

2006 | ASIAN DECENT
2015 | WORK DECADE



International
Labour
Organization

SERIES:

SOCIAL SECURITY EXTENSION
INITIATIVES IN SOUTH EAST ASIA

PHILIPPINES:
PROVISION OF SOCIAL SECURITY
FOR OVERSEAS FILIPINO
WORKERS

ILO Subregional Office for South East Asia



1. Overseas migration

As of end-2007, it is estimated that there are more than 8 million Filipinos living abroad. The Philippines is the largest labour sending country in the Southeast Asia. As early as the 1930s, the Philippines had been sending Filipino workers abroad, predominantly composed of unskilled workers and manual laborers have gone to developed countries such as the US, Canada, and Australia. By the 1970s, migration statistics showed a high trend of influx of skilled personnel and technicians into the Middle-East countries, which peaked in the 1980s. Currently, a wide range of labor demands in about 200 countries around the world has been responded to by about eight million Filipinos, making the Philippines as one of the leading labor sending countries in the world. Migration is an important economic strategy for millions of Filipinos. In 2007, an all-time high of about US\$ 16 billion were remitted to the Philippines.

2. Current status

Social protection for Overseas Filipino Workers (OFWs) is provided mainly by OWWA, SSS, and recently, PhilHealth. Now about 8 million, social protection for OFWs deserves special attention given their valuable contribution to the Philippine economy.

Every year, hundreds of thousands of Filipino workers are deployed overseas. In 2007 alone, land-based and sea-based overseas deployment were at record levels. More than one million OFWs deployed for that year, around 75% were land-based while the rest were sea-based. With remittances amounting to \$16 billion in 2007, OFWs greatly improve the country's cash position and balance of payments.

To a limited extent, OFWs enjoy insurance coverage provided by OWWA and PhilHealth. Since 2005, OWWA Medicare functions were transferred to PhilHealth. Moreover, OFWs are not usually covered by their host country's social security institutions. Thus, there exists a strong clamor from OFWs for social protection.

3. Challenges and gaps

Major challenges for social security coverage of migrant workers include: (1) Unequal treatment between nationals and non-nationals; (2) National legislations result in unfavorable conditions for migrant workers; (3) Low compliance by employers and low awareness of workers; and (4) Problem of social security provision for illegal migrant workers.

Another challenge lies not so much on the provision of social protection for migrant workers during their active years of work. It lies more on the provision of social protection after their active years of work. Anecdotal evidence indicates that remittances of OFWs are almost entirely spent on various types of household expenses, leaving little amounts, if any, for savings to be used for retirement. Moreover, in far too many instances, a returning OFW's savings accumulated over a few years of overseas work are spent on one-time acquisition of personal assets (e.g. car, house, lot, etc.). Thus, in a short period, savings earned from overseas work are exhausted.

4. Policy and program interventions

In response to OFWs' clamor for social protection, the SSS took major steps that will ensure that voluntary social security coverage for OFWs is in place, particularly in countries where pensions are not provided.

In a joint effort with DOLE and the Department of Foreign Affairs (DFA), the SSS signed a Memorandum of Agreement that will systematize voluntary social security coverage of OFWs. The agreement covers Filipino migrant workers recruited through authorized channels, whether already abroad or departing for overseas employment. Through monthly contribution remittances made in any authorized foreign bank or remittance center, the covered OFW will be entitled to the benefits and privileges granted to voluntary SSS members, as long as the qualifying conditions are met.

The SSS has likewise been establishing foreign representative offices in countries with a high concentration of OFWs. These offices shall act as receiving, registration, and information centers that will be manned by friendly and highly-trained SSS personnel who would be able to immediately respond to queries about SSS' programs and operations. Initially, these offices shall be situated in Philippine consular offices and embassies.

Social security bilateral agreements are also being pursued actively by SSS. These treaties provide, among others, equality of treatment to migrant workers, export of social security benefits, and totalization or accumulation of membership periods in both the host country and the Philippines' schemes resulting in pro-rated sharing of benefits.

A major innovation of the SSS exclusively for OFWs is the Flexi-fund Program. On top of the voluntary program of the SSS, the Flexi-fund is a provident fund type of scheme featuring flexible payment terms and easy withdrawal of savings. It is a tax-exempt savings and pension plan designed to encourage OFWs to augment their incomes. Any amount contributed in excess of the maximum contribution of P1,410 to the regular SSS program, goes to the worker's individual account. Upon his/her return to the Philippines, the worker has the option to withdraw any amount from the cumulated balance to finance a variety of needs. Or, the member can use the amount to supplement his retirement or disability benefits - in lump sum, pension, or combination of both. The money accumulated in the Flexi-fund is invested solely in fixed income instruments. Interest rates are repriced on a quarterly basis based on average 91-day Treasury Bill rates.

In June 2002, the SSS Flexi-fund was declared as the National Provident Fund for OFWs, providing them with greater access to income security and higher-than-market interest rates.

Reference

ILO, *Social Protection Expenditure and Coverage Review of the Philippines*, (draft 2008)