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Making a Living in Two Labor Markets:  
Earnings of Filipinos in the Global and the Domestic Economy

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## Making a Living in Two Labor Markets: Earnings of Filipinos in the Global and the Domestic Economy

### ABSTRACT

The present research examines earnings differentials between Filipino overseas global labor migrants and Filipinos employed in the domestic labor market (i.e. the Philippines) as well as income differentials between households of overseas workers and households without overseas workers. Data were obtained from the survey of households conducted during 1999-2000 in the four primary sending areas of overseas migrant workers. The data set for the present analysis consists of 4,393 domestic workers and 1,176 global migrant workers. The findings demonstrate that the average earnings of those employed in the Philippines is not only lower than the average earnings of Filipinos employed in the global market (regardless of region of destination) but their earnings distribution is also much more condensed than earnings distribution of Filipinos working in the global labor market. The multivariate analysis reveals that earnings returns in absolute terms (to education and occupations) are considerably higher among migrants employed in the global labor market than among those employed in the domestic labor market. By contrast, earnings returns in relative terms are lower for global labor migrants than for those employed in the domestic labor market (despite some variations across regions of destination). The results also suggest that earnings generated in the global labor market form a new source of economic inequality between households in the Philippines. Specifically, income of households with labor migrants tends to be considerably higher than that of households without labor migrants. The findings imply that global migration should be understood within the framework of 'household theory of migration'.

Keywords: labor migrants; earnings; the Philippines; global economy; remittances.

## Making a Living in Two Labor Markets:

### Earnings of Filipinos in the Global and the Domestic Economy

#### 1. Introduction

The literature on global labor migration contends that labor migration is an economic strategy often adopted by households in poor countries to combat poverty and to increase standard of living of family members left behind. According to the household theory of migration, family units send members of the household to work in the global labor market in order to increase flow of income and to decrease economic risks of the family (Massey, 1990, 1994; Massey et al., 1993; Stark, 1984). Indeed, research on the topic has repeatedly demonstrated that earnings of labor migrants are considerably higher than the earnings they had prior to migration (Semyonov 1986; Jasso and Rosenzweig 1990; Go 1998; Semyonov and Gorodzeisky 2004) and that migrants remit considerable portions of their earnings back home (e.g. Semyonov and Gorodzeisky 2005; Kumo, 2012). Therefore, earnings gains and the ability to remit back home are often viewed as the major motivations driving global migration (Koc and Onan, 2004; Gerber and Torosyan 2013; Alipio, 2013).

Despite the growing literature on labor migration, to the best of our knowledge, with only one notable exception (Clemens, Montenegro and Pritchett, 2009), no study has yet systematically compared earnings of those who stayed in the home country (i.e. domestic labor market) with earnings of global labor migrants (i.e. employed in the global labor market). To-date, most studies on the topic compares earnings of labor migrants in a host country with earnings of native population of the host country (e.g. Adsera and Chiswick, 2007) or earnings of labor migrants in a host country with their earnings in a country of origin prior to migration (e.g. Semyonov and Gorodzeisky, 2004). Furthermore, no one has examined whether and to what extent the rules according to which earnings are determined

differ for labor migrants in the global labor market as compared to those employed in the domestic labor market (i.e. country of origin).

The contribution of this paper, thus, is three-fold. First, we examine and estimate the actual differences in earnings between global labor migrants (from the same country of origin) and earnings of those employed in the country of origin (i.e. domestic labor market). Second, we examine earnings determination in the global versus domestic labor market and investigate the extent to which earnings determination differs across regions of destination at the global labor market. Third, we estimate the impact that remittances exert on economic inequality between households with and without labor migrant in a sending country. By utilizing data for the Filipino society, we will be in a position to understand better the ways in which global and domestic employment inter-relate and intertwine.

## 2. Theoretical Considerations and Previous Research

The literature on socio-economic inequality contends that one of the major reasons why individuals are differentially successful in the attainment of economic rewards and standard of living is because they live and work in different places. According to this literature, places represent local labor markets and as such, they capture differentiation in the distribution of economic opportunities across space. That is, places, whether cities, regions or states, represent the local opportunity structure, which affects, in turn, individuals' opportunities for achievement of economic success.

In his pioneering classic book on Social Mobility, Sorokin (1927) has argued that individual's economic achievement and opportunities for upward social mobility are influenced by one's innate abilities but also by characteristics of one's local labor market. Following Sorokin's seminal work students of social stratification and inequality have repeatedly demonstrated that individuals who live in places with depressed economic conditions, scarce occupational opportunities and limited industrial structure are less likely to attain lucrative jobs and earn high salaries as compared to those living in

places with abundant economic opportunities, developed industrial base and diversified economic structure (e.g. Spilerman and Habib, 1976; Semyonov, 1988; Lewin-Epstein and Semyonov, 1992). Furthermore, researchers have shown that the local opportunity structure exerts significant impact on individuals' occupational and economic rewards net of their socio-demographic and human capital resources (e.g. Logan, 1978; Semyonov, 1981, Lewin-Epstein and Semyonov, 1992; Parcel and Mueller, 1983).

Labor markets differ by their opportunity structures because of variation in their social, occupational and industrial composition. Labor markets with solid and diversified economic base are more likely to provide opportunities for incorporation of trained and skilled labor than places with depressed and limited economic structure. Likewise, places with diversified occupational and industrial structures are associated with a wider range of employment opportunities and are more likely to reward workers according to their skills, human-capital resources and productive capacity. Indeed, developed and rich economies as compared to depressed local labor markets are more likely to pay high-skill workers high salaries and to reward them according to their skills and productivity.

One of the most common and logical strategies adopted by individuals to avoid detrimental consequences of living and working in poor and depressed economic system is migration. Subsequently, researchers have traditionally explained flows of migration as stemming from asymmetrical structural relations between the less economically developed regions and rich industrialized areas. Whereas the formers are characterized by high rates of unemployment and underemployment, unstable economies, low wages, limited opportunities for mobility, and surplus of labor, the latter group of places is characterized by relatively expanding, stable, and diversified economies, high wages and demand for labor (Krane, 1979; Stalker, 1994; Goss and Lindquist, 1995). Indeed, people migrate from countries with capital scarcity and labor abundance where wage returns on human capital resources are low to

countries of capital abundance and labor scarcity where wage returns on human-capital resources are relatively high (e.g. Massey et al, 1993, 1998; Stalker, 1994; Goss and Lindquist, 1995).

In recent decades, especially during the era of globalization, the readily available supply of workforce in poor countries has been used to meet the demand for labor, especially cheap labor, in rich industrialized countries. This is often done through guest worker programs, temporary employment arrangements and contract work organizations (e.g. Piore, 1979; Castles, 1986). Consequently, in recent decades the number of labor migrants and contract workers have intensified and reached record high with more and more migrants leaving their homeland in search of better employment opportunities and higher wages in the global market (Piore, 1979; Massey, et al., 1998; King, 2002).

Unlike the 'traditional-permanent immigrant', labor migrants and contract workers leave family members behind in the homeland and support them through delivery of remittances (e.g. Semyonov and Gorodzeisky, 2005, 2008; Itzigsohn, 1995; Durand, Parrado and Massey, 1996; Rodriguez and Tiongson, 2001; Suro, 2005; Vogel and Korinek, 2012; Gerber and Torosyan, 2013). According to the 'household theory of migration' (i.e. Massey, 1990, 1994; Massey et al., 1993), the decision to migrate is reached by the household unit (and not by individual members). Labor migration, thus, is viewed as an economic rational strategy of the household to allocate resources more efficiently, to maximize potential economic gains and to minimize the scope of economic risks (Kanaiaupuni, 2000; Massey, 1990; Massey and Parrado, 1994). Although labor migrants are usually relegated in the host society to the least desirable lowest-paying jobs (usually referred to as 3D jobs: demanding, dirty, dangerous), their earnings are substantially higher than the earnings they could possibly attain in their home country (e.g. Jasso and Rosenzweig, 1990; Go, 1998; King, 1997, 2002) and they usually remit substantial portions of their earnings to the family members in the homeland (e.g. Semyonov and Gorodzeisky, 2005; Xing et al, 2010; Kumo, 2012). The migrants and their household members view work abroad as a temporary solution for economic hardships in country of origin and as an efficient strategy to combat

poverty and to support the family. The labor migrants are sent abroad by the household with the expectation that they would remit substantial portions of their earnings back home (Massey, 1990). A large body of empirical research lends firm support to expectations derived from the 'household theory of migration' (e.g. Semyonov and Gorodzeisky, 2008; Koc and Onan, 2004; Suro, 2005; Orozco, 2005; Taylor, 1987).

Indeed, at the micro-economic level, remittances have become the main source of income for many families in poor countries (e.g. Benedixen and Onge, 2005; Seddon, 2004; Semyonov and Gorodzeisky, 2008; Xing et al, 2010). Researchers have repeatedly demonstrated that remittances are mostly used for consumption purposes to raise standard of living and to improve quality of life of family members left behind (e.g. Semyonov and Gorodzeisky, 2005; 2008; Xing et al., 2011). That is, remittances are mostly used to meet basic daily needs and to cover immediate household necessities such as purchase of food, clothing, utilities, and healthcare services and to a lower extent for investment in children education and in productive ends (Semyonov and Gorodzeisky, 2008; Orozco et al., 2005; Cohen 2005; Lu and Treiman, 2007; Durand et al., 1996; Xing et al., 2010). Notwithstanding the impact of remittances on standard of living and economic conditions at the household-level, remittances have become at the macro (country) level a major source for foreign currency to alleviate trade deficits and to level the balance of payment for many poor countries (e.g. Russel, 1986; Durand et al., 1996; Itzigsohn, 1995; Rodriguez, 1996, Eelens and Speckmann, 1990). In general, then, labor migration and remittances sent by labor migrants can be viewed as a rational strategy for economic survival adopted by many families in the poor countries. Subsequently, many families in poor countries rely not only on earnings produced in the domestic labor market but also on the flow of remittances produced in the global labor market.



### 3. Hypotheses and Analytical Strategy

Based on the theoretical discussion we can draw a series of hypotheses regarding, first, differences in the determination of earnings (i.e. earnings returns to human capital and skills) comparing between migrants employed in the global labor market and those employed in the domestic labor market and, second, the impact of employment and earnings in the global labor market on income differences between households with and without labor migrants. In what follows, we elaborate on the logic embodied in these hypotheses.

The literature on economic inequality and labor migration leads us to expect that when earnings are defined in absolute monetary terms, migrants would receive higher earnings returns to their human capital resources and skills in the global economy than their compatriots who stay and work in the domestic labor market. This is so because migrants usually flow from depressed and limited economic systems to developed and prosperous labor markets. That is, people usually migrate from countries with capital scarcity and labor abundance to countries with labor scarcity and capital abundance where employment opportunities are available and where wage returns to human-capital resources are higher.

On the other hand, when estimating earnings returns in relative terms, we expect economic rewards for human capital resources and for skills to be lower in the global labor market as compared to that in the domestic labor market. This is so because global labor migrants often find employment according to the demands and needs in the host country regardless of their skills. Consequently, they are likely to be relegated to the least desirable menial, and low-paying jobs regardless of their educational credentials and occupational qualifications or skills. Therefore, it is reasonable to expect that the global labor market as compared to domestic labor market will be much less sensitive to human capital resources and skills of labor migrants. To test these hypotheses we examine earnings returns to education (as a proxy of human capital) and to occupational category (as a proxy of skills) using linear regression equations, while estimating earnings returns in both absolute and relative terms.

Following the household theory of labor migration, we expect employment in the global labor market to exert significant impact on the income of the household in the country of origin. This is so, because labor migration is a family based economic strategy which adopted by households to overcome poverty and to increase the flow of income to family. Moreover, the money sent by labor migrants in the form of remittances to their households left behind in the country of origin may create an economic divide between households with labor migrants and households without labor migrants. Thus, we expect households with family member employed at the global labor market to have higher household income than households without family member employed at the global labor, especially in the sending societies characterized by very high level of unemployment and strong dependency on the remittances. To test the hypotheses we compare monthly remittances sent by labor migrants from different regions of destination to monthly earnings in the Philippines; and general income and income per capita between household with labor migrant and without labor migrant.

#### 4. Labor Migration and Remittances in the Philippines

The Filipino work force is especially appropriate for the present study because the Filipino society has become one of the major sources for overseas labor migrants with millions of Filipino and Filipinas finding employment in more than hundred countries across the globe (Go, 1998; Semyonov and Gorodzeisky, 2004). Like many other labor-exporting countries, labor migration from the Philippines should be understood mostly as a result of poor economic conditions (high unemployment and slow economic development) coupled by high fertility and by political instability in the country. Since 1974 the government of the Philippines had launched an official policy that encourages and supports the export of labor migrants (in order to combat domestic unemployment and as a source for foreign currency). The policy is supported and facilitated by the government Ministry of Overseas Contract Workers and by a large number of non-government agencies (Abrera-Mangahas, 1998).

Employment opportunities for Filipino overseas workers have changed over the years and they have been determined largely by the demand for labor in host countries. For example, in the seventies demand for manual skilled and unskilled male-workers was growing in the oil producing countries in the Middle East; and North America and Western Europe provided opportunities for domestic help, for caretaker workers, and for nurses. In recent decades, Hong Kong has begun recruiting female workers for domestic help jobs and Singapore has begun recruiting men for manual jobs and women as nurses. In recent years, global demand for male-type manual has declined while demand for service and domestic workers and care taker workers (mostly female-type jobs) has increased. As a result, the proportion of women among Filipino overseas workers has risen considerably in recent decades (Go, 1998; Tyner, 2002).

Overseas migrant workers tend to send back to their families in the Philippines substantial portions of their earnings in the form of remittances (e.g. Semyonov and Gorodzeisky, 2005, 2008). Subsequently, many Filipino families are heavily dependent on remittances as a source for economic survival. More specifically, for many Filipino families remittances have become the major source of income, perhaps one of their most important means for survival (Go, 1988; De Guzman, 1993; Rodriguez and Tingson, 2001; Tingo, 1988, Semyonov and Gorodzeisky, 2008). Furthermore, not only do remittances constitute a substantial portion of many household's income but they also constitute a substantial portion of the Philippines domestic gross product (estimated around 12% of the GDP). Indeed, remittances sent by overseas migrants play a major role in the Philippines; both individuals and the economy have become heavily dependent on the flow of remittances from overseas employment.

## 5. Data and Variables

Data for the analysis were obtained from the survey of households conducted during 1999-2000 by the Population Institute of the Philippines, Diliman, in the four primary sending areas of overseas

workers (i.e. Manila City in the National Capital Region, Davao City in Mindanao, Iloilo City in the Visayas and Pangasinan in Luzon). The data, including information about migrant worker, were collected through face-to-face interviews conducted in the house of the respondents with one of the adults living in the household<sup>1</sup>. For the purpose of the present research, we focus on 1,128 households in which either the father or the mother or both of them are global migrant workers and on 1,218 households in which no one is a global migrant worker<sup>2</sup>. In order to conduct an analysis of earnings of Filipino domestic and global migrant workers, we constructed individual-level dataset which includes information on demographic and socio-economic characteristics of all members of the households, regardless of their role in the household (including overseas workers) in main working age (25-65). The data set consists of 4,393 domestic workers and 1,176 global migrant workers.

The variables selected to represent individual-level characteristics include monthly earnings (in Pesos), gender, age (in years), education (in years of formal schooling), labor market position in four categories (professionals, sales and clerks, manual workers and unemployed), region of origin (or region of residence for domestic workers) and region of destination (for migrant workers). The following two variables were included for the household level analysis: remittances received from the global migrant and size of the household.

## 6. Analysis and Findings

### 6.1. Descriptive overview

The data presented in Table 1 provide a descriptive overview for the characteristics of domestic workers and global migrant workers, respectively. The data reveal that, regardless of gender, Filipino global migrant workers are characterized by higher level of formal education than their compatriots who stay and work in the domestic labor market. Among women, global migrant workers are younger than

domestic workers, but among men, migrant overseas workers (those employed in the global labor market) are older than domestic workers.

Table 1 about here

The descriptive data also show very high rates of unemployment in the Filipino labor market, especially among women. More specifically, 58.5% of women and 23% of men in the working age in the domestic labor market are unemployed. Previous research on Filipino labor migrants (Semyonov and Gorodzeisky, 2005) indicates that 68% among women and 27% among men who are employed in the global labor market were unemployed prior to migration. These findings clearly illustrate that unemployment is one of the main reasons for the international labor migration from the Philippines; a society where the demand of employments far exceeds the supply of jobs.

The data further demonstrate that in the global labor market, majority of Filipino migrant workers (almost 69% among men and 77% among women) are employed in low status, manual and service-type jobs. Consistent with expectations, the average earnings of both Filipinos and Filipinas in the global labor market are considerably higher than the average earnings of their compatriots employed in the domestic labor market. Moreover, the entire earnings distribution of the domestic workers is remarkably different from that of the global migrant workers. The difference between the two earnings distributions is clearly visualized in the boxplot presented in graph 1<sup>3</sup>. Graphs 2 and 3 illustrate the earnings distributions of global labor migrants by region of destination, for men and women, respectively. The earnings distributions vary to certain extent across different regions of destination, especially among migrant men. However, and regardless of gender, earnings distributions of Filipino labor migrants in different regions of the world resemble each other; they are much more similar to each other than to the earnings distribution of Filipino workers at the domestic labor market.

As was mentioned at the theoretical outset of the paper, we are mostly interested in estimating the earnings gap between domestic workers and global labor migrants because earnings produced in the global labor market affect the income distribution across households in the Philippines (See for example previous study by Semyonov and Gorodzeisky 2005). In the present research we also examine whether the amount of remittances sent by global labor migrants to their families differ across region of destination and compare them to the earnings in the domestic labor market. Indeed, the amount of money remitted by labor migrants from different regions of the world varies due to cross-regional differences in cost of living and in rate of payment. Nevertheless, regardless of region of global employment, the size of remittances exceeds earnings of those employed in the domestic labor market. This is clearly illustrated in Appendix Table 1, where amount of remittances is displayed as a share of migrant earnings and in Pesos by region of destination. On average, global labor migrants remit monthly 12,723 and 6,969 pesos for men and women, respectively. The amount of remittances, however, varies across regions of destination: from about 10,000 pesos for men employed in Middle East and North and South America to 19,900 pesos for men employed in Southeast Asia; from 6,400 pesos for women employed in Hong-Kong to 8,900 pesos for women employed in North and South America.

A comparison between earnings of workers in the domestic labor market with remittances sent by overseas global migrants reveal that average amount of money sent monthly by Filipino migrant to family members in the Philippines is twofold average earnings of men employed in the Philippines. Average amount of money sent by Filipina migrant to her family members in the Philippines is 1.09 times average earnings of women employed in the Philippines. These calculations are, in fact, an underestimation because they do not take into consideration the high rates of unemployment in the Philippines (they are based only on those who produce earnings in the domestic labor market; those without any earnings were excluded from the computation). That is, when taking into account that

about 24 percent of men and about 60 percent of women in the Philippines are not employed and produce no earnings the earnings disparity between global labor migrants and domestic workers is considerably wider than the figures presented here. More specifically, a comparison between average monthly remittances and average earnings of domestic workers (including the unemployed) reveals that for both men and women the average amount of monthly remittances sent by global labor migrant is 2.8 times the average earnings of domestic workers.

Figure 1 about here

## 6.2. Multivariate analysis of the earnings in global versus domestic labor market

To examine and compare the impact of socio-demographic characteristics and occupational position on the earnings of Filipinos who work in the domestic labor market and of those who work in the global labor markets, we estimated a series of linear regressions equations. In each equation we predict earnings (in Pesos) as a function of age, years of formal schooling, a series of dummy variables representing occupational category (controlling for a set of dummy variables representing region of origin; not shown in the tables). We estimate the models separately for domestic workers and global migrant workers and for men and women. The estimated coefficients of the regression equations are presented in Table 2.

Table 2 about here

The findings of all four models (presented in Table 2) demonstrate that earnings tend to rise with education, as implied by statistically significant and positive coefficients ( $b= 474$  and  $b=1084$  for Filipino domestic and global migrant workers, respectively;  $b=336$  and  $b=938$  for Filipina domestic and global migrant workers, respectively). Likewise, the earnings of professionals tend to be higher than that of manual workers both in the domestic and the global labor markets and for both men and women. By

contrast, the average earnings of men (both domestic workers and global migrant workers) employed in sales and clerical-type jobs are not significantly different from the earnings of manual workers (as implied by the insignificant coefficients for sales in equations 1a and 1b). However, the average earnings of women employed as sales persons or clerical workers in the domestic labor market in the Philippines (equation 2a) are significantly higher than the earnings of women employed as manual workers (by 1973 Pesos).

The analysis also reveals that earnings returns in absolute terms to education and to occupation are higher in the global labor market than that in the domestic labor market. It is important to note, however, that the earnings distribution of Filipino global migrant workers is substantially, even drastically, different from that of Filipino domestic workers. Specifically, earnings of domestic workers are much more condensed than earnings of global migrants (see graph 1). This is also the reason why earnings returns (in absolute terms) to education and occupations are higher in the global labor market than in the Philippines. In the following analysis, we estimate earnings returns in the domestic and global labor markets in relative terms.

To compare earning returns (in relative terms) between domestic and global labor markets, we estimated the models previously presented in table 2, once again, while substituting the dependent variable 'earnings in Pesos' by the natural log of earnings. Transformation of the dependent variable to LN not only makes a positively skewed earnings distribution more normal but also allows an estimation of earnings returns to socio-demographic attributes in relative terms (percent). The effect size of independent variables on LN of dependent variable in linear regression equations could be interpreted in percentage terms<sup>4</sup>.

The data displayed in Table 3 reveal that earnings returns to education (measured in relative terms i.e. percent) in the global labor market are considerably lower than that in the domestic labor



market for both men and women. More specifically, in the domestic labor market one year of formal education increases earnings of Filipinos and Filipinas by 6.5% and 7.6%, respectively. At the same time, in the global labor market, every year of education tends to increase earnings of Filipinos and Filipinas only by 5.3% and 4.5%, respectively.

When earnings are evaluated in relative terms, the data also show higher earnings returns to occupational category in the domestic labor market than in the global labor market. On average, earnings of professionals in the Philippines tend to be higher by 55% and 116% (for men and women, respectively) than that of manual workers. In the global labor market, however, earnings of Filipino and Filipinas employed as professionals tend to be higher than that of manual workers by 'only' 33% and 48%, respectively. It is interesting to note, that there is no statistically significant difference between the earnings of global migrant workers employed in sales and clerical jobs and those employed in manual-type jobs, regardless of gender. However, the results reveal that sales persons and clerks among domestic workers (both men and women) earn higher salaries than manual workers do.

The findings presented thus far suggest that earnings, as well as earnings returns to education (measured in absolute terms) of global migrant workers are considerably higher than that of domestic workers. In order to systematically and accurately evaluate 'earnings gains' due to employment in the global labor market (versus domestic labor market) we decompose the mean differences between global migrant workers and domestic workers (using regression equations) into several components.

There are several methods for decomposing mean differences between groups via the use of regression equations. In the present analysis, we employ indirect standardization procedure to predict the expected mean earnings of domestic workers (if they were employed in the global labor market) and the expected mean earnings of the global labor migrants (had they stayed and worked in the Philippines). We do so by substituting the mean values of the subpopulation (i.e. domestic workers or

global workers, respectively) in the regression equation that predicts earnings of the other subpopulation (i.e. global workers or domestic workers, respectively). This procedure enables us, first, to determine the expected mean earnings of one group (e.g. domestic workers) had the earnings been determined exactly like the other group (e.g. global migrants) and, second, the gain or loss due to global employment by subtracting the expected mean earnings from the actual mean earnings. The results of this analysis are displayed in Table 4.

Table 4 about here

The findings reveal that if global migrant workers both men and women were employed in the domestic labor market (in the Philippines) they would lose more than 15,000 pesos in monthly earnings. At the same time, if Filipino and Filipina domestic workers were employed in the global labor market (instead of domestic labor market) they would increase their earnings by 13,680 and 16,147 pesos, respectively. The results show clearly that the gap in earnings between global labor workers and domestic workers not driven by differences in the attributes of two groups but by the differences in the earnings returns to these attributes in the global versus domestic labor markets.

### 6.3. Multivariate analysis of the labor migrant earnings by region of destination

To compare earnings returns (in relative terms) to education and occupational position among Filipino labor migrants employed in different regions of destination, we estimated a series of linear regressions equations. In each equation, we predict earnings (natural logs) as a function of age, years of formal schooling, a dummy variable distinguishing between professionals/technicians (high status occupations) and other occupations<sup>4</sup>. Taking into account the number of sampled cases required for estimation of reliable models, we implemented the analysis for the following regions: East and

Southeast Asia, Middle East, Europe and America, around the world (seamen) for men; East and Southeast Asia, Middle East, Europe and America, Hong Kong for women. The estimated coefficients of the regression equations are presented in Table 5.

Table 5 about here

In general, the findings show that the earnings returns to human capital (education and occupation) vary to some degree across regions of destination. Filipinos labor migrants employed in Western countries (Europe and America) and those employed around the world (mostly seamen) do not receive any earnings returns to education, while Filipinos employed in East and Southeast Asia and Middle East tend to receive about 5% increase in earnings with every additional year of education. The relative earnings advantage for professionals and technicians employed around the world (as seamen) tends to be considerably higher than the earnings returns to professionals employed in East Asia, Middle East or Europe and America.

The findings presented in Table 5 that pertain to women labor migrants show that earnings of Filipina labor migrants are influenced by educational level in East and Southeast Asia, Europe and America (where earnings are likely to rise with level of education). However, in the Middle East and Hong Kong education does not exert statically significant effect on the earnings of Filipinas. It is important to note that the model for Hong-Kong does not include an occupational variable due to lack of variance in this variable (in Hong Kong almost all Filipinas were employed in domestic help jobs). The findings also imply that earnings returns to professional occupations are somewhat higher for Filipinas employed in Europe and the Americas (a substantial number of professional women in these countries work as nurses).

#### 6.4. Earnings in two labor markets and households income

The findings presented by this study demonstrate that Filipino labor migrants, regardless of region of destination and regardless of gender, remit substantial portions of their earnings to family members in the Philippines. Taking into account the large number of Filipinos who cannot find employment in the domestic labor market the average amount of monthly remittances sent by global labor migrant is 2.8 times the average monthly earnings of domestic workers. Therefore, most of the income disparities between households with labor migrants and households without labor migrants can be attributed to transfer of remittances. In Table 6 we present average household income and average per capita income of households in the Philippines by whether or not a member of the household is employed in the global labor market, and by region of destination of member employed in the global labor market.

Table 6 about here

The findings displayed in Table 6 show that income per capita among households with a member of the household employed in the global labor market is almost two fold (1.89) higher than the income per capita of households without any member of the household being employed in the global labor market. The mean income per capita among households with men working overseas is more than twice higher than the mean income per capita among households without overseas worker. The mean income per capita among households with men working overseas ranges between 3191 Pesos (labor migrant men employed in East-Asia Industrialized) and 5236 (labor migrant men work as seamen around the world). The mean income per capita among households with women overseas worker is 1.56 higher than that of household without overseas workers. The mean income per capita among households with women overseas workers ranges between around 2500-3000 Pesos (in most regions) and 4705 Pesos in the Americas. Indeed, the results displayed in Table 6 reveal that labor migration and remittances create

a division between two groups of the households in the Philippines: households with a member of the household employed in the global labor market and households without labor migrants. Furthermore, these finding may imply that labor migration not only creates a cleavage in terms of the economic inequality between households with and without global labor migrants but also between households that send men and household that send women to work abroad.

## 7. Conclusions

The aims of the present study were: first, to estimate earnings differentials between global labor market and those employed in the domestic labor market, second, to compare earnings determination among labor migrants across regions of destination, and third, to study the impact of earnings produced in the global labor market on economic gaps in the sending society between households with and without global labor migrants. The analysis focuses on the Filipino society.

Indeed, as expected and as commonly suggested, earnings of labor migrants, whether men or women and regardless of region of destination, are considerably higher than those employed in the domestic labor market. The data analysis reveals, however, that earnings are differentially determined across the two labor markets. Whereas, earnings returns in absolute (monetary) terms to human-capital resources and skills are considerably higher for those employed in the global labor market than for those employed in the domestic labor market, the returns in relative terms are lower in the global labor market than in the Philippines. The findings demonstrate that the gap in earnings between global labor migrants and domestic workers can be attributed, first, and foremost, to differences in the earnings distributions between the relatively depressed domestic labor market (e.g. the Philippines) and prosperous global labor markets characterized by wider range of economic opportunities. Although the global labor market pays much higher wages than the domestic labor market, the former labor market is considerably less sensitive to educational and occupational attributes of Filipino workers, since labor

migrants often find employment according to the demands and needs of a host country regardless of their human capital resources.

It is important to note, however, certain variation in earnings determination among Filipino migrants by region of destination that reflects different labor force demands of the countries of destination. For example, whereas earnings returns to human capital resources and skills among Filipinas labor migrants are highest in Europe and the Americas (where substantial numbers are employed as nurses), Filipinas employed in Hong-Kong (where almost all are employed as domestic help workers) receive no earnings returns to human capital resources. Among men, the highest earnings returns to employment in professional and technical occupations are received by seaman (employed around the world) and lowest in East and Southeast Asia.

Further analysis demonstrates that Filipino labor migrants, regardless of gender and region of destination, remit considerable portions of their earnings to the families left behind in the Philippines. Moreover, regardless of region of destination (characterized by different cost of living and rate of payment), the average monthly amount of remittances sent by labor migrant to the family is higher than average monthly earnings of those employed in the Philippines. These findings strongly confirm the household theory of labor migration (Massey, 1990, 1994; Massey et al., 1993) according to which labor migration is family rational economic strategy; it suggests that family units send members of the household to work in the global labor market in order to increase flows of income and to decrease economic risks. In other words, making a living in two labor markets proves to be a rational economic strategy adopted by households to increase income of the family unit rather than income of individuals.

The findings also reveal that due to remittances sent by global labor migrants, the average income of households (as well as income per capita) is considerably higher among households with labor migrants than among households without global labor migrants. These results suggest that earnings differentials between Filipinos employed in the domestic labor market and Filipinos employed in the

global labor market create an additional economic cleavage between households in the Philippines, namely, division between household with global labor migrants and households without global migrants. In sum, then, low earnings capabilities bring Filipinos to the global labor market and earnings produced in the global labor market have significant implications for the income distribution of households in the domestic labor markets (e.g. in the Philippines). Therefore, we cannot understand economic inequality in the domestic markets without considering flows of remittances produced in the global labor market.

Notes:

1. The information provided by an adult family member in the Philippines on earnings of family member migrant worker may produce certain level of inaccuracy. However, there is no reason to assume that potential inaccuracies have resulted in any systematic bias. Furthermore, because there is no better datasets that provide information about employment, earnings and remittances of hundreds of Filipino overseas workers across the world we see considerable merit in the contribution of the study.
2. Survey data were collected from 2,388 households. In 42 households, not the wife or the husband, but only other members of the unit, such as aunts, uncles, or adult children, were employed abroad. This group was excluded from the analysis due to two reasons. First, the group is too small. Second, because of questionnaire design and sampling procedure, not all-necessary information for the analysis was gathered from this group of households. For detailed description of the sampling procedure see 'The study on the consequences of international migration of Filipino parents on their children' – NIRP final scientific report 2/6/2001.
2. Boxplot shows median, first quartile, third quartile, inner fences which extend to 1.5 times the height of the box (approximately 95% of the data are expected to lie between the inner fences) and outliers.

3. To arrive at these estimates we use the following formula:  $g = (\exp(b) - 1) * 100$  to calculate the effect size (Thorton and Innes, 1989).

4. The small number of sample cases for clerks and sales category in each region does not allow estimation of models including three occupational categories (similar to the analysis presented in Table 2 and 3).

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Table 1: Descriptive Statistics, Mean (StD)/Per cent of the variables included in the study

	MEN		WOMEN	
	Domestic workers	Global Labor migrants	Domestic workers	Global Labor migrants
Age	41.6 (9.5)	43.6 (6.7)	41.2 (9.3)	39.9 (6.1)
Education	10.7 (2.7)	12.2 (2.2)	10.8 (2.8)	11.0 (2.1)
Earnings <sup>1</sup>	6208 (6774)	21367 (17464)	6421 (8592)	17482 (18230)
Earnings <sup>2</sup>	4652 (6452)		2532 (6240)	
Total years of employment in the global labor market <sup>3</sup>		8.0 (3.0)		6.8 (3.0)
Labor market position				
Professionals and Technicians	15.6%	21.9%	12.9%	12.0%
Sales and Clerks	8.6%	9.2%	7.1%	10.6%
Manual/Services Workers	52.7%	68.9%	21.5%	77.4%
Unemployed	23.1%	--	58.5%	--
N	2044	599	2349	577

1. Only for subsample of domestic workers who are employed (1571 for men, 974 for women)

2. Including those in the Philippines who are unemployed and have 0 earnings

3. The information refers only for subsamples of migrants who are heads of the household: husband or wife (566 women and 584 men, respectively).

Table 2: OLS regression coefficients (standard errors) predicting earnings in Pesos among Filipinos and Filipinas working at domestic and global labor markets<sup>1</sup>

	MEN		WOMEN	
	Domestic labor market (1a)	Global labor market (1b)	Domestic labor market (2a)	Global labor market (2b)
Constant	-3246*	-325	-2208	-9694
Age	55* (19)	117 (103)	35 (33)	366* (111)
Education	474* (67)	1084* (320)	336* (110)	938* (360)
Occupations <sup>2</sup>				
Professionals and Technicians	3387* (467)	6484* (1786)	5758* (693)	14906* (2316)
Sales and Clerks	939 (548)	1960 (2368)	1973* (786)	2800 (2337)
R <sup>2</sup>	0.176	0.220	0.169	0.291
N	1373	537	856	516

1. The models also include a set of dummy variable representing region of origin/residence in the Philippines (the coefficients are not presented)

2. Omitted category – manual/services workers; \*p<0.05



Table 3: OLS regression coefficients (standard errors) predicting LN earnings among Filipinos and Filipinas working at local and global labor markets<sup>1</sup>

	MEN		WOMEN	
	Domestic labor market (3a)	Global labor market (3b)	Domestic labor market (4a)	Global labor market (4b)
Constant	7.395*	8.672*	6.889*	8.882*
Age	0.002 (0.002)	0.007 (0.004)	0.003 (0.003)	0.005 (0.003)
Education	0.063* (0.007)	0.052* (0.012)	0.073* (0.011)	0.044* (0.011)
Occupations <sup>2</sup>				
Professionals and Technicians	0.438* (0.047)	0.284* (0.068)	0.772* (0.067)	0.395* (0.070)
Sales and Clerks	0.269* (0.055)	0.080 (0.090)	0.437* (0.076)	0.113 (0.070)
R <sup>2</sup>	0.283	0.212	0.322	0.220
N	1373	537	856	516

1. The models also include a set of dummy variable representing region of origin/residence in the Philippines (the coefficients are not presented);

2. Omitted category – manual/service workers; \*p<0.05

Table 4: Decomposition of Earnings Differentials based on the OLS regression equations predicting earnings among Filipinos and Filipinas at domestic (including those who unemployed and has no earning) and global labor markets<sup>1,2</sup>

	Global Migrant Workers	
	MEN	WOMEN
Actual Earnings	21213	17359
Expected Earnings (in Domestic Labor Market)	5874	2203
Gains/Loss	15339	15156

	Domestic Workers	
	MEN	WOMEN
Actual Earnings	4620	2505
Expected Earnings (in Global Labor Market)	18300	18652
Gains/Loss	-13680	-16147

1. Equations for domestic labor market:

MEN Y= - 5838+90\*age+504\*education+1990\*Manila+3556\*Lloilo+3422\*Davao

WOMEN Y=-3833+16\*age+434\*education+763\*Manila+3189\*Lloilo+2659\*Davao.

Equations for global labor markets:

MEN Y= - 3699+143\*age+1371\*education-1753\*Manila+16962\*Lloilo+3415\*Davao

WOMEN Y=-14281+340\*age+1559\*education-2902\*Manila+28042\*Lloilo-3152\*Davao.

2. Mean scores of actual earnings are slightly different from those presented in Table 1, since they are based only on the cases that provided valid values for all variables included in the OLS analysis.

Table 5: OLS regression coefficients (standard errors) predicting LN earnings among Filipinos and Filipinas working at global labor market by region of destination<sup>1</sup>

	MEN				WOMEN			
	East and Southeast Asia	Middle East	Europe and America	Around the World	East and Southeast Asia	Middle East	Europe and America	Hong-Kong <sup>2</sup>
Constant	8.360*	8.374*	9.554*	9.438*	8.308	9.113*	8.751*	9.422*
Age	0.017* (0.007)	0.012* (0.005)	0.000 (0.008)	-0.011 (0.012)	0.007 (0.007)	-0.005 (0.008)	0.005 (0.008)	0.006 (0.004)
Education	0.054* (0.025)	0.048* (0.016)	0.025 (0.026)	0.072 (0.040)	0.081* (0.021)	0.032 (0.020)	0.063* (0.026)	0.001 (0.02)
Professionals and Technicians	0.249* (0.119)	0.385* (0.090)	0.265* (0.129)	0.703* (0.142)	0.352* (0.130)	0.370* (0.117)	0.467* (0.137)	----
R <sup>2</sup>	0.168	0.192	0.046	0.250	0.186	0.198	0.207	0.013
N	93	207	130	87	134	93	107	176

1. The models were estimated only for subsamples of migrants who are heads of the household: husband or wife, and for whom information on earnings was available (529 women and 547 men, respectively).

2. The model does not include occupational category, since there is no variance in the variable, 173 out of 176 women work in manual/service type jobs.

\*p<0.05

Table 6: Mean (Standard Deviation) of Households Income in the Philippines

Type of Household	Husband is Global labor migrant (N=449)	Wife is Global labor migrant (N=384)	Having Global labor migrant (Husband or Wife) (N=883)	Without any Global labor migrant: Employed only in the Domestic Labor Market (N=1218)
Household Income (earnings in the Philippines + remittances)	18489	12386	15676	10659
Income Ratio (household with migrants/ household without migrants)	1.73	1.16	1.47	
Household Income per Capita <sup>1</sup> (earnings in the Philippines + remittances)	3967	2865	3459	1833
Income Ratio (household with migrants/ household without migrants)	2.16	1.56	1.89	
Household Income per Capita <sup>1</sup> (earnings in the Philippines + remittances) by Region of Destination				
East Asia-Industrialized	3191	2749		
Middle East	3215	3008		
Southeast Asia	4844	2656		
Europe	4478	2701		
North and South America	4150	4705		
Hong-Kong	---	2567		

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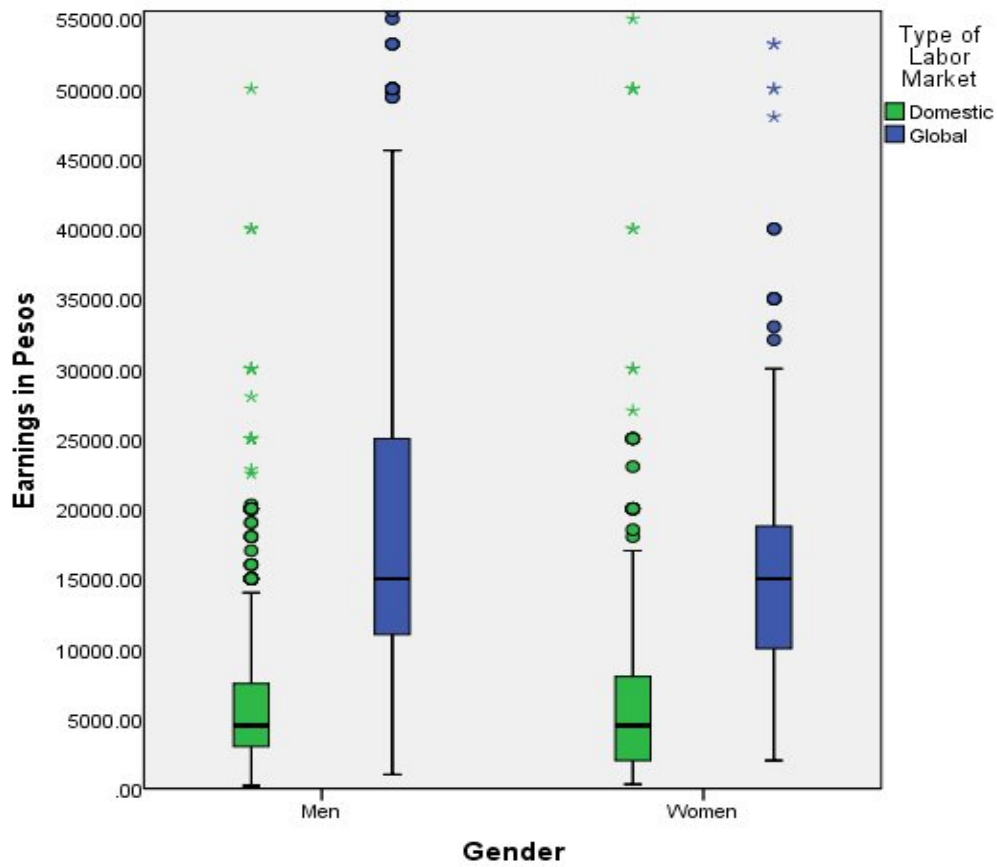
1. Statistics were computed only for sub-samples of households that reported amount of both remittances and household income in the Philippines. 72 Households with both husband and wife migrant workers were excluded from this analysis.
2. For household with labor migrant household income is divided by total number of persons in household minus 1 (labor migrant).

Table A 1: Remittances per month by Region of Destination<sup>1</sup>

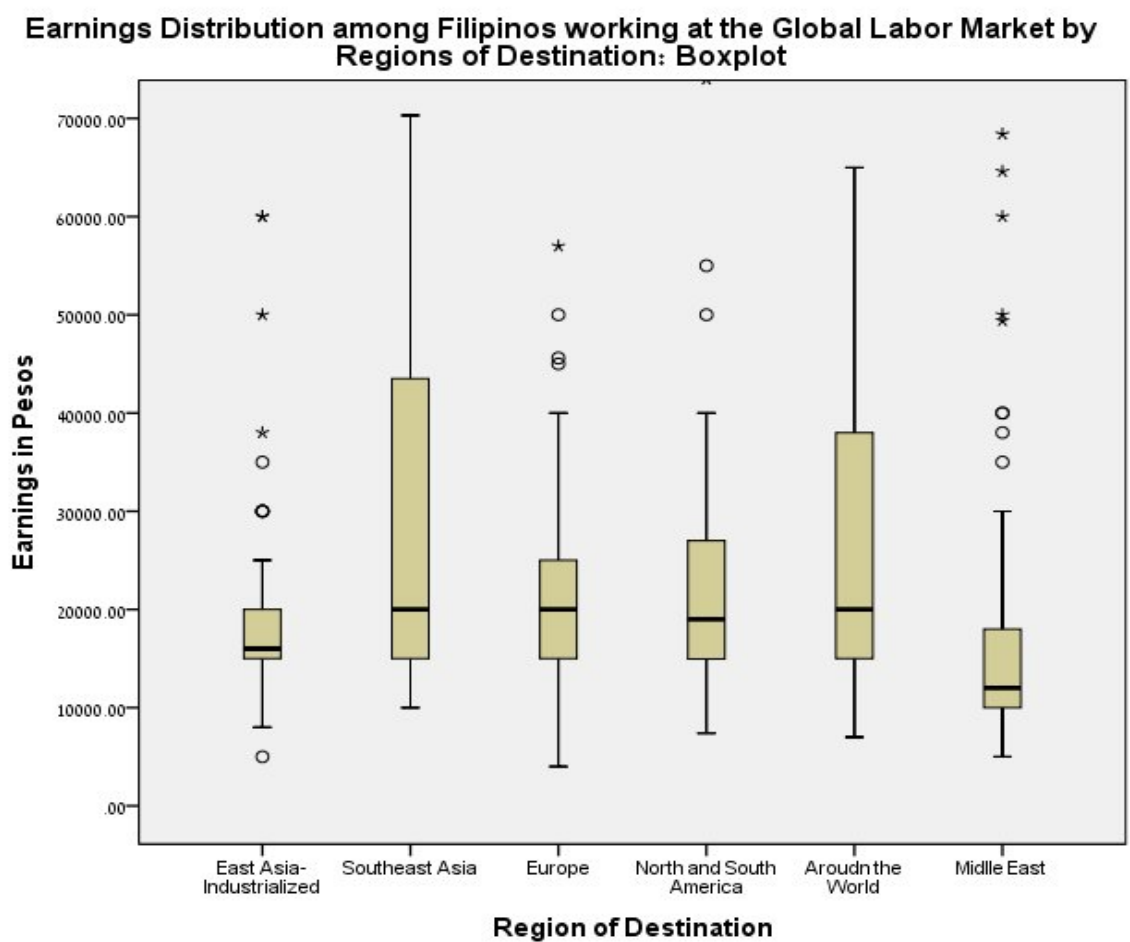
	MEN		WOMEN	
	Remittances as share of labor migrant earnings (%)	Remittances in Pesos	Remittances as share of labor migrant earning (%)	Remittances in Pesos
East Asia-Industrialized <sup>1</sup>	58	11,126	48	7,175
Middle East <sup>3</sup>	63	10,207	52	6,659
Southeast Asia <sup>4</sup>	64	19,913	45	8,607
Europe <sup>5</sup>	60	13,612	39	7,020
North and South America <sup>6</sup>	39	9,869	49	8,904
Hong-Kong	---	---	40	6,415
Around the Word <sup>7</sup>	68	17,782	---	---
Total	61	12,732	45	6,996

1. Computed only for the sub-samples of overseas workers who reported the amount of remittances sent home (494 and 432 for men and women, respectively).
2. Japan, Taiwan, South Korea, Singapore
3. Abu Dabi, Bahrain, Dubai, Jordan, Kuwait, Lebanon, Egypt, Qatar, Saudi Arabia, Omar
4. Indonesia, Brunei, Guam, India, Malaysia, Thailand
5. Italy, Great Britain, Denmark, Germany, Greece, Israel, Spain, Finland, France, Cyprus
6. USA, Mexico, Canada, Australia
7. This category includes men who take jobs as seaman.

Graph 1:

**Earning Disribution among Filipinos and Filipinas working at the Domestic and the Global Labor Markets: BOXPLOT**

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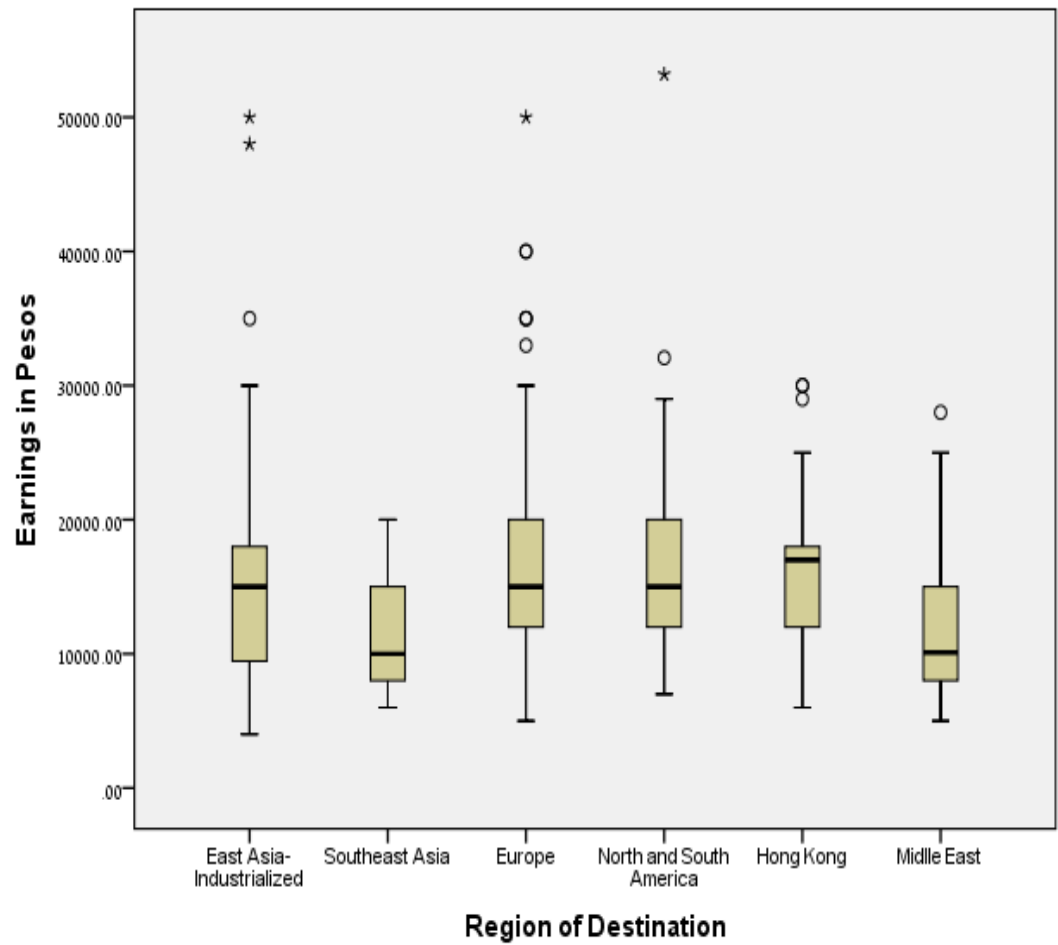
1. Computed only for subsamples of migrants who are heads of the household (husband) and for whom information on earnings was available (547 men).

Graph 2<sup>1</sup>:

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Graph 3<sup>1</sup>:

**Earnings Distribution among Filipinas working at the Global Labor Market by Regions of Destination: Boxplot**

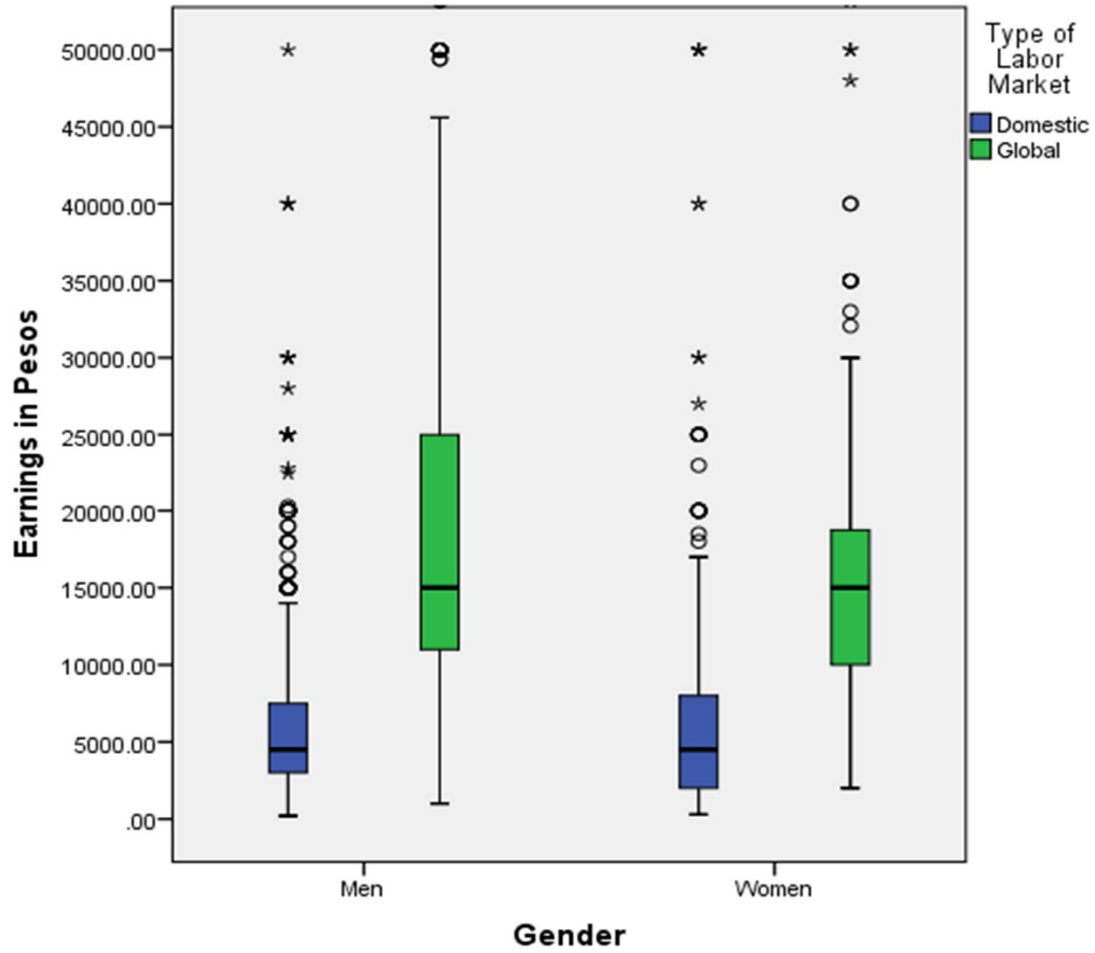


1. Computed only for subsamples of migrants who are heads of the household (wife) and for whom information on earnings was available (529 women).

Graph 1: Earnings Distribution among Filipinos and Filipinas working at the Domestic and the Global Labor Markets: Boxplot

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