

SPENDING PATTERNS OF OFW HOUSEHOLDS: A REVIEW OF RELATED LITERATURE

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We know this.

- OFW deployment has been rising.

Year	Total Deployed (Land- and Sea-based workers)
2008	1,236,013
2009	1,442,586
2010	1,470,826

Source: POEA

We know this.

- Stock estimate of Overseas Filipinos has been rising.

Year	Total Permanent, Temporary, and Irregular Overseas Filipinos
2008	8,187,710
2009	8,579,378
2010	9,452,984

Source: Commission on Filipinos Overseas

Note: Data as of December of every year

We know this.

- Remittances (in US\$) have been increasing.

Year	Overseas Remittances (in '000 US\$)
2009	17,348,052
2010	18,762,989
2011	20,116,992

Source: BSP

We know this.

- Remittances (in US\$) are forecasted to increase.

Year	Overseas Remittances (in billion US\$)
2012	24
2013	25.9
2014	28.5

Source: World Bank

We know this.

- Top 10 sources of remittances (2011)

Country	Total Remittances (in '000 US\$)
1. USA	8,481,164
2. CANADA	2,071,489
3. SAUDI ARABIA	1,544,343
4. JAPAN	913,548
5. UNITED KINGDOM	888,959

We know this.

- Top 10 sources of remittances (2011)

Country	Total Remittances (in '000 US\$)
6. SINGAPORE	789,243
7. UNITED ARAB EMIRATES	775,237
8. ITALY	550,515
9. GERMANY	448,204
10. NORWAY	372,701

We know this.

- TOP 5 remittance-receiving regions of the Philippines

REGION	SHARE IN TOTAL REMITTANCES (2010, IN PERCENT)
1. CALABARZON	19.9
2. CENTRAL LUZON	17.9
3. NCR	14.9
4. ILOCOS REGION	11.8
5. WESTERN VISAYAS	11.2

We need to know more about these.

- What do OFW households spend on?
- Do spending patterns of OFW households differ based on the occupation of the household member working abroad?
- Which of the Philippine regions and provinces have fast-growing deployment and total remittances?



Spending Patterns of OFW Households: What Surveys Say

- Asian Development Bank (2008)
 - Most beneficiaries allocated remittances for
 - food consumed at home
 - utilities and other household operations
 - personal care and effects,
 - communications and transportation



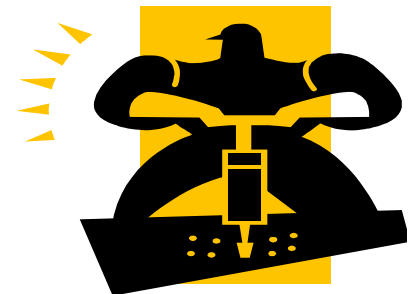
Spending Patterns of OFW Households: What Surveys Say

- Asian Development Bank (2008)
 - Highest monthly allocations from remittances

EXPENDITURE ITEM	AVERAGE MONTHLY ALLOCATION
FOOD CONSUMED AT HOME	5,360
RENT	4,943
EDUCATION	2,733

Spending Patterns of OFW Households: What Surveys Say

- Asian Development Bank (2008)
 - Sixty (60) percent of respondents reported that they were able to save money.
 - Eighty-seven (87) percent kept their savings in banks.
 - Life insurance is the most popular financial instrument among respondents.



Spending Patterns of OFW Households: What Surveys Say

- Nielsen Company (2011 OFW Survey)
 - Seventeen (17) percent of households use remittance to save and invest.
 - OFW households spend remittances on household appliances, insurance, real estate, car, business ventures, and even lottery tickets.
 - Ninety-six (96) percent of households use remittances to pay for basic needs such as food, utilities, bills, rent, and education.
 - Two percent use remittances to pay back loans.

Spending Patterns of OFW Households: What Surveys Say

- Bangko Sentral ng Pilipinas (Consumer Expectations Survey, 2012 2nd quarter)
 - Ninety-five (95) percent of households use remittances for food.
 - Relative to the 2011 2nd quarter survey,
 - More OFW households spend on education.
 - More OFW households save.
 - Fewer households spend remittances to purchase house and lot, consumer durables, and motor vehicles.

Spending Patterns of OFW Households: What Surveys Say

- Bangko Sentral ng Pilipinas (Consumer Expectations Survey, 2012 2nd quarter)
 - About 58% of OFW households allocate remittances to medical payments.
 - Around 44% use remittances to pay debt.



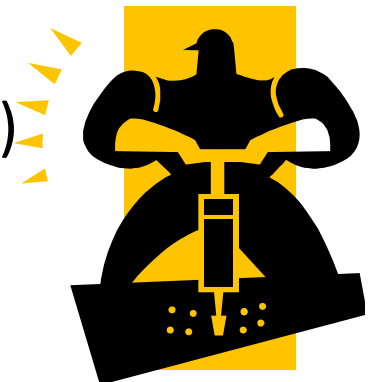
Spending Patterns of OFW Households: What Surveys Say

- Synergy Business Consultancy (2009)
 - Relative to households without OFW, households with OFW s
 - Have more leisure activities
 - Own more gadgets such as computers and laptops
 - More inclined to eat out, socialize, travel, go to the mall
 - Allot budget for charitable acts



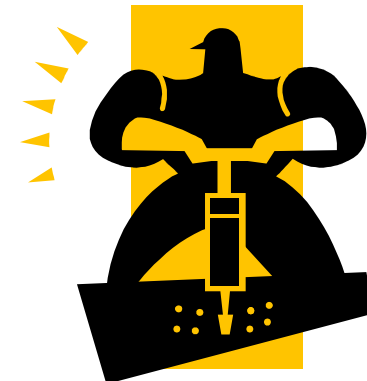
Spending Patterns of OFW Households: What Surveys Say

- Synergy Business Consultancy (2009)
 - Activities done by OFW households in malls
 - Shopping (43%)
 - Watching movies (31%)
 - Social activities done by OFW households
 - Social drinking (29%)
 - Videoke (26%)
 - Attending social gatherings and parties (17%)
 - Bar hopping (8%)
 - Going to clubs (5%)



Spending Patterns of OFW Households: What Empirical Studies Say

- Aranda (2005)
- Used survey and logistic regression
 - OFW households with higher spending needs and lower income will most likely not save or invest remittances.



Spending Patterns of OFW Households: What Empirical Studies Say

- Abdon et al (2006)
 - Utilization of remittances depends on the characteristics of the migrant, family of the migrant, and their treatment of funds.
 - If remittances are treated as transitory income, they are likely to be used to finance purchases of durable goods, housing, housing repairs, repaying debts.
 - If remittances are treated as permanent income, they are used to augment basic consumption like food expenditures.

Spending Patterns of OFW Households: What Empirical Studies Say

- Villamil (1998)
 - Female migrants are most likely to send remittances over the long term. Hence, remittances from female migrants might be used for basic consumption.
 - Once married, male migrants stop remitting. Hence, remittances from male migrants might be used to finance durable goods accumulation or housing.



Spending Patterns of OFW Households: What Empirical Studies Say

- Abdon et al (2006)
 - In a bad year, remittances might be used to support basic consumption, which indicates the tendency to focus on necessities in hard times.
 - In a good year, remittances might be used for durable goods accumulation, which indicates a tendency to use remittances for items beyond basic needs during non-crisis periods.



Spending Patterns of OFW Households: What Empirical Studies Say

- Abdon et al (2006)
- Regression analysis using Family Income and Expenditure Survey (FIES), Survey of Overseas Filipinos (SOF), and Labor Force Survey (LFS)
 - Relative to households without an OFW, OFW households
 - Spend more on food
 - Spend more on non-food items particularly education and recreation (except medical care)

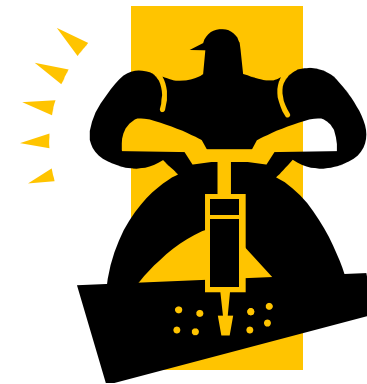
Spending Patterns of OFW Households: What Empirical Studies Say

- Tullao, Cortes, and See (2007)
 - OFW remittances lead to higher human capital investments in education and health.
- Zosa and Orbeta (2009)
 - Households with migrants tend to spend more for education as their income increases.



Spending Patterns of OFW Households: What Empirical Studies Say

- Pernia (2008)
- Econometric analysis using FIES data for 2000 and 2003
 - Remittances enhance households savings.
 - Remittances enhance spending on education and health care.



Spending Patterns of OFW Households: What Empirical Studies Say

- Yang (2003)
 - OFW remittances have positive impact on human capital accumulation.
 - Increase in OFW remittances is associated with more child-schooling, less child labor, and higher household educational expenditure
 - Remittances have more beneficial effects when
 - Recipient children are male
 - Overseas workers are older and have been away for shorter periods
 - Overseas workers are mothers of children in question.

Spending Patterns of OFW Households: What Empirical Studies Say

- Tabuga (2007)
- Econometric analysis of 2003 FIES
- Based on a censored Tobit model and quintile regressions, Tabuga (2007) tested the influence of remittances on commodity groups such as food, tobacco and alcohol, education, health care, among others.



Spending Patterns of OFW Households: What Empirical Studies Say

- Tabuga (2007)

COMMODITY GROUP	INFLUENCE OF REMITTANCE ON BUDGET ALLOCATION
FOOD EATEN OUTSIDE OF HOME	NEGATIVE
EDUCATION	POSITIVE
MEDICAL CARE	POSITIVE
HOUSING AND MINOR REPAIRS	POSITIVE

Spending Patterns of OFW Households: What Empirical Studies Say

- Tabuga (2007)

COMMODITY GROUP	INFLUENCE OF REMITTANCE ON BUDGET ALLOCATION
TOBACCO AND ALCOHOL	NEGATIVE
CONSUMER GOODS	POSITIVE
LEISURE	POSITIVE
GIFTS	POSITIVE

Spending Patterns of OFW Households: What Empirical Studies Say

- Tabuga (2007)

COMMODITY GROUP	INFLUENCE OF REMITTANCE ON BUDGET ALLOCATION
FUEL, TRANSPORTATION, COMMUNICATION, HOUSEHOLD OPERATIONS	POSITIVE
DURABLE GOODS	POSITIVE
OTHERS	NEGATIVE

Spending Patterns of OFW Households: What Empirical Studies Say

- Ang, Sugiyarto, and Jha (2009)
 - The average annual income of OFW households is about 73% greater than the average annual income of non-OFW families who are dependent on wage and entrepreneurial income.
 - OFW households have higher savings and earn more from investments.
 - Remittances negatively influence the share of food consumption in total expenditure.

Spending Patterns of OFW Households: What Empirical Studies Say

- Ang, Sugiyarto, and Jha (2009)
- Econometric analysis of the 2000, 2003, and 2006 FIES
- Focused on differences between remittance-receiving households and non-receiving households



Spending Patterns of OFW Households: What Empirical Studies Say

- Ang, Sugiyarto, and Jha (2009)
 - By lowering the share of food expenditures, OFW households have larger shares of expenditures on education, health, durable goods, transportation and communication, and housing.
 - OFW households spend more on human resources than non-recipient households.
 - Remittances don't have significant influence on spending for education and health care.

Spending Patterns of Households and Changes in Occupational Waves of OFWs

- Abastillas (2012)
- Correlation between changes in occupational waves of OFWs and spending patterns of Filipino households in general
- FIES data from 1990 to 2009

Spending Patterns of Households and Changes in Occupational Waves of OFWs

- **Abastillas (2012)**

DEPLOYMENT TREND	TREND OF SHARE IN TOTAL EXPENDITURE	CORRELATION
Rise in service workers	Fall in share of FOOD	Moderate negative
	Increase in share of EDUCATION	Strong positive
	Increase in share of MEDICAL CARE	Very strong positive
	Fall in share of TOBACCO	Strong negative
	Fall in share of ALCOHOL	Moderate negative
	Rise in share of UTILITIES	Strong positive
	Rise in share of HOUSEHOLD FURNISHINGS AND EQUIP'T	Weak positive

Spending Patterns of Households and Changes in Occupational Waves of OFWs

- **Abastillas (2012)**

DEPLOYMENT TREND	TREND OF SHARE IN TOTAL EXPENDITURE	CORRELATION
Rise in production workers	Fall in share of FOOD	Weak negative
	Increase in share of EDUCATION	Weak positive
	Increase in share of MEDICAL CARE	Strong positive
	Fall in share of TOBACCO	Weak negative
	Fall in share of ALCOHOL	Weak positive
	Rise in share of UTILITIES	Moderate positive
	Rise in share of HOUSEHOLD FURNISHINGS AND EQUIP'T	Weak positive

Spending Patterns of Households and Changes in Occupational Waves of OFWs

- **Abastillas (2012)**

DEPLOYMENT TREND	TREND OF SHARE IN TOTAL EXPENDITURE	CORRELATION
Fall in professional workers	Fall in share of FOOD	Moderate positive
	Increase in share of EDUCATION	Moderate negative
	Increase in share of MEDICAL CARE	Strong negative
	Fall in share of TOBACCO	Moderate positive
	Fall in share of ALCOHOL	Weak positive
	Rise in share of UTILITIES	Moderate negative
	Rise in share of HOUSEHOLD FURNISHINGS AND EQUIP'T	Moderate negative

Which are the fast-growing regions in terms of total deployment and remittances?

- TOP 5 remittance-receiving regions of the Philippines

REGION	SHARE IN TOTAL REMITTANCES (2010, IN PERCENT)
1. CALABARZON	19.9
2. Central Luzon	17.9
3. NCR	14.9
4. Ilocos Region	11.8
5. Western Visayas	11.2

Shifts in the Share of Regions in Total Remittances: Top Gainers

	SHARE IN TOTAL REMITTANCES (2000)	SHARE IN TOTAL REMITTANCES (2010)	PERCENTAGE DIFFERENCE (percentage points)
1. Central Luzon	12.3%	17.9%	5.6
2. Cagayan Valley	3.8%	7.6%	3.8
3. Central Visayas	6.1%	8.9%	2.8
4. ARMM	0.3%	3.0%	2.7
5. Soccskargen	1.5%	4.1%	2.6
6. Ilocos Region	9.2%	11.8%	2.6

DEPLOYING AND REMITTING MORE

	AVERAGE GROWTH RATE OF REMITTANCES (2008-2010)		
		ABOVE NATIONAL AVERAGE	BELOW NATIONAL AVERAGE
AVERAGE GROWTH RATE OF OFFW DEPLOYMENT (2008-2010)	ABOVE NATIONAL AVERAGE	ILOCOS CAGAYAN VALLEY CENTRAL LUZON MIMAROPA BICOL CENTRAL VISAYAS	EASTERN VISAYAS ZAMBOANGA PENINSULA DAVAO REGION SOCCKSARGEN
	BELOW NATIONAL AVERAGE	ARMM CARAGA CALABARZON	NCR CAR WESTERN VISAYAS NORTHERN MINDANAO

Source of Basic Data: NSCB

Top Regional, Provincial, and City Markets

REGIONS WITH BETTER MARKET POTENTIAL	PROVINCES WITH HIGHER LEVELS OF ECO. & BUSINESSDYNAMISM	CITIES WITH HIGHER LEVELS OF ECO. & BUSINESS DYNAMISM
1. CALABARZON	1. CEBU	1. DAVAO CITY
2. NCR	2. LAGUNA	2. CEBU CITY
3. CENTRAL LUZON	3. CAVITE	3. BACOLOD CITY
4. CENTRAL VISAYAS	4. BULACAN	4. CALAMBA CITY
5. WESTERN VISAYAS	5. DAVAO DEL SUR	5. CAGAYAN DE ORO CITY
6. NORTHERN MINDANAO	6. PAMPANGA	6. SAN FERNANDO CITY, PAMPANGA
7. BICOL REGION	7. RIZAL	7. ILOILO CITY
8. SOCCSKSARGEN	8. BATANGAS	8. STA. ROSA CITY
9. MIMAROPA	9. MISAMIS ORIENTAL	9. ANTIPOLO CITY
10. ILOCOS REGION	10. NEGROS ORIENTAL	10. LIPA CITY

Summing up

- Based on surveys, it appears that at least 95% of OFW households allocate more remittances for food, rent, and education.
- Although the proportion of OFW households that save may not be consistent in surveys, it appears that at least 60% of OFW households save, and at least 85% save in banks.

Summing up

- Based on surveys, it appears that more than half of OFW households use remittances to pay medical bills. Also, it appears that less than half of OFW households use remittances to pay back loans.
- Depending on economic conditions, OFW households spend more on house and lot, consumer durables, and motor vehicles in good times and less of the same in bad times.

Summing up

- Based on a survey, it appears that households with relatives working abroad engage in social and leisure activities more than households without relatives working abroad.
- Based on a survey, it appears that households with relatives working abroad buy more gadgets such as mobile phones, laptop computers, and the like than households without relatives working abroad.

Summing up

- Empirical studies imply the importance of identifying the characteristics of migrant workers and their families because they can have implications on the treatment and use of remittances.
- Empirical studies show that OFW households earn, save, and invest more.

Summing up

- Empirical studies show that the reduction in the share of food in total expenditures is matched by an increase in the share of education, medical care, durable goods, transportation and communication, and housing.



Summing up

- Based on empirical studies, it appears that remittances raise household budget allocation for the following:
 - Education
 - Medical care
 - Housing and repair
 - Consumer goods
 - Leisure
 - Gifts
 - Fuel
 - Transportation
 - Communication
 - Household Operations
 - Durable Goods

Summing up

- Based on empirical studies, it appears that remittances do not raise household budget allocation for food eaten outside of the home, tobacco, and alcohol.
- It seems that the rise in deployment of service workers correlate well with an increase in the share of education, medical care, and utilities in total household spending.



Summing up

- Based on an empirical study, it appears that the rise in deployment of production workers correlate well with an increase in the share of medical care in total expenditures.
- The remittance-receiving regions to watch include Central Luzon, Ilocos Region, Cagayan Valley, Central Visayas, MIMAROPA, and Bicol Region.

Next steps

- Analyze the demographic and socio-economic characteristics of OFWs by occupation and geographical origin based on a survey.
- Analyze the demographic and socio-economic characteristics of OFW households according to the occupation of their OFW relative and geographical origin based on a survey.
- Analyze the spending patterns of OFW households according to the occupation of their OFW relative and geographical origin.



THANK YOU.