations in 2001, which means that there are different occupational types for years 1975-2000 and 2001-2011.

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