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## Protecting Temporary Workers: Migrant Welfare Funds from Developing Countries<sup>1</sup>

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This brief provides an overview and lessons on how countries of origin governments can play a major role in protecting their migrants abroad through migrant welfare funds. It draws from a study by the Migration Policy Institute, on the Philippine Overseas Workers Welfare Administration (OWWA), a US\$172 million government-operated welfare fund that is funded by a mandatory US\$25 membership fee for departing Overseas Filipino Workers (OFWs). The Philippine experience shows that a welfare fund has to: (1) find the right balance of services, (2) create meaningful partnerships, (3) build accountability with its members, and (4) actively involve destination countries.

### Welfare Funds as Means of Protection

Migrant worker protection is an important responsibility that governments sometimes have a difficult time providing. Migrant destination countries fear that the cost of protection drains taxes from their native populations while many countries of origin governments simply do not have the financial resources to protect their migrants abroad. Without protection, many migrants are left to fend for themselves, leaving them vulnerable. The usual protection measures offered domestically such as emergency relief, government assistance, workers compensation, or health insurance (social protection and safety nets) are in many instances unavailable for migrants in the destination country. Private companies in origin and destination countries are usually reluctant to provide an insurance scheme that would fund services for migrants. A migrant welfare fund that is government-operated in the origin country and financed by migrants or their employers offers a potentially efficient and feasible solution to protecting migrants.

Some countries of origin, such as Bangladesh, Pakistan, the Philippines, Sri Lanka, and Thailand, have created migrant welfare funds that serve as the centerpiece for protecting their migrants. These funds provide a range of services to migrants including pre-departure orientation seminars, loans, emergency repatriation, life and medical insurance, and reintegration assistance. Organizationally, there is a variety of ways they are managed. In Pakistan, the Overseas Pakistanis Foundation manages the fund, while in the Philippines, the fund is managed by a special government agency within the Department of Labor and Employment. Welfare funds are funded usually by employers, recruitment agencies, and/or the migrant workers. The success of welfare funds has sparked new interest by countries such as India, to establish funds to assist their workers abroad.<sup>4</sup> With the wide-variety of welfare funds existing, a closer

<sup>1</sup> This brief draws extensively from a Migration Policy Institute report authored by Dovelyn Rannveig Agunias and Neil G. Ruiz, "Protecting Overseas Workers: Lessons and Cautions from the Philippines," *Insight* (Washington, DC: Migration Policy Institute, September 2007). For a more detailed analysis, you can access the paper at: [http://www.migrationpolicy.org/pubs/MigDevInsight\\_091807.pdf](http://www.migrationpolicy.org/pubs/MigDevInsight_091807.pdf).

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<sup>4</sup> Sunita Menon and Binsal Abdul Kader, "Welfare fund for overseas Indians in the pipeline," *Gulf News*, June 22, 2008.

look at the most elaborate fund developed, the Philippines' OWWA, will provide lessons and challenges faced in providing such migrant protection services.

### **Philippine Overseas Workers Welfare Administration (OWWA)**

OWWA is fully-funded by a mandatory membership fee of US\$25 per contract for migrants going abroad as temporary workers. It is obtained in two ways: by enrollment upon processing of a contract at the Philippine Overseas Employment Administration (POEA) or by voluntary registration at a job site overseas. Membership is valid until the OFW's employment contract expires. Ideally, the fee is paid for by the employer or recruitment agency, but in practice this fee is usually paid for by the migrant. There are two types of services offered through OWWA: core and secondary services.

#### ***Core Programs***

Core services include a repatriation program, health and life insurance, and worker assistance for settling work-related disputes and fraud.

(1) The repatriation program is the backbone of OWWA and it facilitates the immediate repatriation of distressed and physically ill contract workers, as well as the remains of those who die while working abroad. In both planned and forced return, OWWA negotiates with employers/brokers and other host-country authorities, facilitates documentary requirements for exit visas, and coordinates with Philippine embassies for other administrative actions and airport assistance. OWWA is also mandated to maintain an Emergency Repatriation Fund to evacuate OFWs in case of wars, disasters, or epidemics. About US\$10 million of the Fund is reserved for these purposes.

(2) OWWA also provides members with life and personal accident insurance while abroad. The coverage includes about US\$2,000 for natural death and US\$4,000 for accidental death and a burial benefit of US\$400. OWWA charges an additional US\$18 per year for health insurance.

(3) Additionally, OWWA offers programs and services in its offices abroad, including counseling for distressed workers, paralegal services, and low-key diplomatic initiatives (e.g. negotiations for imprisoned OFWs, mobile welfare services, hospital and prison visits, sports development projects like sports leagues, cultural and recreational activities, and contingency operations during crisis situations. About US\$2 million is sourced for legal assistance to pay for foreign lawyers, bail bonds, court fees, and other litigation expenses.

#### ***Secondary Programs***

Secondary services help migrants, before and after departure, and the families left behind. These include education and training, reintegration programs, and pre-departure loans.

(1) A major component of OWWA's educational training program is the mandatory pre-departure orientation seminars (PDOS) to help build skill sets and familiarize would-be migrants with the culture and practices of their host countries. OWWA partners with private recruitment agencies and non-governmental organizations to provide day long seminars using specific modules customized for household workers, performing artists and entertainers, nurses, and seafarers, as well as for workers migrating to certain countries/regions, such as Hong Kong, Libya, and the Middle East.

(2) To prevent illegal recruiters and loan sharks from preying on overseas workers and their families, OWWA, in coordination with government financial institutions, extends the following three types of loans to workers: pre-departure loans to defray the cost of pre-departure requirements, including medical examinations and subsistence allowance; family assistance loans for emergency purposes with a

maximum loan amount of US\$800; livelihood loans to improve access to entrepreneurial development opportunities upon the migrants' return.

(3) Lastly, OWWA developed a small scholarship program for families left behind. The Education for Development Scholarship Program provides grants of US\$1,200 per year to deserving and qualified dependents of OFWs attending college-degree courses. The Skills-for-Employment Scholarship Program pays for one-year technical and six-month vocational courses reflecting the technical skills requirements of overseas jobs. The Seafarer's Upgrading Program targets seafarers and aims to develop their skills by providing between US\$24 to US\$150 per course.

### **Running a Welfare Fund**

OWWA is a government agency within the Department of Labor and Employment (DOLE) that delivers its programs through an international operation that entails a complex organizational structure. This includes a board of trustees, a secretariat, regional, and international offices.

### ***Governance and Staff***

The board is a tripartite body with the DOLE secretary as chair and 11 other members representing government, management, and OFWs. The board plans and implements policies and programs, crafts the rules and regulations, oversees fund sources, and creates yearly appropriations to the Secretariat, OWWA's administrative arm. The Secretariat, headed by the OWWA administrator, manages day-to-day operations in the Philippines headquarters and abroad. OWWA is composed of 580 staff, with only 100 employees based in the main office in Manila and the rest stationed in regional offices within the Philippines (about 300 employees), and in countries (such as the Middle East) with particularly large number of temporary workers (about 180 employees). The welfare officers abroad are usually attached to Philippine embassies or consulates and work together with the labor attaches and the ambassadors or consuls-general to assist Filipino migrant workers.

### ***The Fund's Portfolio***

In the last five years, OWWA's income averaged 1.9 billion pesos (US\$38 million) per year. Membership fees comprise the great majority of this income (73 percent) while the rest is from investments and other income. As of December 2005, OWWA had a total investment portfolio of 6.7 billion pesos (US\$134 million), 90 percent of which had been entered into an Investment Management Agreement with the Land Bank of the Philippines and the Development Bank of the Philippines. As investment managers, both of these banks are authorized to invest or reinvest funds in government securities, such as treasury bills and bonds, the servicing and repayment of which the government fully guarantees for a maximum of five years. OWWA spent an average of 865 million pesos (US\$17 million) per year from 2002-2006. Administrative and operating costs comprised 55 percent of expenditures, while the rest was spend on programs and projects. Since 1999, OWWA has brought in more money than it has spent. OWWA's fund has grown fourfold in 11 years, from 2.2 billion pesos (US\$44 million) in 1995 to 8.6 billion pesos (US\$172 million) in 2005. To place the magnitude of this amount in the Philippine context, OWWA's total assets are more than twice the 2006 annual budget of its mother agency, DOLE, and 14 times more than the 2006 budget of its sister agency, the Philippine Overseas Employment Administration. OWWA illustrates that migrant-origin governments can help raise the necessary funds for migrant protection through a welfare fund. Figure 1 summarizes the main facts about OWWA.

**Figure 1. OWWA in Brief.**

Membership Fees	US\$25 per contract and is valid until the contract expires
Number of Members	Over 1 million members (as of May 2007)
Who Governs	OWWA Board chaired by the Secretary of Labor and Employment and eight members representing government and management, and three OFW representatives
Size of Fund	US\$172 million (as of 2005)
Oversight	Conducted by the OWWA Board and the Philippine Commission on Audit

### **Lessons for Migrant Origin Countries**

Welfare Funds are a feasible solution to providing migrant protection. But they must be developed with the following in mind:

#### **1. Define the fund's purpose to clearly state the priority areas of the fund.**

Welfare funds generally provide two types of services: core services, those that protect migrant workers from the risks they face while abroad and secondary services which help migrant workers, before and after departure, and the families left behind. Governments need to make a long-term growth plan of the fund to understand the type of services they can offer given its financial resources.

#### **2. Integrate the welfare fund as part of broader migrant management system.**

For a welfare fund to function, governments need to identify where their migrants are located and develop mechanisms for managing the deployment process (see Migration and Development Brief 6).<sup>5</sup> Welfare funds can provide services in the deployment process, such as pre-departure orientation seminars. Governments also need to utilize their embassies and consulates abroad to offer services to migrants on-site.

#### **3. Embed migrant workers' interests into the fund.**

It is important for any welfare fund to include a wide array of stakeholders, particular the migrants themselves. Since the fund is owned by its members rather than the government, the governance structure of welfare funds should make sure that there are mechanisms for consulting members in policy formulation and coordination.

#### **4. Create meaningful partnerships to provide services.**

Instead of recreating the wheel, the private sector and non-governmental organizations can provide services more efficiently and cheaper. Welfare funds can contract and fund other companies or organizations to provide certain services to the migrants. Governments should also develop quality assurance mechanisms to ensure that the services provided meet the welfare needs of the migrants.

#### **5. Partnerships with migrant destination countries.**

Governments of origin should not be the only ones concerned about migrant protection. Countries of destination can also play an active role in collaborating with countries of origin governments to determine which areas there is a need for protection measures. Memorandums of understanding with countries of origin that explicitly address workers' protection and studies or audits of their own national laws to identify areas for migrant protection can also contribute to the overall well-being of migrants.

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<sup>5</sup> Access brief here: [http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD\\_Brief6.pdf](http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD_Brief6.pdf).