



POLICY BRIEF

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No problem staying home? Maybe you can afford it.

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The required physical distancing in the new normal had limited the mobility of people. Like in many parts of the world, it is now common courtesy to wear masks and face shields when going out in public not only to protect ourselves but also to protect others. Staying home, unless for essential travel, is also expected. However, there remains everyday anecdotes detailing how the streets are filled with people out and about, especially near and around marketplaces.

Table 1. Breakdown of changes in personal consumption, 2020

Household spending	2019	2020	Growth (%)	Household spending	2019	2020	Growth (%)
	(in trillion pesos)				(in trillion pesos)		
Final consumption	3,447	2,913	- 15.48				
Communication	92	99	7.40	Durables	101	78	- 22.41
Rent and utilities	426	455	6.60	Alcohol and tobacco	79	56	- 29.22
Food and beverage	1,195	1,224	2.39	Clothing and footwear	61	37	- 40.22
Miscellaneous spending	412	410	- 0.61	Recreation and culture	78	33	- 57.22
Health	129	113	- 12.21	Transport	399	157	- 60.50
Education	172	150	- 12.75	Restaurants and hotels	303	102	- 66.44

Source: Philippine Statistics Authority

Table 1 shows the breakdown of the reduction in spending among households. It shows that while households had increased their consumption of food (2.4%) as well as their spending on rent and utilities (6.6%) and on communication (7.4%), we also saw a marked decreased spending on non-essentials such as durables (i.e. home appliances), alcohol and tobacco, eating out, buying new clothes, and recreation. Concerning however is the observed decline in health and education spending with both declining close to 15%, albeit this may be related to less spending on travel and lunch money allowance for school children. On the aggregate, as *Figure 1a* shows, the economy had declined by 16.5% in the second quarter of 2020 compared to last year. This decrease in output is then matched with a decline in the number of employed workers by 19.1% in the same period (*Figure 1b*).

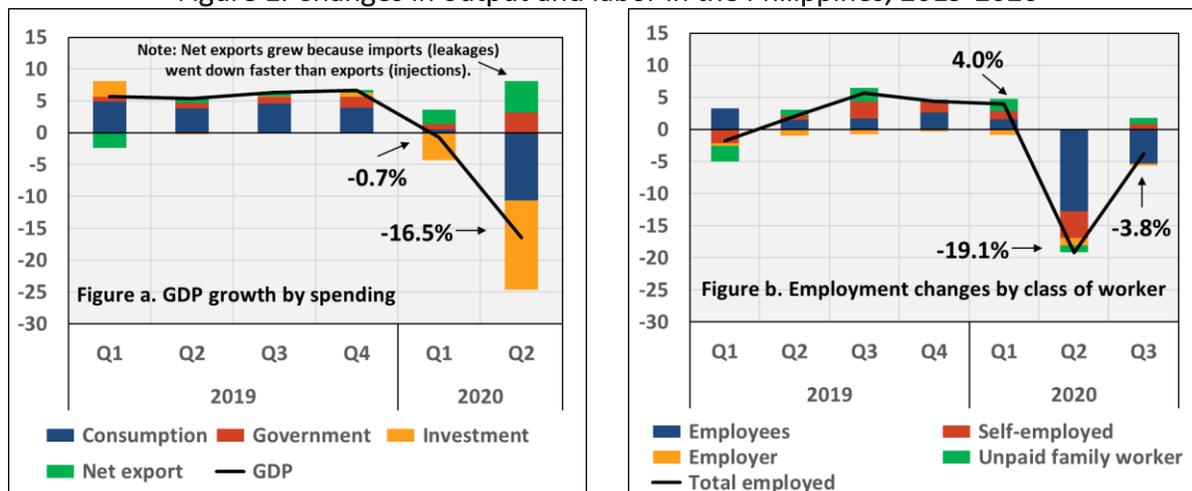
However, while it seems that most households are able to adjust having to live at and work from home simultaneously, many others, especially those who work in microenterprises, are not allowed to work from home due to the nature of their jobs. A survey implemented by the Asian Development Bank (2020) among 2,481 enterprises from late April until mid-May showed that 57.0% of all enterprises cannot allow all their workers to work from home. In fact, only around a tenth of the surveyed enterprises reported that they can allow more than 50% of

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their workers to work from home. This is expected as most Filipino enterprises are found to be in wholesale and retail trade, accommodation and food services, and other services—sectors that depend in social interaction.

Figure 1. Changes in output and labor in the Philippines, 2019-2020



Source of basic data: Philippine Statistics Authority

The same survey shows that the smaller the size of the firm, the more difficult it was to maintain operations given the community quarantine with the microenterprises showing the largest proportion of temporary shutdown due to ECQ at 71.2% (Table 2). Smaller businesses not only faced liquidity constraints with 41% reporting having no cash and savings at the time of the survey, but the survey also reveals lower earnings for workers due to reduced work hours.

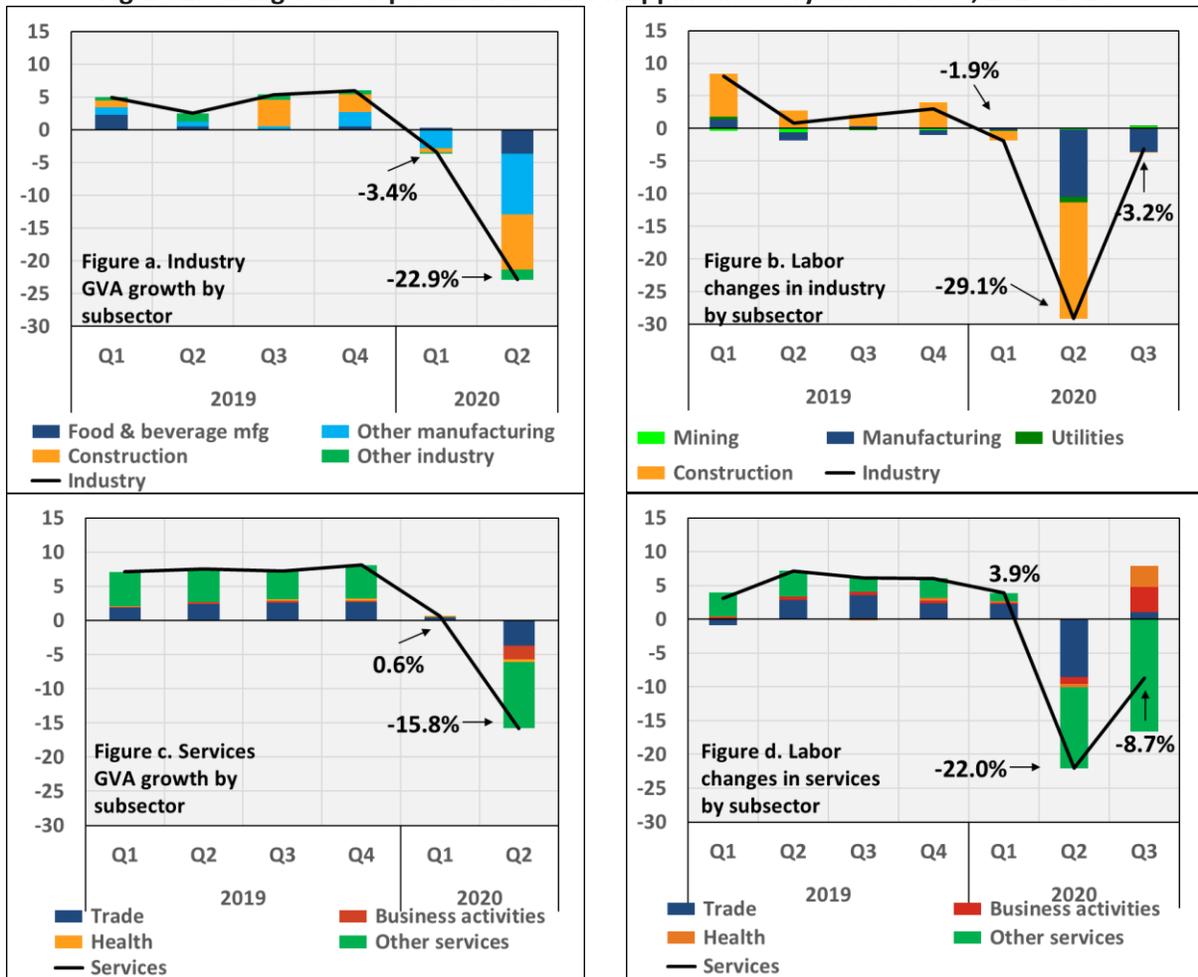
Table 2. Proportion of firms that underwent temporary closures by size, April-May 2020

Size	Number of employees	2018 List of Establishments		2020 ADB Survey	
		% to number of all firms	% to employed	% to number of all firms	% temporary closures
MSMEs		99.5	63.2	98.0	65.9
Micro	1-9	88.5	28.9	57.4	71.2
Small	10-99	10.6	27.0	38.7	63.2
Medium	100-199	0.5	7.3	1.9	57.4
Large	>199	0.5	36.8	2.0	53.8

Sources: 2018 List of Establishments for the proportion to number of firms and to total employed ADB (2020) for the proportion of temporary shutdown

The latest Labor Force Survey (LFS) shows an improvement in the employment situation among Filipinos in the labor force (i.e. those 15 years old and above looking for work) with the unemployment rate from 17.7% in April 2020 going down to 10% in July, albeit a significant number of Filipino workers remain affected. As the set of charts above in Figure 2 reveals that the improvement in the employment situation in the Philippines in July 2020 comes from improvement in employment in sectors that were also affected in April 2020. The industrial sector shows a large reduction in output and employment in manufacturing and construction in the second quarter of this year. In services, it is observed that trade and other service (e.g. salons, barbershops, and recreational activities) are most affected. The latest survey results from the Social Weather Stations (SWS 2020b) show that joblessness among adults (i.e. 18 years old and above) due to COVID-19 disruptions was at 39% in September which was already an improvement compared to 50% in July.

Figure 2. Changes in output and labor in Philippine industry and services, 2019-2020



Source of basic data: Philippine Statistics Authority

Do these trends explain why staying home could be difficult for a significant segment of the Filipino population?

Another survey implemented in May by the Zero Extreme Poverty Philippines 2030 and the United Nations Development Programme (2020) among 3,144 poor and near-poor families from Metro Manila and Cebu showed that earnings of 83.0% of the households surveyed had decreased with those from the informal sector suffering the most. In fact, the survey found that 42% of those in the informal sector actually lost their livelihood. It also revealed that 33% of households surveyed skipped at least one meal in a week and 10% had to skip two or more meals in a week. This aligns with the findings from the National Mobile Survey of the SWS (2020a) done in late September 2020 which reported that almost a third of families (30.7%) experienced involuntary hunger (i.e. not having any food to eat) at least once in the past three months at the time of the survey. This compares to December 2019 when only 8.8% of families reported experienced not having any food to eat.

In April 2020, the country saw a reduction in the number of employed to 33.8 million from 42.7 million. In July 2020, however, the total number of employed individuals increased back to 41.3 million, close to its January 2020 levels. *Figure 1* earlier also shows that while there was a decline in salary and wage employment in April 2020, self-employment grew more in July 2020. Hence, what the July 2020 LFS also found that underemployment is now higher by 1.3 million in July 2020 compared to the same period last year. This aligns with the UNDP survey which

found that more than a third (68%) of the households reported efforts to cope with the reduced earnings. On top of these coping mechanisms was the seeking additional sources of income.

This coincidence of increased self-employment and underemployment suggests that income from self-employment is not enough requiring Filipinos to now look for additional jobs. Indeed, this not only suggests that many firms are yet to recover. More so, the data reveal that, indeed, many Filipinos cannot afford to be unemployed—even in the face of the threat of infection from COVID-19. This suggests the need for stronger implementation and monitoring of occupational and health standards (OSH) at the workplace by the Department of Labor and Employment (DOLE) to ensure that firms comply with the protocols set by the World Health Organization (WHO 2020). While such protocols may be simple as frequent handwashing, the use of face masks or physical distancing of at least one meter, they are additional costs to firms that can be a deterrence to strictly following these protocols. Furthermore, efforts must be made, perhaps by local governments, to monitor the operations of the self-employed as well without hindering their entrepreneurial activities.

Earlier in June this year, Ateneo economist and professor Dr. Alvin Ang (2020) called for a massive-scale program for a localized agricultural strategy involving campaigns to eat fruits and vegetables as part of households' everyday staples alongside support for entrepreneurial activity towards the provinces following the positive growth recorded in the sector. In other words, agriculture-driven growth in the new normal should be seen as the strategy that can allow the economy to run again by stimulating both demand and supply through the delivery of welfare-improving commodities to Filipino families.

As the Labor Education and Research Network (2020) explains, "If weak labor market outcomes persist, we should never expect any v-shaped recovery to happen. Worse, this can reverse positive development outcomes, [such as] poverty reduction, that we had in the past." What the latest LFS therefore reveals is how the employment situation continues to be insecure, if not dangerous, in the context of the persistence of COVID-19. The improvement in the labor sector observed in July does not diminish the need for a long-term labor recovery plan.

Filipino workers have tried to make a living through self-employment in recent months since the pandemic struck and caused a number of firms to lay off workers and many others to reduce working hours thereby reducing salaries and wages as well. If you don't have these problems and can comfortably stay at home, maybe you can afford it.

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