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## **Socio-economic influence of overseas Filipino workers in the Federal States of Micronesia**

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### **Abstract**

The economy of the Philippines heavily depends on overseas workers. The major destinations and dominance of simple labor has not changed in the last 30 years. However, the destinations have been more diversified. And the professional jobs are more dominant in some countries. The paper discusses a case by illustrating the situation in the Federal States of Micronesia. The economy of this country is called MIRAB, which means the economy depending on migration, remittance and bureaucracy. The paper shows that the result of this economy has not brought around the development of the private sector but, rather, frustration. The paper concludes that the increasing number of Filipino workers will heighten the stressful nature of the society.

**Keywords:** FSM, Philippines, overseas workers

### **Introduction**

Globalization of goods, capital and labor is taking place among developing countries as well as among advanced countries. This paper focuses the growing presence of the Philippines in the Federal States of Micronesia (FSM). It shows the trend with statistical data of the government, and it also tries to figure out the socio-economic influence of this relatively new phenomena.

### **Growing presence of the Philippines in the FSM economy**

#### **Overseas workers as a national policy**

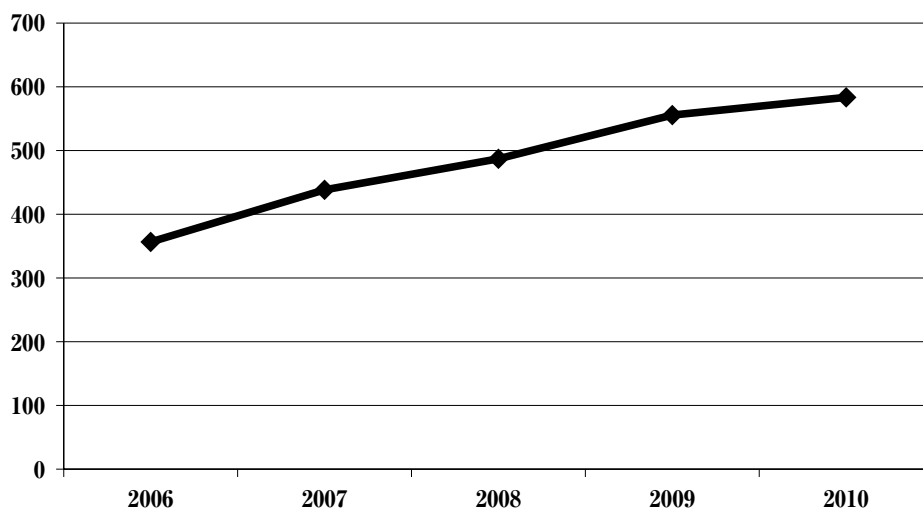
The Philippine government has been promoting the increase of overseas workers as a policy in order to get more foreign currency since 1982 when it launched the Philippine Overseas Employment Authority (POEA). POEA is aimed to protect the human rights of the Filipino overseas workers as well as accelerate the numbers of the workers abroad. According to the government statistics, the number of Filipino overseas workers in 2008 was 8, 19 million, which was nearly 10 % of the total population. The POEA statistics in 2010 shows the characteristics of the Filipino overseas workers. The main destinations are Saudi Arabia, UAE, Hong Kong and Qatar. The popular kinds of jobs are different between men and women. While maids, caretakers and cleaners are dominant for women, cleaners and construction workers are leading for men. This trend of main destinations and popular kinds of jobs has not basically changed since the 1980's up to now. However, there are also several new

phenomena taking place. Firstly, the destinations are becoming more diversified to all over the world, such as Oceania and Africa. Secondly, some of the destinations are developing countries where the average wage level is as low as the Philippines. The paper discusses the case of FSM as this new trend of overseas Filipino workers. It tries to analyze the impact of it on the FSM as well as on the Philippines.

### Overseas workers and trade of the Philippines in FSM

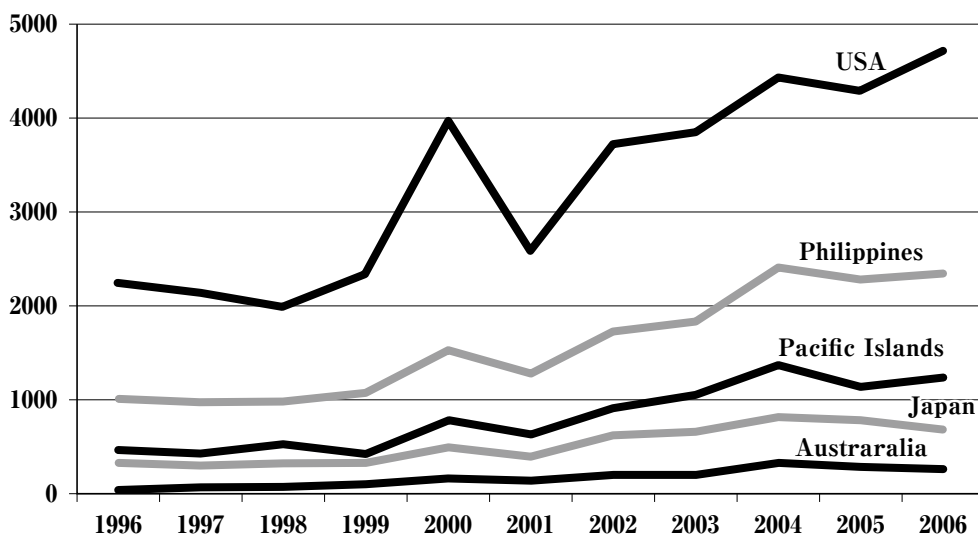
According to POEA, the number of Filipino workers has increased recently since 2006 to 2010 (Fig. 1). The same trend can be read off from the FSM government data (Fig 2). It shows the total estimated number of Filipino workers, which are non-tourists visitors to the FSM. Filipinos are the second largest number of workers to Americans. Table 1 shows the kind of jobs of the 135 Filipino workers based on POEA statistics. It is noteworthy that there are no maids and cleaners which are more common in other countries. On the other hand there are many professional workers such as foremen in construction sites (6), technicians (4), and accountants (4).

Imports from the Philippines to the FSM are also increasing. Figure 3 shows the growth rate of imports from the main countries between 2000 and 2006. It shows that imports from the USA, Japan and Guam stayed at almost the same level, but that from the Philippines is growing rapidly, as well as Singapore. More detailed statistical analysis is necessary in order to understand this trade structure, but the author found that the importance of products in the FSM markets were of great importance by simple field research. Table 2 shows the origin of the 89 items sold in a FSM supermarket. It indicates that the USA (45) and Japan (11) were more dominant, but the Philippines (7) was ranked close to them. One of the accountants of the supermarket was a Filipino. We can infer that the increasing number of Filipino workers will promote the importation of Filipino products.



Source: POFA

Fig. 1 Filipino overseas workers in FSM.



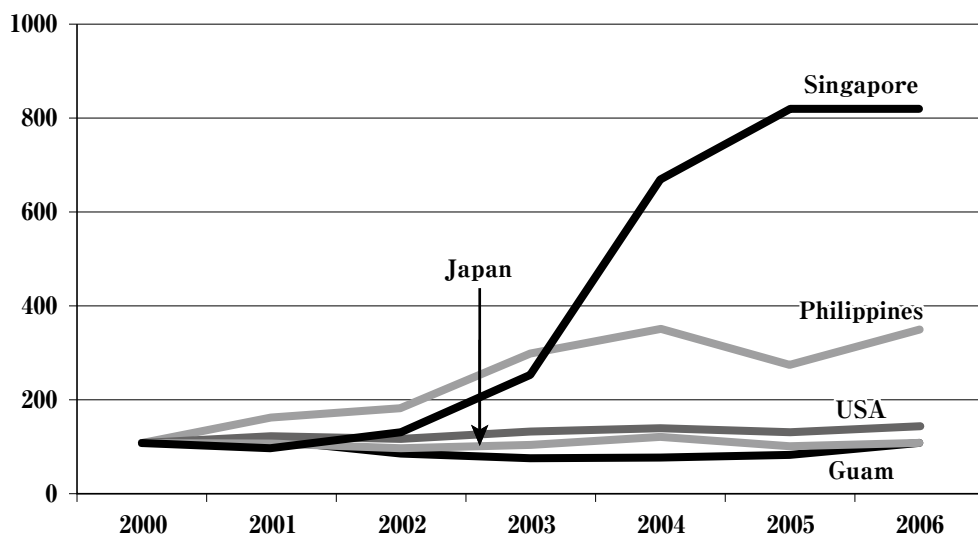
Source: FSM Government

Fig. 2. Non-tourists visitors to FSM.

Table 1 Filipino overseas workers in FSM by skills.

skill	number
<b>Production and related workers transport equipment operations and laborers</b>	<b>99</b>
Carpenters, joiners and parquetry workers	20
Bricklayers, stonemasons and tile setters	14
Supervisor production and general foremen	5
Others	60
<b>Professional technical and related workers</b>	<b>19</b>
Engineers civil	4
Accountants	4
Architects and town planners	2
Pharmacists	2
Others	7
<b>Clerical and related workers</b>	<b>7</b>
Maschine operators automatic/ electronic data	2
Clerks stock	2
Others	3
<b>Sales workers</b>	<b>5</b>
Managers (whole sale and retail trade)	2
Supervisors sales	2
Salesmen technical and service advisors	1
<b>Administrative and managerial workers</b>	<b>2</b>
Manager general	2
<b>Service workers</b>	<b>3</b>
Cooks and related workers	3
<b>Total</b>	<b>135</b>

Source: POEA



Source: FSM Government

Fig. 3 Growth rate of export to FSM by main countries (year 2000 = 100).

Table 2 Origin of items sold in a supermarket (weno city, Chuuk state, FSM, 2011 August 3).

items (89)									items(89)		
rank	canned foods	59	rank	seasonings	9	rank	sweats	21	rank	total	89
1	USA	39	1	Japan	4	1	China	6	1	USA	45
2	Australia	6	2	Philippines	2	2	USA	4	2	Japan	11
3	Philippines	4	3	USA	2	3	Japan	3	3	Philippines	7
3	Japan	4	4	China	1	4	Taiwan	2	3	China	7
5	Thailand	2				5	Canada	2	5	Australia	6
6	Korea	1				6	Indonesia	2	6	Taiwan	3
6	Taiwan	1				7	Philippines	1	7	Canada	2
6	Poland	1				8	Hong Kong	1	7	Indonesia	2
6	Malaysia	1							7	Thailand	2
									10	Korea	1
									10	Hong Kong	1
									10	Poland	1
									10	Malaysia	1

### FSM economy: MIRAB economy and stress of men

FSM consists of four states, or Yap, Chuuk, Pohnpei, and Kosrae. The population is around 110 thousand. It used to be a UN Trust Territory and it became independent in 1979. It has a strong relationship with the USA through the Compact of Free Association. While it allows the USA free access to its territory, it is receiving a huge amount of the compact grant. The present compact grant is scheduled to continue to 2023. Figure 4 shows that 43% of the government revenue depended on compact grant in 2006. This bloated public sector is contributing a lot to infrastructure, education, community development in the islands and so on. However, the provision of basic education does not necessarily lead to the development of the public sector. It has just enlarged the inefficient public sector. Figure 4 illustrates the unemployment rate and percentage of labor force in subsistence economy in 1994 and 2000. The unemployment rate has increased from 16.3% to 22% , and the subsistence economy has augmented from 22.6% to 28.4% . It can be said that more than 50% percent of the working population were not employed in 2000, which means the country is going back to the non-market economy from the viewpoints of its labor market.

This crooked economic system is sometimes called the MIRAB economy. It means that the economy heavily depends on Migrants' Remittance and Aids from the USA and other countries, and consequently the public sector or Bureaucracy is extremely enlarged while the private sector stays undeveloped. Regarding the MIRAB economy, there are both positive and negative views among researchers. Brazys (2010) insists that influx of the compact grant increased the relative price in FSM and it entails the potential of export competitiveness. He resembles the situation as 'Dutch disease,' which was brought around by export of newly discovered oil in the country in the 1980's. Holland had a difficult time to export its industrial products because of its own strong currency caused by oil money. Cassels (2006) claims that the rapid growth of foreign currencies led to the import of processed food, and eventually the local

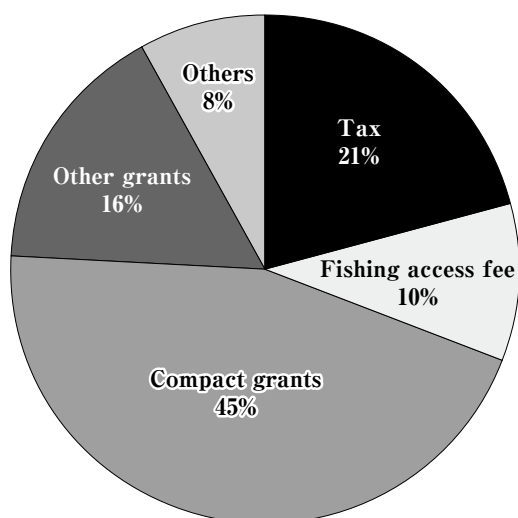


Fig. 4 Composition of revenue (2006). Source: FSM government.

Table 3 Unemployment rate and subsistence economy rate in FSM (1994 and 2000) (%).

	1994	2000
Unemployment rate	16.3	22.0
Percent of labor force in subsistence	22.3	28.4

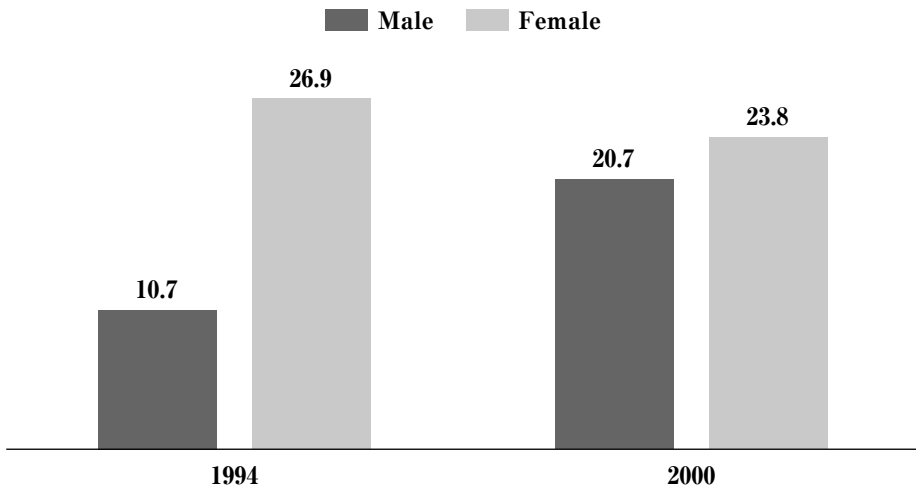
Source: FSM government

diet was changed to unhealthy market food, which was one of the reasons for the increasing number of people with obesity and other adult diseases. On the other hand, Ware (2005) maintains that the freer access to the US labor market contributed a lot to lessen the dispute over the land and thus minimized the social tension. Naylor (2002) sees the role of imported processed food. He appreciates its role as a buffer to the vulnerable eco-system based on the mangrove forests. The view of Cook (1998) contrasts to that of Brazys. He claimed that there was no statistical evidence that the public sector had crowded out the private sector. He inferred that the reasons for the undeveloped public sector should be explored in other contexts.

#### **Influence of growing Filipino presence on the FSM socio-economy**

If the whole structure of the present situation continues, a more negative scenario will be put into place. The decline of the MIRAB economy caused by the compact grant cut will force to scale down the bloated bureaucracy. The people in the FSM will have a more difficult time to find jobs in the public sector. Moreover, the influx of Filipino workers will reduce the chances of the local people to the job market in private sector. Especially, males in the FSM will have more frustration mixed with the traditional female dominant family structure. Figure 5 illustrates the unemployment rate of men and female in 1994 and 2000. While the rate of men increased rapidly from 10.7% to 20.7%, that of women slightly dropped from 26.9% to 23.6%. It is likely that the spread of public education has contributed a lot to lessen the gap between males and females in job hunting. However, it also means that the stress of men has been amplified. The stress has led to a different kind of social problem of men, such as high suicide rate (Hazel 1991), violence and crimes (Oneisom 1991a), mental disease (Hezel and Lightfoot 2005) and abuse of illegal drugs such as marijuana (Oneisom 1991b).

When we conducted research on a small island in Chuuk, we observed a lot of social problems to prove the negative scenario. Many houses and public buildings were broken partially or totally. Some houses were covered with graffiti painted with spray cans. Figures 6 and 7 show how much the islanders are frustrated. The ice cube plant was built by JICA (Japan International Cooperation) planning to provide ice for the fishermen who carry the fish to sell by boat in the market. We are not sure for the reason, but for some reason the building was targeted by the frustrated islanders. The walls were broken and the inside was painted with graffiti with a spray can. It is safe to say that some islanders are stressed and small or big social problems easily lead to violence. We have also observed that some young men who smoke marijuana in the middle of the day. We felt like we were in a global city full of crime. Essentially,



Source: FSM Government

Fig. 5 Unemployment of male and female (1994, 2000).



Fig. 6 A broken JICA ice plant.





Fig. 7 A broken JICA ice plant (inside the plant).

it is a small pacific island with only a few hundred people.

If the FSM is not capable of increasing the number of overseas workers or the people are not willing to work abroad, it needs to launch a kind of inward economy strengthening policies which accompanies the tighter migrant regulation. It is easy to say but difficult to carry out.

#### **Acknowledgement**

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