

*Path Dependence, Increasing Returns, and  
Philippine Labor Migration Policy*

INTRODUCTION

Judging from past and present trends in labor migration, Filipinos truly are conquerors of the world. Filipino nurses, domestic helpers, entertainers, engineers, teachers, construction workers, and other workers are present in all corners of the globe. But the phenomenon is a double-edged sword. On one hand, it has tremendously improved the economic well-being of many Filipinos as well as the country; on the other hand, it has resulted in a depressing social hazard. Despite the accompanying adverse effects, labor migration has persisted and steadily increased over the years. Beginning as a temporary economic solution of the Marcos regime, it has been institutionalized into an enduring labor and foreign policy of the subsequent governments of Aquino, Ramos, and Arroyo.

To examine the persistence of the labor migration policy, this study uses a path dependent framework. Here, the traditional proposition that a poor economy is a pivotal factor for starting and sustaining labor migration is maintained. However, the study contends that another compelling factor has risen after the adoption of the policy. And this factor has produced strong

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incentives for maintaining the policy. This paper argues that the labor migration policy over time has generated increasing returns that reinforce it, making it path dependent.

As a limitation, the increasing returns dynamics considered for the labor migration policy focused mainly on the sending country. Also, the migrant worker in this study is as defined in Republic Act no. 8042: “a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a state of which he or she is not a legal resident.” Moreover, the term “Filipino migrant workers” will not distinguish between documented and undocumented migrant workers.

#### **A FRAMEWORK FROM ECONOMICS TO POLITICAL SCIENCE**

As a theoretical framework, the concept of path dependence gained prominence in the realm of economics via the study of technology. It has been asserted that, even though a particular technology may not be the most efficient, it can gain a decisive advantage over its competitors because of the increasing returns it generates over time (David 1985, Arthur 1994, Pierson 2000). Here, the compelling property of path dependence was equated with the increasing returns produced by the technologies; “with increasing returns, actors have strong incentives to focus on a single alternative and to continue down the specific path once initial steps are taken in that direction” (Pierson 2000, 254).

The most prominent work in technology is the classic work of David, *Clio and the Economics of QWERTY* in 1985, where he expounded the rationale

behind the dominance of the “QWERTY” keyboard from the vintage typewriter to the sophisticated computer. He stressed that the said keyboard became the universal standard due to specific “accidental” historical events that provided it with the initial lead over its competitors. And this lead was sustained until the present as a result of increasing returns— managers prefer to buy typewriters with a widely accepted keyboard design that is recognized by the majority of typists; aspiring typists seek to learn through the extensively used keyboard design (Puffert 1999). David asserted that the relation ultimately developed into a historical “lock-in” to the QWERTY system so that despite the later challenge of other more efficient keyboards, such as Dvorak Simplified Keyboard (DSK), the QWERTY design prevailed. He further argued that the design prevails because of the interworking of three features: (1) technical interrelatedness, as in the case of keyboards and typists; (2) economies of scale, as the bigger the market share the more valuable the keyboard system becomes; and (3) quasi irreversibility, as switching from one keyboard system to another entails a huge cost (David 1985, Puffert 1999).

The competition between the two video formats— VHS and Beta as illustrated by Brian Arthur in 1994, *Increasing Returns and Path Dependence in the Economy*— provided another classic work on path dependence vis-à-vis technology. He pointed out the role of increasing returns in maintaining the market lead and developing a configuration of an “irreversible” path. The early market share lead of the VHS video format over the Beta, through increasing returns, such as the benefit of compatibility with consumers, further increased until the VHS became the standard. Here, the decision of early

consumers to adopt the VHS had a significant influence on the decision of later consumers to adopt the same.

In the same work, Arthur pointed out that not all technologies have qualities that produce increasing returns. To generate increasing returns, certain characteristics must be present. He enumerated four properties of technologies that are capable of producing massive increasing returns (Arthur 1989, 1994):

1. Large setup or fixed costs. This property would generate higher pay-off, since the high costs encourage individuals and organizations to stick to it and maximize their investment through either further investments or a large production output.
2. Learning effects. Learning through time generates familiarity, efficiency, and innovations that come at a lower cost but with higher returns.
3. Coordination effects. This pertains to “positive network externalities,” which increase benefits through time if others adopt or develop infrastructure compatible with the technology.
4. Adaptive expectations. Strong incentives are based on the “self-fulfilling character of expectations.” Individuals or organizations adapt to what they believe would be the more prevalent or dominant technology in the future.

The property of increasing returns has been utilized beyond technology. It has been applied to a variety of economic contexts. Among the most prominent are the areas of economic geography, economics of trade, and economic change. As a consequence, this property has immensely broadened the expanse of path dependence in the realm of economics.

Economic geography pertains to the spatial location of production. Here, increasing returns can be seen through the “agglomeration effects,” whereby initial centers of economic activity may act like a magnet and influence the locational decisions and investments of other economic actors (Krugman 1991, Arthur 1994). This idea has been used to explain the pervasiveness of pockets of specialized economic activity (Pierson 2000).

In the economics of trade, the primary concern is the development of a highly specialized niche that gives comparative advantages to a particular country. Here, knowledge-intensive sectors are deemed susceptible to increasing returns, which would translate into a high degree of specialization (Krugman 1996, Pierson 2000). Hence, a country that gains an initial lead in a particular area would likely consolidate its advantage over time.

In economic change, the concept of increasing returns has been used to explain economic growth. In this analysis, increasing returns emphasize the significance of complementarities, where various economic activities complement other related activities (Milgrom and Roberts 1990). Improvements in the core activity will redound to the improvement of related parts or activities, and such improvements in turn would increase the

attractiveness of the core activity (Pierson 2000).

The suitability of the concept of increasing returns in the study of politics has also been examined. The preliminary link was provided by North in his Nobel Prize winning work *Institutions, Institutional Change, and Economic Performance*. He applied the principle of increasing returns to institutions, thus, highlighting the nexus between path dependence and the pattern of institutional emergence, persistence, and change. In explaining the anomaly in the economic performance of developing countries, North (1990) argued that institutions generate a self-reinforcing mechanism that is biased in maintaining the status quo and significantly works against reversals. The arguments were built on two primary assumptions. First, that (following Arthur's principle of increasing returns vis-à-vis technologies) increasing returns in technology is applicable to institutions. The large setup or fixed costs, learning effects, coordination effects, and adaptive expectations produce powerful inducements that influence the pattern of development of institutions. Second, the principle of increasing returns is not solely focused on a single institution, but more powerfully in institutional arrangements. In time, institutions establish a complementary configuration of organizations and institutions. This configuration later generates what North calls "the interdependent web of an institutional matrix," which would warrant massive increasing returns.

Following the lead of North, Pierson fortified the utilization of path dependence and its core property – increasing returns in the realm of politics. In the article *Path Dependence, Increasing Returns, and the Study of Politics* published in 2000, Pierson stressed in detail the suitability of increasing

returns in politics. The basic argument he expounded was that, compared with economics, the very nature of politics makes increasing returns more pervasive. He cited four factors of political life that generate increasing returns: “the prominence of collective activity in politics, the central role of formal change-resistant institutions, the possibility for employing political authority to magnify power asymmetries, and the great ambiguity of many political processes and outcomes” (Pierson 2000).

Pierson (2000) also supplemented the path dependence paradigm by furnishing two additional hindrances that make reversal in politics difficult. First is the short time horizon of political actors, and second is the bias of political institutions for the status quo. The former emphasized the proclivity and interest of political actors to discount long-term in favor of short-term consequences. The rationale is the logic of electoral politics, where the decisions of the electorate are taken on the short-run basis. The bias of political institutions accentuates the natural key feature in the creation and development of public policies and formal institutions— to bestow stability. Institutions are primarily designed to oppose their overturn and to bind the political actors creating them and those succeeding them. Pierson also pointed out that the two powerful correcting mechanisms in an economic system— competition and the learning process— are ineffective in the political context.

In political science, the groundbreaking work on path dependence was made by Ruth and David Collier. In their classic article in 1991— *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America*— path dependence was advanced into a legitimate framework

for analysis. The Colliers developed comprehensively the “critical juncture” framework. The framework has three key components: the antecedent conditions that define and delimit the range of choices of the actors; the critical juncture or the point of selection, where actors select contingent choices; and the consequence of the choice, which is the pattern or path created. The path is sustained through the so-called “mechanism of reproduction” (the effect is parallel to positive feedbacks or increasing returns), which generates institutional patterns that endure over time. This makes the path persistent and difficult to reverse.

The critical juncture framework was further utilized by Mahoney (2001) to explain the diversity of regime trajectories. In his article, *Path-Dependent Explanations of Regime Change: Central America in Comparative Perspective*, he argued that “the 19th-century liberal reform period was a critical juncture that locked the Central American countries onto divergent paths of long-term development, culminating in sharply contrasting regime outcomes.” He defined critical juncture based on two categories: first, there must be alternatives on the choice points; and second, once a specific option is chosen, it becomes progressively difficult to return to the original point of having alternatives available. As Mahoney (2001, 113) emphasized, “not all choice points represent critical junctures; only those choice points that close off important future outcomes should be treated as critical junctures.”

It is important to note that path dependence does not mean permanence of the path. Whether it is a specific policy, coalition, institution, or government, “the change continues, but it is bounded change” (Pierson 2000,

265). The increasing returns or the mechanism for reproduction would make sure that the future options are narrowed and costly to reverse. However, change of path, although difficult, is possible. The change usually occurs through the intervention of an “exogenous shock,” which provides the condition that can disrupt or overwhelm the self-reinforcing mechanism of the existing path (Pierson 2000). The condition may give rise to a new critical juncture and structural pattern.

Since its introduction in political science, path dependence has demonstrated its potential as a framework for analysis. It has offered a distinct perspective of social analysis grounded on time and history. Here, “we should turn to history because important aspects of social reality can best be comprehended as temporal processes” (Pierson 2000, 264). In addition, with the suitability of increasing returns for politics, it has raised the ante; “if increasing returns processes are prevalent in politics, then there are fundamental theoretical implications. We need to change the kinds of questions we ask about politics and the kinds of answers that we generate” (Pierson 2000, 263). Finally, as a theoretical approach, path dependence has opened the door to a fertile discourse on policies— do policies continue because they serve a specific purpose, or do policies continue because they are captured by increasing returns dynamics, making change difficult.

Building on the works of the Colliers, North, and Pierson, this study continues the concept of path dependence in political science. It will try to further stretch the analytical capacity of this framework in other avenues in politics, particularly public policy. It will try to provide an in-depth

assessment of the institutionalization of the Philippine labor migration policy from the past to the present. “Identifying self-reinforcing processes helps us understand why organizational and institutional practices are often extremely persistent – and this is crucial, because these continuities are a striking feature of the social world” (Pierson 2000, 265). Hence, this paper will use the path dependence framework with its core property – increasing returns dynamics – to examine the persistence of the labor migration policy.

The paper will also address two highlighted lacunae in migration literature. First, as bared by Gonzales (1998, 151), “surprisingly, few political scientists... have attempted to apply their theories and models to explain the political, policy, and administrative dimensions of this human phenomena [sic]” – labor migration. Second, as indicated by the International Labor Conference (ILC) in 2004 “migration policy is one area where future decisions are constrained by past decisions – there is strong ‘path dependency’.” Thus, the paper will offer a framework from the realm of political science to explain the Philippine labor migration policy, and it will provide literature to substantiate the claim made by ILC that the migration policy is highly path dependent.

#### **PATH DEPENDENCE: BEYOND POOR ECONOMICS**

It is a cliché among social scientists that the bottom line of labor migration, from the vantage of sending countries, is bad economics – the prevalence of unemployment, dire need for foreign exchange, huge disparity in population growth and economic growth, and so forth. Usually the result is an imbalance

in the supply of and demand for labor in the local market. The supply will profoundly outstrip the demand, resulting in a labor surplus. To resolve this imbalance, the typical solution is to export laborers abroad, particularly to countries with a high demand for or in need of cheap labor. Hence, the poor economic performance of a country will usher in the movement of people to other places in the quest for greener pastures.

The economic dimension is widely accepted not only as the basic explanation for the trajectory of the international labor movement (particularly in developing countries), but also as the primary rationalization for the sustainability of labor migration over time. Following this logic, reversing, limiting, or halting the flow of labor migration would demand improvement of the economic stature of a country. "Where the country's economy is unable to grow fast enough to meet the needs of its people, to sustain the growth, and to provide employment, migration is likely to occur and to continue for as long as economic conditions do not change.... With a much-improved economy, a gradual deceleration of labor migration outflows can be expected" (Go 1998, 21 and 26). Although the argument mentioned is highly tenable, it overlooks the existence of another significant factor that reinforces labor migration and works against reversal of the trajectory. Looking closely, one finds that labor migration can sustain itself! The institutionalization of the movement of labor over time can develop path dependence, a pattern where its very progression results in self-reinforcement, putting a significant premium on continuance and intensifying the cost for change.

As the cliché goes, one out of 10 Filipinos is either leaving for or working abroad. Filipino labor migration, documented or undocumented, has been accepted as an integral component of Philippine society. It would be very difficult to imagine the plight of the economy without the immense contributions of our migrant laborers. Labor migration is undoubtedly here to stay. For its conception and persistence, the usual reason of poor economics has been the overly cited culprit. However, to fully appreciate the significance of the labor migration phenomenon, one must go beyond this traditional rationale of poor economics. Since the institutionalization of migrant labor, certain factors that grew from it have worked for its persistence. Hence, the reason of poor economics must be supplemented by an encompassing reason that can sufficiently explain the sustainability of labor migration even when there is a profound improvement in the economy. “Even the changes in economic circumstances may have little effect on migration flows, since migration can respond to economic cycles in an asymmetric fashion” (ILC 2004, 115); migration can increase in an economic downswing, but not necessarily decrease in an economic upswing. For a credible explanation, there is a need to analyze the increasing returns dynamics of the Philippine labor migration policy.

#### **CONDITIONS LEADING TO THE LABOR EXPORT POLICY**

In the first decade following its independence in 1946, the Philippines experienced relative economic success. The gross domestic product from 1950 to 1960 was 6.5 percent, the highest in Southeast Asia. At that time, the country

was deemed the prototype for economic growth among third-world countries in Asia. However, the succeeding decades saw a decline in its economic performance. The Philippines found itself lagging behind the leading performers of the region, namely Malaysia, Singapore, and Thailand. The mediocre performance signaled the incipient deterioration of the economy.

Ferdinand E. Marcos was elected president in 1965. For the most part, the Marcos regime was plagued by a plethora of serious economic problems – the failure of both the import substitution industrialization program and the export-oriented Industrialization program, the perennial balance-of-payment problem, high population growth, perennial unemployment, inflation, huge income disparity, low savings, low investments rates, and dismal growth of the gross national product. These economic woes were aggravated by the political instability created by the deteriorating peace and order situation, and the backlash against the declaration of Martial Law. With the 1973 global “oil shock” the adverse condition of the country further deteriorated. All those problems together led to massive unemployment and a dire need for foreign exchange.

This scenario put an immense pressure on the Marcos government to formulate a strategy that would cope with the crises. Confronted by the high labor force growth rate and low absorption capacity that translates into an enormous labor surplus, and the huge labor demand fueled by petrodollars in the Middle East, the government opted to adopt a firm policy on exporting labor. “Accordingly, the Marcos Administration saw this as an opportunity to adopt a labor export policy that would help ease the burden of the

problems” (Gonzales 1998, 34). This major government policy was specifically designed to address not only the worsening problem of unemployment but also the country’s need for foreign exchange during the period (Cariño 1998). The policy was considered a temporary solution that would cease when economic improvement is attained. The rationale was that a vibrant economy would lead to the rise in the level of wages, and increase the local demand for labor and absorption of the oversupply. Hence, the combination of economic instability, political uncertainty, and overseas opportunity provided the initial impetus for the labor migration policy.

#### **THE LABOR EXPORT POLICY OF THE MARCOS REGIME**

In 1974, President Marcos issued Presidential Decree 442 or the Labor Code, which served as the basis for the overseas employment program. The main agenda of the program “was to promote overseas contract work and reap whatever economic benefits could be gained from the outflow, especially in terms of foreign exchange and employment” (Gonzales 1998, 119). Article 17 of the Labor Code states:

An Overseas Employment Development Board is hereby created to undertake, in cooperation with relevant entities and agencies, a systematic program for overseas employment of Filipino workers in excess of domestic needs and to protect their rights to fair and equitable employment practices. It shall have the power and duty to:

1. promote the overseas employment of Filipino workers through a

- comprehensive market promotion and development program;
2. secure the best possible terms and conditions of employment of Filipino contract workers on a government-to-government basis and ensure compliance therewith;
  3. recruit and place workers for overseas employment on a government-to-government arrangement and in such other sectors as policy may dictate; and
  4. act as secretariat for the Board of Trustees of the Welfare and Training Fund for Overseas Workers.

The provision manifested the determination of the government to take advantage of the surplus labor and the open overseas market. "With supply and demand factors converging, the Philippines was ripe for large-scale labor migration, an opportunity the Marcos government recognized" (Asis 2006, 3). The Marcos regime not only concretized labor migration into a fundamental law; it also made the policy a government mandate.

To supplement the labor migration policy, the Marcos regime launched a new foreign policy called Development Diplomacy. Here, "Marcos thought that he could use the Philippines' surplus manpower and the high demand for labor from oil-producing countries to show to other developing nations the virtues of interdependent development" (Gonzales 1998, 34). According to Tyner (2004, 32), the policy emerged as an opportunity to satisfy a variety of goals.

1. Overseas employment was expected to reduce the levels of unemployment and underemployment.
2. Overseas employment was presumed to improve the stock of human capital, as workers returned with skills acquired from abroad.
3. Overseas employment was expected to promote Philippine development and alleviate the balance-of-payment problems through mandatory remittances.

To further accelerate the outflow of labor the Marcos regime, through Presidential Decree no. 1412, formally ended the government monopoly and allowed the private sector to participate in facilitating overseas employment (Tyner 2004). This resulted in a tenfold increase in licensed private agencies catering to Filipino migrant workers. The decree ushered in the government-private sector partnership in promoting labor migration. The former assumed regulatory functions, while the latter focused on the day-to-day recruitment and placement activities (Tyner 2004). The involvement of the private sector made the process more efficient, resulting in sharp increases in overseas employment.

In the Marcos era, more importantly, the government laid the fundamental institutions for labor migration. Several offices and government agencies were set up or designated to function in relation to the labor export policy. Among the most prominent are the Overseas Employment Development Board and the National Seamen Board, which would later become, respectively, the Philippine Overseas Employment Agency (POEA)

and the Overseas Workers Welfare Association (OWWA). POEA is primarily responsible for processing migrant workers and regulating private recruitment agencies as well as promoting and monitoring overseas employment. OWWA, on the other hand, is tasked mainly to provide support and assistance to safeguard the welfare and interest of migrant workers and their families.

Since the adoption of the labor migration policy in 1974, there has been a steady increase in the number of Filipino workers leaving for abroad annually: there were 379,823 Filipino migrant workers in 1975-79, 1,580,306 in 1980-84, 2,129,925 in 1985-89, and 3,817,829 in 1990-95 (Go 1998). The policy also gave the government a novel and reliable source of foreign exchange. Parallel with the increase in the number of migrant workers, the flow of remittances also continued to increase every year. In the first 10 months of 2005, remittances coursed through the banking system reached \$8.832 billion, a significant increase from \$6.947 billion for the same period in 2004 (Go 2006).

Although there had been prior labor migration policies, the labor export policy of the Marcos regime was distinct. In previous policies, government intervention in the export of labor was minimal. Before the 1970s, labor export was permitted but not encouraged (Tyner 2004). The Marcos regime conducted a deliberate, resolute, and systematic effort to promote overseas employment. This marked the onset of the period when the government became the active and main promoter of Filipino labor abroad. "It was the state's intervention in promoting overseas employment that accounts for the significance of labor migration from the Philippines, making it amongst the top labor-exporters in the world" (Rodriguez 2002, 4).

**THE POLICY IN THE SUBSEQUENT REGIMES OF AQUINO, RAMOS, AND ARROYO**

The 1986 people power uprising ended the Marcos regime and installed Corazon C. Aquino as president. As the consequence of a mismanaged government, the economy that she inherited was in the midst of the deepest recession of the postwar period (De Dios and Hutchcroft 2003). It was a government with a very weak financial condition, and this condition worsened because of the several coups d'état launched against the Aquino government. The economic and political instability of the government was put into question, and local and foreign investors were discouraged from investing in the country. Lack of foreign investments severely limited the flow of the much-needed foreign exchange and the capacity of the government to create jobs. The Aquino government was in a predicament, since it had to contend with two pressing issues: to pay off all foreign debt obligations of the country (which it vowed to do) and to make a dent in improving the lives of Filipinos by addressing the perennial unemployment problem. As the pressure mounted, the government was obliged to continue the successful labor migration policy of its predecessor. The Medium-Term Philippine Development Plan for 1987-92 of the Aquino government stated:

1. Overseas employment will continue to provide interim employment until such time that the domestic economy can generate enough jobs.
2. Labor market facilitation for both local and overseas workers shall be improved to bring people and jobs together.

Thus, the Aquino government magnified the scope of the labor migration policy. For instance, Tyner (2004) cites the adoption of a “discriminating marketing approach” geared to penetrate nontraditional markets that are either skill-based or geography-based. Furthermore, through the recommendation of the Department of Foreign Affairs (DFA), diplomatic missions were established to strengthen existing ties with destination states and to better respond to the growing needs of migrant workers. “A more vigorous marketing strategy for Filipino overseas employment was pursued. Working abroad was made more accessible. Regional POEA offices were set up. Marketing missions were sent abroad to look for more employers of Filipino labor. The target then was to deploy half a million Filipino workers every year” (Valencia 2003).

Through Executive Order 247 POEA was reorganized. Its functions – the regulatory function and directives for the protection of migrant laborers – were expanded to respond to changing markets and economic conditions. POEA received a direct mandate to maintain an adequate supply of surplus labor. The government actively enticed more citizens to seek employment abroad or emphasized job training suitable for the labor market abroad. Furthermore, to highlight their significant contribution to the economy, President Aquino honored the migrant workers with the title “modern-day heroes.” Consequently, labor migration significantly increased during the Aquino administration. Based on POEA records, the number of Filipino migrant workers grew from 449,271 in 1987 to 686,461 in 1992, with an average 11.29 percent annual growth rate. The policy persisted even during the

transition from a dictatorial regime to a democratic one.

In 1992 Fidel Ramos won the presidential elections with a narrow margin. The Ramos government immediately ventured on an ambitious economic program. “Under the banner of ‘Philippines 2000’ – a rallying cry to join the ranks of newly industrializing countries by the end of the century – Ramos combined measures of economic liberalization, privatization, and infrastructural development with concerted attacks on ‘cartels and monopoly’” (De Dios and Hutchcroft 2003, 55). The government was relatively successful in its main economic strategy and on other fronts – solving the serious power shortage, improved tax collections, peace agreements with the Moro National Liberation Front (MNLF), and pacifying military adventurism. Its success inspired confidence among the population and members of the international community. The influx of local and foreign investments began. The government welcomed the prospect of reversing the perennial budgetary deficits; in fact the country experienced budgetary surplus in 1994 and in 1995. Despite the economic gains, however, unemployment continued to plague the country. And this condition was aggravated when the 1997 Asian financial crisis struck the country.

To address the unemployment problem, one of the key strategies utilized by the Ramos government was to continue the labor migration policy of the previous administration. As President Ramos declared: “Overseas employment remains a strategic development program of our government; the overseas employment program is a major pillar of national development; generates invaluable foreign exchange which is necessary to fund

development and strategic programs; helps rectify world imbalances of income and human resources” (Tyner 2004, 40). As did the Marcos and Aquino regimes, the Ramos administration held the view that the labor migration policy was temporary and would be phased out when the local economy improved. Ironically, the government anchored the policy to its long-term economic development strategy, as the policy was deemed a vital component for the Philippines to acquire the status of a newly industrializing country.

In 1995, however, several cases involving migrant workers abroad raised questions about the labor migration policy. The most celebrated cases were those of Flor Contemplacion and Sarah Balabagan. Contemplacion, a domestic helper in Singapore, was charged with the murder of another Filipino domestic helper and a 4-year-old Singaporean boy. In the United Arab Emirates, Balabagan, then a 15-year-old domestic helper, was charged with the murder of her 85-year-old employer. Both cases captured the sympathy of the Filipino public, and led to the clamor for change in the labor migration policy. Considering their huge contribution to the economy, the people called for the utmost protection of migrant workers.

Feeling enormous pressure, the Ramos government took steps to enhance the welfare of migrant workers. It drafted and passed Republic Act 8042, known as the Migrant Workers and Overseas Filipinos Act of 1995. The law stipulated the expanded responsibility of POEA in issues concerning migrant workers:

- Guarantee migrant workers rights.

- Deregulate POEA regulatory functions.
- Apply stricter rules on illegal recruitment activities and the corresponding penalties.
- Make deployment selective.
- Repatriate of workers.
- Develop a reintegration program.
- Share government information with and extend other basic assistance to OFWs and their families.
- Use information technology to facilitate dissemination of labor market information.
- Expand a grassroots outreach education program to enable potential OFWs to arrive at informed decisions.
- Use a one-country team approach to synergize services to OFWs.
- Restructure systems for disposition or adjudication of cases relating to overseas employment.

As stated by the DFA, the law provided “the framework for stronger protection of Filipino workers abroad, with the creation of the Legal Assistance Fund and the Assistance-to-Nationals Fund, and the designation in the DFA of a Legal Assistant for Migrant Workers’ Affairs, with the rank of Undersecretary.” It also purported a renewed mandate in the overseas employment program, from exporting labor to managing labor outflows (Go 1998).

However, the policy intentions on labor migration were deemed vague.

Republic Act 8042 specifically states that the government does not promote overseas employment as a means to sustain economic growth and achieve national development, but the magnitude of labor migration reveals otherwise, and that the government has a deliberate labor export policy (Batistella 1998, Cariño 1998). Furthermore, statistics from financial institutions, such as World Bank, NEDA, and Department of Finance shows that the labor policy remains an essential component of the economic program of the government. Hence, despite issues over the peril and social cost of migration, R.A. 8042 did not reverse the pattern of the labor migration policy.

The Ramos regime further reinforced labor migration by declaring that migration was an expression of the right of choice and freedom of movement. Because it is a natural right, any action to restrain the movement of individuals would be deemed a violation of human rights (Tyner 2004). The Ramos government thus legally justified its commitment to encourage labor migration. According to POEA, the number of Filipino migrant workers grew from 696,630 in 1993 to 831,643 in 1998, with an average annual growth rate of 3.515 percent.

Gloria M. Arroyo became president, first through extraconstitutional means— People Power 2 uprising in 2001— and second through the 2004 presidential election. In both cases, her ascendancy to the presidency was tarnished by the question of legitimacy. In the former, ex-President Estrada and his supporters charge her with usurping political authority, and in the latter, her critics insinuate, through the “Garci tape” scandal, that she cheated in the elections. However, despite the persistent legitimacy problem and its

complications (e.g., coup threats, impeachment threats, terrorist threats, and so forth), surprisingly, the Arroyo regime has not only survived, but managed to make incremental economic gains. “In terms of macroeconomic management, the country even appeared to regain a semblance of balance... the budget deficit was kept under control..., inflation continued on a downward path..., and pressures on the peso abated, allowing interest rates to be reduced” (De Dios and Hutchcroft 2003, 66). One ramification of this positive development was the increase in employment. However, this increase has not translated into an equivalent decrease in unemployment. For instance, in 2001 employment grew by 6.2 percent, while unemployment remained unchanged at 11.2 percent (Go 2002).

As in the previous regimes the Arroyo government adopted the labor migration policy as part of the overall strategy in addressing the unemployment problem. As stated in her Mid-Term Philippine Development Plan for 2001-2004:

Overseas employment remains to be a legitimate option for the country’s work force. As such the government shall fully respect labor mobility, including the preference of workers for overseas employment. Protection shall be provided to Filipinos who choose to work abroad and programs to effectively reintegrate them into the domestic economy upon their return shall be put up. Better employment opportunities and modes of engagement in overseas labor markets shall be actively explored and developed, consistent with regional and international commitments and agreements (Tyner 2004, 51)..

Although the plan generally exhibited continuity of the policy, there were also some modifications. The government does not anymore portray migration as a natural process, but as something that is supported and controlled, not simply managed (Tyner 2004). “Thus, from managing the flow, the government now seeks to actively promote international labor migration especially of higher skilled, knowledge based workers, as a growth strategy” (Go 2002, 351).

The preeminence of the labor migration policy was apparent in two recent issues faced by the Arroyo administration concerning international labor migration. First, the response of the government to the abduction and eventual release of truck driver Angelo de la Cruz clearly manifested the enormous importance of migrant workers. Fearing more the public backlash than objections from the United States and other allies, the government abruptly removed its contingent troops in Iraq to secure de la Cruz’s release. Second, President Arroyo announced “the upgrading of skills and knowledge of Filipino domestic helpers who want to work abroad so that they can become what she described as ‘supermaids.’ The move is said to address the economic dislocation brought about by the evacuation of overseas Filipino workers (OFWs) deployed to war-torn Lebanon” (Arao 2006, 1). Moreover, as Asis (2006, 7) pointed out, the government has also become a leader in introducing migration-related laws in Asia and in enlisting with international accords on migration. Relevant documents and the action on them include the following:

- passed the Anti-Trafficking in Persons Act of 2003, which establishes policies and institutional mechanisms to provide support to trafficked

- persons;
- passed the Overseas Absentee Voting Act of 2003, which gives qualified overseas Filipinos the right to vote in national elections;
  - passed the Citizenship Retention and Reacquisition Act of 2003, which allows for dual citizenship;
  - as of October 27, 2005, ratified the UN Convention on the Rights of All Migrant Workers and Their Families; and
  - as of November 6, 2005, ratified the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children.

The Arroyo government in acting as the primary promoter of labor migration adopted four key strategies: employment generation, employment preservation, employment enhancement, and employment facilitation (Go 2002). The strategies proved to be effective in sustaining the trend. In 2005 the number of deployed overseas workers increased by 5.4 percent reaching 685,485, and remittances were estimated to reach a whopping \$10.85 billion (Go 2006).

#### **INCREASING RETURNS AND THE LABOR MIGRATION POLICY**

The labor migration policy has been an important component of Philippine society over the last 30 years. With the steady increase in the number of migrant workers, labor migration has been concretized in an open-ended policy. From Marcos to the Arroyo administration, the policy has become a permanent arrangement in government. This persistence has always been

attributed to the migration pressure brought about by poor economics. As Cariño (1998) observed, in the light of the continuing social and economic problems facing the country, it is almost certain in the foreseeable future that the government would rely on the export of Filipino laborers to cope with unemployment and balance-of-payment problems. Over the years, however, poor economy has not been the only driving force that sustains the policy. Another critical factor has emerged and gives strong incentives for the policy's sustainability— the increasing returns dynamics. Increasing returns have significantly closed down the option to replace or reverse the policy, making it path dependent. Over the years the government has become increasingly bound to maintain the path.

The following are the principal manifestations of increasing returns on the labor migration policy:

*First is the phenomenal success of the policy.* The policy was very successful on two fronts: remittances and employment. From its inception to the present, the labor migration policy has consistently provided the government with a reliable source of foreign exchange. The remittances had increased tremendously from \$103 million in 1975 to close to \$13 billion in 2006. Since the Marcos regime, the policy has been elevated to a vital component of the economic program of all administrations. For instance, in both 2004 and 2005, the remittances covered the annual foreign debt amortization, which had previously not been the case (Montinola 2006). With regard to employment, the policy throughout has provided tremendous job opportunities to Filipinos. Since the local economy is incapable of absorbing

the millions of Filipinos working abroad, any reversal of the policy would mean massive unemployment. The idea that the labor migration policy is a built-in safety valve has bred complacency and a feeling of security within the government. “The Philippines has become so successful as a labor exporter that it has failed to develop and strengthen development processes” (Asis 2006, 9). Furthermore, in this era of globalization the government realizes that migrant workers constitute the utmost comparative advantage of the country (Wehrfritz and Vitug 2006). This view has helped strengthen the resolve of any government to continue the policy.

*Second is the emergence of the coalition of institutions with a strong interest in preserving the status quo.* There are supplementary institutions, whose existence or distinct functions were brought about by the labor migration policy. The category includes what Tyner (2004) calls the “Philippine state migratory apparatus.” This refers to government institutions and organizations that exercise state power over migration (e.g., POEA, OWWA, DFA). The category also includes private organizations connected with labor migration, for example, the banking system, academic institutions, interest groups, and thousands of recruitment agencies. These institutions by themselves or through their complementary configurations would be critical of a change in policy, for such a change would compromise their vested interests, which include maintaining their significance, earnings, or existence. For instance, the “growth of a new ‘migration infrastructure’ in the form of recruitment companies, labor and construction contractors, travel agencies, schools and training centres, and medical clinics for health certification—

along with remittance agents and foreign exchange brokers to transfer funds home. These companies can constitute a multi-billion dollar industry that has strong vested interest in the continuation of labor migration” (ILC 2004, 116).

*Third is the adaptation of academic institutions.* The implementation of the labor migration policy has generated a profound effect on academic institutions. With the surge in migrant workers, academic institutions have developed “adaptive expectations.” This means that they adapted their future development to what they believe would be an enduring government policy and thus capitalize on the phenomenon. One evident effect is the proliferation of both public and private schools that offer courses primarily designed to cater to employment demands abroad. This arrangement has resulted in a mismatch between the graduates and the need of the local labor market. Hence, the longer the policy exists, the more profound will be the gap between labor supply and demand in this country. The situation will surely look to an external market to absorb the excess supply of labor and will justify the continuation of the labor migration policy into the future.

*Fourth is the flexibility to adapt to changes in the international labor market.* The labor migration policy has shown that it can easily adjust to meet the demands of the international labor market. Over time, the supply side of labor migration has acquired “learning effects.” The long experience with the policy has widened the alternatives and connections available to the government and migrant workers, thus providing more avenues for the sustenance of the policy. This is clearly seen in the policy’s adaptability to changes, whether in demand, type of services, or gender makeup brought

about by the very fluid environment of the international labor market. As Go (1998) observed, in a 20-year period (1975-1995) there had been significant shifts in Filipino labor migration. Among the prominent shifts are the (1) increasing prominence of Asia as a work destination in the nineties, (2) increasing demand for service workers and reemergence of the need for production workers and those in related fields, and (3) increasing feminization of labor migration. The trend has continued to the present. In 2000 labor migration to Korea and Hong Kong declined. To compensate, migration to Singapore significantly increased and there was surge of nurses going to England (Go 2002). The flexibility exhibited by the labor migration policy over time has fortified the endurance of the policy. "Filipino society has become migration-savvy, having developed the ability to respond and to adjust to the changing demands of the global labor market" (Asis 2006, 10).

*Fifth is the multiplier effect of the network of relatives, colleagues, and friends abroad.* The millions of Filipinos currently working abroad and the high probability of one's having relatives, colleagues, or friends abroad make labor migration more certain and relatively less stressful. Over time, labor migration has developed concrete linkages, connecting Filipinos to individuals in other countries. These linkages have provided advantages to potential migrants: for instance, the offer of a place in which to stay, the giving of referrals for work, guidance and protection, financial support, and so forth. Moreover, the linkages are supplemented by advances in technology and communication (e.g., emails, chat, text messaging, and so forth) where "connecting" with people anywhere is very easy. This relative ease of access

abroad through a social network has resulted in a multiplier effect, assuring future increases in labor migration and ensuring the sustenance of the policy.

There seems to be unanimity on this: irrespective of the school of thought on labor migration, all scholars agree that the social network is a crucial factor for sustaining migration over time (Portes and Bach 1985, Massey et al. 2002, Portes 2006). Consider the following facts:

- The network of relatives and friends developed through the years, both locally and abroad, helped minimize the risks involved in working abroad by providing information, credit, and social support (Go 1998).
- Once migration connections have been established, the presence of relatives, friends, and/or others from the same community of origin may give one a strong incentive to choose a particular destination (Thielemann 2004).
- Not only do social networks link migrants with their kin and communities in the sending countries; they also link migrants to employers in receiving areas. These ties underlie the emergence of such phenomena as chain migration, long distance referral systems to fill job vacancies, and the organization of a dependable flow of remittances back to the sending communities (Portes 2006)

Even without government involvement, labor migration from the Philippines likely will persist, thanks to social networks, social capital, and social remittances that have flourished (Asis 2006,10).

*Last is the institutionalization of labor migration as a “culture of*

*salvation.*" Through the years, the Philippines has developed a culture of emigration, which gives a high value to living or working abroad (Go, 1998). Nationwide surveys in 2002 found that one out of five Filipinos desires to migrate to other countries. Another survey conducted by Pulse Asia in 2005 found that a substantial number (60 percent) of the children of migrant workers affirmed that they had plans to work abroad, and that an increasing number of Filipinos intend to leave the country if given the chance (Asis 2006). With a proven track record for monetary gains and social mobility, the labor migration policy has developed among Filipinos the mind-set that working abroad would be the fastest and most effective way to get out of poverty or move up in social status. This aspiration has captured the imagination of most Filipinos to whom better living standards are synonymous with working outside the country. With labor migration deemed as the time-tested formula for success, broad acceptance of the policy into the future has been assured.

The increasing returns dynamics is moreover strengthened by the "natural" increasing returns occurring in policy decision-making, such as the short time horizon of politicians, the prominence of collective activity, the ambiguity of many political processes and outcomes, and the possibilities for magnifying power asymmetries (Pierson 2000). For instance, all regimes have benefited from labor migration through positive feedbacks— from ensuring financial viability to as simple as projecting a positive image of the government (e.g., addressing unemployment). Hence, the Arroyo administration would surely not want to prejudice itself by removing or changing a policy that has given ample benefits to past regimes and from

which it has also itself gained. Let some other regime in the future do it. And so, the policy is bound to remain with the present government and others yet to come.

The increasing returns dynamics has restricted government actions and at the same time placed a premium on the policy's maintenance. It is so persistent that, even in the presence of economic improvement, it offers a viable explanation for the steady increase in labor migration, placing the continuity of the policy beyond mere economics.

#### CONCLUSION

Dealing primarily with the dual problems of unemployment and financial imbalance, the Marcos regime set forth an outbound-oriented policy for labor migration. Initially considered a temporary solution, the policy over time has been institutionalized by economic pressures and increasing returns dynamics. Manifestations of increasing returns in the labor migration policy can be seen in the following: first, its remarkable success makes it very hard to discontinue; second, institutions with vested interest for maintaining the policy have developed; third, the academe has shown conformity; fourth, the policy has adapted to the vagaries of the global labor market; fifth, social networks have a multiplier effect; and lastly, a mind-set of the "culture of salvation" has developed. All have led to the creation of a persistent pattern that has been definitive in government policy decisions on labor migration. As a consequence, the labor migration policy of Marcos, Aquino, Ramos, and Arroyo has been bound by the pattern.

Although a change of policy is a possibility, it has not been regarded as a highly attractive option. Since the pattern has been deeply reinforced and institutionalized, deviating from it would be impractical and costly for any regime. It is difficult to imagine any major change of policy in the foreseeable future. Despite some attempts to dilute the magnitude of the labor migration policy, the logical conclusion would still be the same – at present the path is too strong to alter. With the improvement of the economy, it is probable that the Filipino labor migration will diminish. However, this would not be absolute – the increasing returns dynamics that has been working for a long time would ensure that the policy would persist and continue to be significant notwithstanding an economic upturn.

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