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► COVID-19 labour market impact in the Philippines

Assessment and national policy responses



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COVID-19 labour market impact in the Philippines: Assessment and national policy responses

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► Abbreviations

4IR	Fourth Industrial Revolution
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BPO	business process outsourcing
BSP	Bangko Sentral ng Pilipinas
CREATE	Corporate Recovery and Tax Incentives for Enterprises
DepEd	Department of Education
DOF	Department of Finance
DOH	DOH
DOLE	Department of Labor and Employment
DTI	Department of Trade and Industry
ECQ	Enhanced Community Quarantine
GCQ	General Community Quarantine
GDP	gross domestic product
GVA	gross value added
ICT	information and communications technology
ILO	International Labour Organization
ISIC	International Standard Industrial Classification of All Economic Activities
MSE	micro and small enterprise
MSME	micro, small and medium-sized enterprise
NEDA	National Economic and Development Authority
OFW	overseas Filipino worker
PH-PROGRESO	Philippine Program for Recovery with Equity and Solidarity
PSA	Philippine Statistics Authority
TESDA	Technical Education and Skills Development Authority
TVET	technical and vocational education and training
TVI	technical and vocational institution

► Abbreviations

UNIDO	United Nations Industrial Development Organization
VaPI	Value of Production Index
VoPI	Volume of Production Index

► Preface and acknowledgements

The outbreak of the COVID-19 pandemic has rapidly transformed into an unprecedented global economic and labour market crisis, with severe impact on the world of work in the Philippines.

This report examines the multidimensional impact on employment and the labour market. It provides an account of the evolution of COVID-19 in the Philippines and its economic impact in the first half of 2020. Building on baseline labour market data prior to the onset of COVID-19 and labour force survey data from April 2020, the report provides insights into the preliminary employment and labour market effects and identifies sectors experiencing high impact on their economic output due to the crisis. In the context of increasing calls for digitalization, the report also attempts to identify occupations and sectors facing a dual challenge of high impact due to COVID-19 job disruption and the disruptive effect of digitalization. The assessment also aims to shed light on the disproportional impact of COVID-19 on vulnerable population groups. Against the backdrop of current labour market policy responses related to COVID-19, the report identifies areas for policy responses to: (i) stimulate the economy and jobs; (ii) support enterprises, employment and incomes; (iii) protect workers in the workplace; and (iv) use social dialogue between and among the government, workers and employers to find solutions.

The research is implemented by the International Labour Organization (ILO) and jointly funded by the Australian Government. The research was led by the ILO Country Office for the Philippines in collaboration with the ILO Decent Work Technical Support Team for East and South-East Asia and the Pacific and the ILO Regional Economic and Social Analysis Unit. The main author is Donald Jay Bertulfo under the overall technical guidance provided by Sara Elder, Phu Huynh, Felix Weidenkaff, Ma. Concepcion Sardaña and Ma. Lourdes Macapanpan-Rivera. Insightful comments and suggestions were provided by Tite Habiyakare, Arun Kumar, Ravindra Samithadasa, Christian Viegelahn, Katherine Brimon, Linartes Vilorio, Rex Varona and Diane Lynn Respal. Reggie Olalia organized and documented the consultations and dialogues. Virginia Creer, Gwendolyn Fabros, Ma. Alicia Fernando and Marybelle Cruz Baylon provided administrative support throughout the process. Minette Rimando and Julita Yap provided communications support. The report benefitted from the overall guidance and recommendations of Khalid Hassan, Director of the ILO Country Office for the Philippines.

The research was further informed by consultations with the Government, employers' and workers' organizations in August 2020 to validate the preliminary findings of the assessment and gather additional inputs, with a view to further

inform labour market policy responses. The ILO thanks all entities and participants who contributed to the consultations and provided inputs and written feedback.

The report takes into account relevant developments, data and inputs available to the authors until 31 August 2020. The ILO extends its gratitude to the Philippine Statistics Authority (PSA) for its support to this project and its important contribution by granting access to the Labour Force Survey microdata at the four-digit level for the International Standard Industrial Classification of All Economic Activities (ISIC) and International Standard Classification of Occupations (ISCO). The United Nations Industrial Development Organization (UNIDO)

Country Office in the Philippines also contributed by sharing the Assessment of the Socio-Economic Effects of COVID-19 and Containment Measures on Philippine Enterprises. In addition, the research benefitted from ILO access to the datasets of several surveys such as Global Survey on Youth and COVID-19; Global Survey on the Impact of COVID-19 on Staff Development and Training Including Apprenticeships and Internships/ Traineeships; and Joint Survey on TVET provision during the time of COVID-19.

The ILO is grateful for the collaboration and support of Ben Davey, Francesca Lawe-Davies and Francis Perdon at the Australian Embassy in the Philippines.

► Key Findings

Initial labour market impacts of COVID-19

One quarter of total employment in the Philippines or 10.9 million workers are likely to face job disruption due to the COVID-19 pandemic.

One quarter of total employment in the Philippines is likely to be disrupted by the impact of COVID-19 on the economy and labour market, either through decreased earnings and working hours or complete job loss. This translates to about 10.9 million workers. Women account for 38 per cent of the jobs at risk of COVID-19 disruption.

The sectors facing medium risk of job disruption are those that are temporarily halted by the lockdown but may recover after some transition period. These include water supply and waste management activities; construction; wholesale and retail trade; information and communication; financial and insurance activities; real estate activities; and professional and scientific services.

The high-risk sectors consist of industries that are least likely to remain operative with containment measures in place or are experiencing (or are likely to experience) sharp slumps in demand due to the pandemic. These sectors include manufacturing, transportation and storage, accommodation and food service activities, and arts, entertainment and recreation.

Overall, wholesale and retail trade, transportation and storage, construction, and accommodation and food services embed the largest number of workers at risk of job disruption. This totals to about 7.8 million workers, one-third of which are women.

About 900,000 jobs, or more than one fifth of total manufacturing employment, are vulnerable to COVID-19-induced job disruption. Closer examination indicates that subsectors which benefit from value chain



A fruit seller in the market, Manila — © ILO/Minette Rimando.

connectivity are in the medium- or high-risk categories. The extent of potential job disruption is most severe in the electrical and electronic equipment subsector and in textiles and footwear. Conversely, the likely impact on jobs in subsectors such as food products, wood and wood products, chemicals, pharmaceuticals, and print and reproduction of recorded media appear to be less pronounced.

Digitalization and COVID-19 job disruption

Technological transformations in the labour market can compound the challenges caused by the pandemic. An estimated 7.2 million workers are exposed to a double-tiered risk of job disruption due to digitalization and COVID-19.

Some of the sectors that display medium to high risk of being disrupted by COVID-19 also have large shares of workers in occupations likely to be disrupted by digitalization. These include: accommodation and food services which is a high-risk sector for COVID-19 disruption and is dominated by “collapsing” occupations; and manufacturing and transportation and storage which are similarly high risk sectors and are dominated by “machine terrain” occupations. Collapsing occupations refer to occupations facing high risk of destructive digitalization and low potential for transformative digitalization, while machine terrain occupations refer to occupations facing high risk of destructive digitalization and high potential for transformative digitalization.

COVID-19 is likely to accelerate digitalization in order to uphold health and safety measures while keeping economic activities running. However, the intersection of COVID-19 job disruption and destructive digitalization may exacerbate the risks faced by women and men in certain occupations. About two-thirds of the 10.9 million workers at risk of COVID-19-induced job disruption are in collapsing or machine terrain occupations (that is, facing high risk of destructive digitalization). This equates to more than 7.2 million workers that are exposed to a double-tiered risk of job disruption.

Collapsing occupations in accommodation and food services and in arts, entertainment and recreation industries such as waiters, cooks, kitchen helpers, food service counter attendants and fast food preparers, bookmakers are also vulnerable to job disruption owing to COVID 19. In real estate, administrative and support service activities, real estate managers, building caretakers, cleaners and helpers, security guards, contact centre information clerks, and salespersons are examples of occupations facing the double-tiered risk for job disruption.

Both destructive digitalization and COVID-19 threaten to disrupt the machine terrain occupations in manufacturing and transportation and storage, which are: electrical and electronic equipment assemblers; sewing, embroidery and related workers; welders and flamecutters; and tailors and dressmakers. In financial and insurance activities and scientific, professional and technical activities, the occupations that are at risk include bank tellers and related clerks, debt collectors, general office clerks, accountants, and accounting and bookkeeping clerks.



A delivery driver wears a mask and unloads essential items amid the COVID-19 lockdown — © ILO/Minette Rimando.

Impact on vulnerable population groups

The negative labour market impact of the pandemic is more pronounced among vulnerable and part-time workers, young people, overseas Filipino workers, women, and healthcare and medical workers.

About one-third of the total Philippine workforce is engaged in vulnerable employment. Vulnerable workers, namely contributing family workers and own-account workers, tend to be paid less, enjoy little labour protection and are likely to be exposed to occupational hazards. Vulnerable employment, as well as part-time employment, is highly prevalent in sectors that are at medium to high risk of COVID-19-induced job disruption, including transportation and storage, accommodation and food services, and wholesale and retail trade.

With the youth unemployment rate registering a sharp year-on-year spike from 12.9 per cent to 31.6 per cent in April 2020, many young people in the Philippines face multiple labour market risks. These include severe disruptions in education and training, employment and incomes and magnified job search constraints.

Around 1.7 million young people aged 15 to 24 are at risk of job disruption due to COVID-19. This accounts for 27 per cent of total employment among workers in that age group. About 58 per cent of this at-risk workforce are young men. The jobs of young men in sectors such as construction, transportation and storage, and manufacturing are especially at risk. In contrast, the jobs of young women in the wholesale and retail trade sector and in accommodation and food service activities are likely to be more heavily impacted by COVID-19.

Overseas Filipino workers (OFWs) and women workers constitute two other cohorts that are vulnerable to the social and labour market risks brought about by the pandemic. The repatriated OFWs were forced to leave their jobs abroad given that almost all destination countries are affected

by COVID-19. They face uncertain job prospects at home and encounter re-entry challenges, thus requiring support in social and economic reintegration.

Among women workers, as many as 4.1 million are likely to face job disruption, particularly in industries such as wholesale and retail trade and accommodation and food service activities. Although the assessment reveals that COVID-19 disproportionately affects employment among men, indicative evidence suggests that the pandemic has magnified many of the social vulnerabilities women already face. These include gender-based violence, unpaid household and care work and unmet need for family planning.

In the first quarter of 2020, about 460,000 workers were employed in the human health and social work activities sector. Many of these workers have faced increased exposure to occupational health risks due to COVID-19. Despite not being susceptible to the job displacement impact of the pandemic, healthcare and medical workers face additional health challenges beyond the heightened risk of COVID-19 infection, including burnout, overexertion and other mental health problems.

Building a better normal in the Philippine labour market

Fear-induced uncertainty brought about by the pandemic is likely to keep many businesses at a standstill, constrain the free movement of labour, and jeopardize plans that promote long-term, sustainable and inclusive economic growth and productive employment. Enabling policies and institutions, such as the following, can help mitigate these challenges.

- **Vigorous and widespread mass testing and contact tracing.** Subsidizing mass testing of companies' skeletal workforce

can be an option in order to increase behavioural preference towards the utilization of precautionary health services. This needs to be complemented by supply-side interventions that ensure timely and accurate delivery of test results.

- **Short-term options that ease companies' financial burden so that they can resume business operations.** Prioritizing small and medium-sized enterprises in medium- or high-risk sectors can be crucial in achieving an inclusive economic recovery.

Given the observed shift in the composition of the workforce from full-time to part-time employment and an increase in the share of individuals "with a job but not at work," employment in the informal sector is likely to swell. Policies and programmes that support informal workers in the short-run with a view of facilitating their re-entry into formal employment post-pandemic are important. These may include:

- **Income and in-kind assistance.** This is a short-term and immediate policy response can help ease the financial burden accompanying reduced work hours and help sustain household consumption.
- **Identifying and addressing policy gaps in non-standard forms of employment.** This is a medium- to long-term measure to ensure that workers and enterprises benefit from productive employment and decent work in the socio-economic recovery process.
- **Social protection measures.** These are to ensure basic health and income protection during the crisis and recovery phases.

As the COVID-19 pandemic is likely to accelerate the adoption of digitalization in formal training

institutions and businesses, ramping up information and communications technology (ICT) infrastructure and promoting digital literacy for all serve as broad-based policies to manage the job disruptions due to COVID-19.

Returning OFWs as well as informal and precarious workers will benefit from short-term financial assistance from the government. Moving forward, labour market information and employment services, as well as retraining, retooling or upskilling efforts can facilitate their re-entry into the employed workforce. Young people will need access to lifelong learning opportunities and will benefit from programmes that directly address potential future discrimination against the “lockdown generation” in the labour market. Such initiatives can include promoting remote apprenticeships and work-based learning and establishing accreditation systems that recognize, at the national level, training or education gained from multiple learning modalities.

A sectoral view of COVID-19 job disruption can help produce more focused labour market measures that emphasize the pandemic’s heterogeneous impact on industries. Measures that directly address potential ergonomic, psychosocial and health risks need to be in place to protect workers in low-risk sectors (which comprise of essential industries where

workers are potentially at high risk of occupational hazards). Meanwhile, medium-risk sectors such as information and communications and financial and insurance activities may benefit from policies that directly address potential data privacy or cybersecurity issues associated with the promotion of flexible work arrangements. As organizational change processes may differ across sectors and companies within those sectors, shared sector-specific guidelines may be jointly crafted through social dialogue facilitated by the government, in cooperation with employers’ and workers’ organizations.

Lastly, supply-side measures such as being prioritized in employee mass testing efforts and in government financial support may help high-risk sectors reboot quickly. Workers in high-risk sectors can also benefit from targeted financial assistance, such as unemployment benefits for the retrenched. For businesses in high-risk sectors that face significant demand-driven risks, support can come in the form of assisting industries in reconfiguring their business models or in building continuity plans.



1. Introduction



Social distancing in a public market, Manila — © ILO/Minette Rimando.

As cases of the coronavirus disease increase globally, efforts to contain the spread of the virus have severely disrupted global production. The International Monetary Fund (IMF) and World Bank estimate a 4.9 per cent and 5.2 per cent contraction in global gross domestic product (GDP) in 2020 respectively, owing to significant downward risks to the macroeconomic outlook and heightened global economic uncertainty due to the COVID-19 pandemic (IMF 2020; World Bank 2020). In the long run, negative ripple effects may manifest in lower investment, erosion of human capital due to lost opportunities for education and training, as well as crippled global value chain linkages (World Bank 2020). Economies reliant on remittance inflows, tourism and global trade are foreseen to experience the worst blow

of the pandemic. With personal remittances and trade accounting for about one-tenth and seven-tenths of its GDP respectively in 2019,¹ the Philippines is especially vulnerable to the negative macroeconomic impacts of COVID-19.

Amid the economic uncertainty for employers, the COVID-19 crisis risks the labour market gains and prospects of workers. As of 24 August, about 2 million workers in more than 83,000 establishments in the Philippines were reported to have been affected by temporary business closures, while about 1.2 million were impacted by the adoption of flexible work arrangements in more than 28,000 firms.² Total job displacement affected around 171,000 workers in about 9,000 establishments nationwide.³

¹ Based on latest data from the World Bank in <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>

² L.A. Aquino: "171,125 workers displaced so far this year," *Manila Bulletin*, 24 Aug. 2020

³ Ibid.



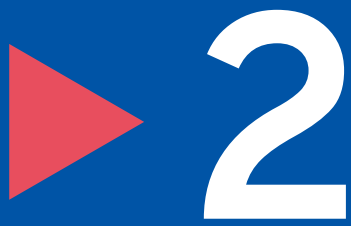
Preventive measures at supermarkets, Philippines — © ILO/Minette Rimando.

The Department of Labor and Employment (DOLE) has indicated that the extent of job disruption could reach 10 million in 2020.⁴

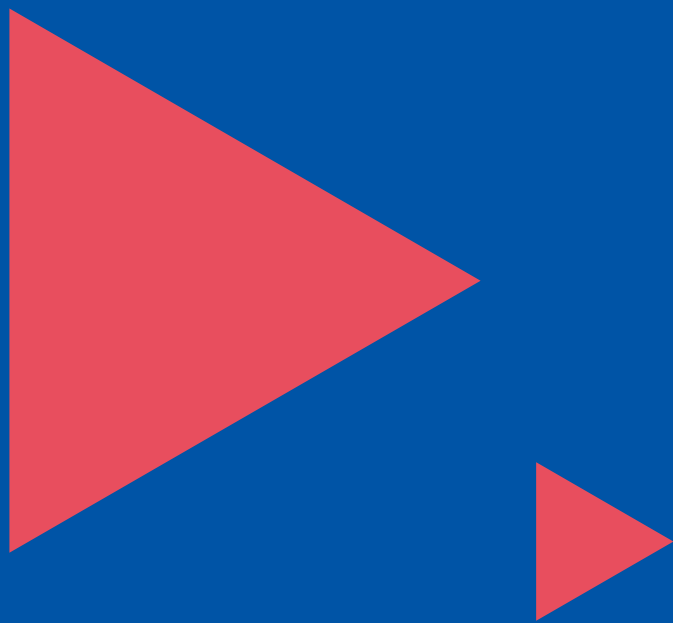
Given the developing jobs crisis and the consequent effect on household well-being, this report centres on an assessment of the labour market impacts of COVID-19 in the Philippines. Section 2 provides an overview of the evolution of COVID-19, focusing on a brief chronological account of events and policy measures in the Philippines. Section 3 presents an overview of the macroeconomic landscape in the first half of 2020. Section 4 discusses the impacts on the labour market in greater detail. General labour trends that correspond to the second quarter of 2020 are first presented. This is followed by an assessment of sectoral risks with a view of identifying sectors facing low,

medium and high risk of disruption due to the pandemic. Noting that the pandemic has accelerated digitalization initiatives in many businesses, the results of the impact assessment are linked to the potential destructive and transformative impacts of digitalization on jobs, with a particular focus on occupations at risk due to the COVID-19 pandemic. Section 5 examines the impact of COVID-19 on vulnerable groups of workers. Section 6 reviews pertinent labour market policy responses relating to the pandemic. Section 7 concludes. Annex I provides further information about the risk assessment methodology.

⁴ D.T. Yumol: "DOLE estimates 10 million workers will lose jobs this year due to COVID-19 pandemic," *CNN Philippines*, 21 May 2020.



The evolution of COVID-19 in the Philippines





► The evolution of COVID-19 in the Philippines

The emergence of reported COVID-19 cases in the Philippines was rather slow at the onset. On 30 January 2020, the Philippines' Department of Health (DOH) confirmed the first COVID-19 case in the country.⁵ On 2 February, the first COVID-19 death in the country was recorded.⁶ It was not until 7 March that the first local transmission of the coronavirus disease was announced.⁷ By 30 August, the number of confirmed cases in the country was reported at 217,396, with 157,403 recoveries and 3,520 deaths.⁸ The country's capital, Metro Manila, accounted for one-half of the total confirmed cases in the country.

The acceleration of the COVID-19 pandemic resulted in lockdown measures across economies worldwide. In the Philippines, immediate effects on sectors, enterprises and workers were felt. On 11 March, the World Health Organization (WHO) declared COVID-19 as a global pandemic. The following day, it was announced that Metro Manila will be put on strict community quarantine for a month starting 15 March in order to curtail the spread of COVID-19.⁹ Alongside this measure was a halt on domestic land, sea and air travel to and from Metro Manila, plus a ban on mass

⁵ X. Gregorio: "Philippines confirms first case of novel coronavirus," *CNN Philippines*, 30 Jan. 2020.

⁶ A. Ramzy and T. May: "Philippines Reports First Coronavirus Death Outside China," *The New York Times*, 2 Feb. 2020.

⁷ "DOH confirms local transmission of COVID-19 in PH; reports 6th case." Accessed from <https://www.doh.gov.ph/doh-press-release/doh-confirms-local-transmission-of-covid-19-in-ph>

⁸ Updated number of cases and related statistics may be viewed at the DOH COVID-19 tracker: <https://www.doh.gov.ph/covid19tracker>. Note that there is some delay in the reporting of COVID-19 cases. DOH releases statistics on "fresh" cases, or those whose test results were released in the past three days, and "late" cases which come from DOH's testing backlog

⁹ "Metro Manila to be placed on 'lockdown' due to COVID-19," *CNN Philippines*, 12 Mar. 2020.



Shopping and physical distancing — © ILO/Minette Rimando.

gatherings as well as the closure of schools.¹⁰ On 16 March, the President of the Philippines declared a State of Calamity for the next six months due to COVID 19.¹¹ Luzon, the largest island region in the country, was also placed under “Enhanced Community Quarantine” (ECQ).

Under ECQ, only one member of the household was allowed to go out in order to purchase essential needs.¹² Moreover, only businesses in “essential sectors”, or sectors considered critical to keep the economy running, were allowed to stay open. These essential sectors include food, medicine and essential products manufacturing, logistics and transport of essential goods, capital markets, telecommunications, utilities and energy, media, airline and aircraft maintenance, accredited construction activities, funeral and embalming services and humanitarian and relief assistance. Businesses and establishments in other sectors were enjoined to adopt work-from-home arrangements to continue their operations. The military was sent to enforce strict lockdown arrangements by manning checkpoints.¹³ As expected, strict lockdown arrangements disrupted the livelihood of many workers who do not serve in the essential sectors or are unable to carry out their tasks remotely.

From 12 March to 15 April, policy responses to support vulnerable populations and sectors were rolled out.¹⁴ DOLE provided financial assistance to underemployed, self-employed and displaced marginalized workers as well as to repatriated overseas Filipino workers and those in private establishments that adopted flexible working arrangements.¹⁵ The Department of Trade and Industry (DTI) ensured unhampered movement of cargo and transit of personnel of business establishments that were allowed to operate,¹⁶ enjoined medical supply exporters to sell domestically at least 80 per cent of their total production,¹⁷ and established strict guidelines to prevent hoarding and panic buying.¹⁸ The Department of Social Welfare and Development (DSWD) led the provision of social amelioration to low-income households¹⁹ while the Department of Agriculture (DA) distributed cash subsidies to about 600,000 farmers amid the ECQ.²⁰ Additional privileges in the form of higher insurance payments²¹ and risk allowance²² were provided to COVID-19 frontline workers, among others.

On 24 March, the President signed Republic Act 11469, also called the “Bayanihan to Heal as One Act”, authorizing him to exercise emergency measures to address the COVID-19 situation in the

¹⁰ Ibid.

¹¹ Proclamation No. 929: Declaring a State of Calamity throughout the Philippines due to Corona Virus Disease 2019.

¹² COVID-19.gov.ph: <https://www.covid19.gov.ph/ecq-gcq-guidelines/>

¹³ Ibid.

¹⁴ A comprehensive overview of policy responses in the Philippines can be accessed from the ILO COVID-19 policy response inventory. See <https://www.ilo.org/global/topics/coronavirus/country-responses/lang-en/index.htm#PH>

¹⁵ “Local, overseas workers assured of gov’t assistance.” Accessed from:

<https://www.dole.gov.ph/news/local-overseas-workers-assured-of-govt-assistance/>

¹⁶ DTI Memorandum Circular 20-06.

¹⁷ A. Rey: “Gov’t urges medical supply exporters to sell 80% of products in PH,” *Rappler*, 25 Mar. 2020.

¹⁸ J. Lagare: “Govt moves to curb hoarding, panic buying amid Covid-19 crisis,” *Manila Times*, 19 Mar. 2020.

¹⁹ Joint Memorandum Circular No. 1 Series of 2020.

²⁰ E. De Vera-Ruiz: “600,000 rice farmers to receive P5,000 assistance,” *Manila Bulletin*, 5 Apr. 2020.

²¹ GSIS provides additional half-million peso life insurance to COVID-19 gov’t frontliners,” 17 Apr. 2020. Accessed from: <https://www.gsis.gov.ph/gsis-provides-additional-half-million-peso-life-insurance-to-doh-frontliners/>

²² Administrative Order No. 28: Authorizing the grant of special risk allowance to frontline public health workers during the period of ECQ relative to the COVID-19 outbreak.

country.²³ On 7 April, the Luzon-wide ECQ was extended until 30 April.²⁴

Between 7 to 30 April, additional measures were implemented to ease the negative blow of the pandemic. COVID-19 temporarily stopped the operation of more than 390,000 small businesses while about 1 million more were forced to operate with a skeletal workforce.²⁵ To address this issue, the Department of Finance (DOF) proposed an aid package worth 51 billion Philippine pesos for workers in micro, small and medium-sized enterprises (MSMEs) affected by the lockdown. Recognizing that COVID-19 will necessarily entail adjustments in the educational system, the Department of Education (DepEd) drafted a learning continuity plan for the upcoming school year.²⁶ To increase accessibility of technical vocational training amid ECQ, the Technical Education and Skills Development Authority (TESDA) encouraged the public to enrol in any of its 68 short online courses.²⁷ Meanwhile, a programme that provides cash aid to displaced artists and cultural workers was implemented by the National Commission for Culture and the Arts (NCCA).²⁸ In addition, plans to revamp Philippine tourism given the pandemic context were outlined by the Department of Tourism (DOT). Another extension of the ECQ in Metro Manila and other regions in Luzon was announced on 24 April. The list

of areas under ECQ and “General Community Quarantine” (GCQ) was finalized on 29 April through Executive Order 112.²⁹ Establishments that remained closed under GCQ included gyms, fitness studios, sports facilities and other entertainment-related as well as business-related mass gatherings such as trade shows, conferences, conventions, workshops and retreats.³⁰

On 12 May, it was announced that Metro Manila together with the Province of Laguna and Cebu City will be placed under “Modified Enhanced Community Quarantine” (MECQ) from 16 May to 31 May.³¹ MECQ allowed for limited movement of people to access essential services and to go to their workplaces, limited transportation for work and for movement of essential goods and services, and a gradual reopening of the economy with select manufacturing plants allowed to operate to up to 50 per cent of capacity.³² Metro Manila was then placed under GCQ from 1 to 15 June, along with a few other provinces, while the rest of the country was put under MGCQ.³³ The decision to place the country’s capital under GCQ was further extended to 30 June. Community quarantine was extended to 31 July for many cities and provinces in the Philippines, the stringency of which depended on the severity of COVID-19 infection per area.³⁴

²³ See <https://www.senate.gov.ph/Bayanihan-to-Heal-as-One-Act-RA-11469.pdf>

²⁴ See <https://www.officialgazette.gov.ph/2020/04/07/memorandum-from-the-executive-secretary-on-extension-of-the-enhanced-community-quarantine-over-the-entire-luzon-until-30-april-2020/>

²⁵ B. de Vera: “COVID-19 aid: MSME application for wage subsidies to end April 30,” *Inquirer.net*, 17 Apr. 2020.

²⁶ M.T. Montemayor: “DepEd drafts learning continuity plan amid Covid-19 pandemic,” *Philippine News Agency*, 20 Apr. 2020.

²⁷ “TESDA offers 68 free online courses during COVID-19 quarantine,” *CNN Philippines*, 24 Apr. 2020.

²⁸ A. Custodio: “NCCA rolls out aid for displaced artists,” *Manila Times*, 16 Apr. 2020.

²⁹ See <https://www.officialgazette.gov.ph/downloads/2020/04apr/2020030-EO-112-RRD.pdf>

³⁰ See COVID-19.gov.ph.

³¹ “LIST: Businesses allowed to reopen in Metro Manila, areas under modified ECQ by May 16,” *CNN Philippines*, 13 May 2020

³² “Modified, enhanced, general quarantine: What’s the difference?” *ABS-CBN News*, 12 May 2020.

³³ P. Ranada: “Duterte approves GCQ for Metro Manila starting June 1,” *Rappler*, 28 May 2020.

³⁴ P. Ranada and S. Tomacruz: “Duterte extends Metro Manila GCQ until June 30,” *Rappler*, 16 June 2020.

The response from the government includes policies and programmes that provide support to vulnerable populations and sectors, address digitalization initiatives to ensure continued economic activities despite social distancing, and lay down the foundation for post-pandemic economic recovery.

From 30 April to end of August 2020, more programmes and policies were introduced. This time, it appears that particular attention was given to ushering the movement of people outside the already congested capital, tackling digitalization initiatives to ensure continued economic activities despite social distancing, and laying down the foundation for post-pandemic economic recovery. To illustrate, COVID-19 sped up social reengineering efforts of the Government. It had to confront the urbanization situation in Metro Manila, where high population density posed a significant hurdle to social distancing efforts. The Balik Probinsya, Bagong Pag-asa (Back to the Province, New Hope) Programme was institutionalized to balance urban and rural economic opportunities by providing incentives for families, especially the urban poor, to return to their hometowns and to stay there permanently.³⁵

As part of the COVID-19 pandemic recovery plan, DOLE liaised with other agencies to craft a scheme seeking to provide 1 million jobs in provinces and rural areas.³⁶ DA also cemented its role in advancing agricultural development and securing socio-economic resilience in the new normal through its Food Security Development Framework.³⁷

The Commission on Higher Education (CHED) resolved to promote a “flexible learning arrangement” in universities and colleges in order to “decongest the classroom” and observe physical distancing through the adoption of both digital (such as using web-based platforms to hold classes, using learning management systems for assessment and performance appraisal) and non-digital technologies (such as using printed learning modules which students can take home to study).³⁸ In line with the rise of the gig economy, a legal framework to promote and strengthen digital careers is being pushed through the Digital Careers Act.³⁹ A related legislative bill, called the National Digital Transformation Act, seeks to establish a national digital transformation strategy as well as a National Digital Transformation Council that will oversee policy formulation for the country’s national digital competency framework.⁴⁰

In addition to digitalization initiatives, ways forward were crafted to advance the country’s post-pandemic recovery. The Philippine Program for Recovery with Equity and Solidarity (PH-PROGRESO) is a mix of demand-side, supply-side and fiscal policy reforms geared towards achieving a “V-shaped” economic recovery path. The plan is headed by the National Economic and Development Authority (NEDA) and DOF. Embedded in PH-PROGRESO are four

³⁵ See <https://www.officialgazette.gov.ph/downloads/2020/05may/20200506-EO-114-RRD.pdf>

³⁶ F. Patinio: “1M jobs in areas under post-Covid-19 recovery plan: DOLE,” *Philippine News Agency*, 30 Apr. 2020.

³⁷ E. De Vera-Ruiz: “DA: development framework for food security is approved,” *Manila Bulletin*, 7 May 2020.

³⁸ A. D. San Juan: “CHED: ‘Flexible learning’ not purely online; aims to decongest classrooms amid physical distancing protocol,” *Manila Bulletin*, 11 May 2020.

³⁹ H. Torregoza: “Angara pushes national digital careers bill,” *Manila Bulletin*, 17 May 2020.

⁴⁰ See <https://www.senate.gov.ph/lisdata/3262229487!.pdf>



Medical care and COVID-19 — © ILO/Minette Rimando

pillars: (a) emergency support for vulnerable groups and individuals; (b) expanded medical resources to fight COVID-19 and ensure the safety of frontline workers; (c) fiscal and monetary actions to finance emergency initiatives and keep the economy afloat; and (d) an economic recovery plan to create jobs and sustain growth.⁴¹ As of June 2020, the plan was estimated to accrue a cost amounting to 1.7 trillion pesos or about 9.1 per cent of the country's GDP.⁴²

Among the proposed bills related to PH-PROGRESO is the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act that is set to lower the country's corporate income tax rate from 30 per cent, which is

the highest in the Association of Southeast Asian Nations (ASEAN) region to 25 per cent. If passed, the CREATE Act is touted to be one of the largest economic stimulus measures in the country's history, estimated to cost 625 billion pesos over a five-year period.⁴³ Despite being "revenue-negative", proponents of the bill argue that the package would attract the right types of investments into the Philippines, effectively propelling growth post-pandemic.⁴⁴

Conversely, some economists have cast doubt on whether the CREATE bill will deliver on its promise, considering that it is set to be rolled out in a pandemic context when multinationals are less likely to engage in

⁴¹ The Duterte Administration's Philippine Program for Recovery with Equity and Solidarity (PH-PROGRESO). Accessed from: <https://www.dof.gov.ph/the-duterte-administrations-philippine-program-for-recovery-with-equity-and-solidarity-ph-progreso/>

⁴² Ibid.

⁴³ B. de Vera: "Corporate income tax cut to 25% by July pushed," *Inquirer.net*, 15 May 2020.

⁴⁴ B. de Vera: "Dominguez: Create is 'one of largest economic stimulus measures' in PH history," *Inquirer.net*, 15 May 2020.

cross-border investment activities.⁴⁵ In addition to PH-PROGRESO, the DOT pushed for a 43-billion-peso tourism recovery programme package which aims to provide aid to businesses and displaced workers in the sector due to the COVID-19 pandemic.⁴⁶

As of the end of August 2020, the Philippines is the country with the lengthiest lockdown,⁴⁷ yet studies do not suggest a flattening of the curve for COVID-19 in the country. Recent estimates by the University of the Philippines show a declining trend in the reproductive number (R_0) of COVID-19 in the entire country (that is, in the ballpark of 1.1).⁴⁸ High-risk areas identified include major cities in Metro Manila and Cebu.

⁴⁵ D. Dumlaog-Abadilla: "CREATE may do more harm than good, says economist," *Inquirer.net*, 27 May 2020.

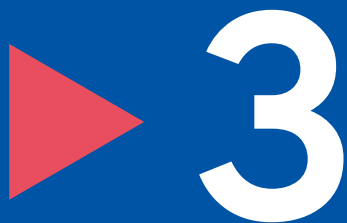
⁴⁶ D. Lucas: "Tourism chief outlines aid package for pandemic-battered PH travel industry," *Inquirer.net*, 15 Apr. 2020.

⁴⁷ A. C. Geducos: "Palace: No regrets on COVID-19 measures," *Manila Bulletin*, 17 June 2020.

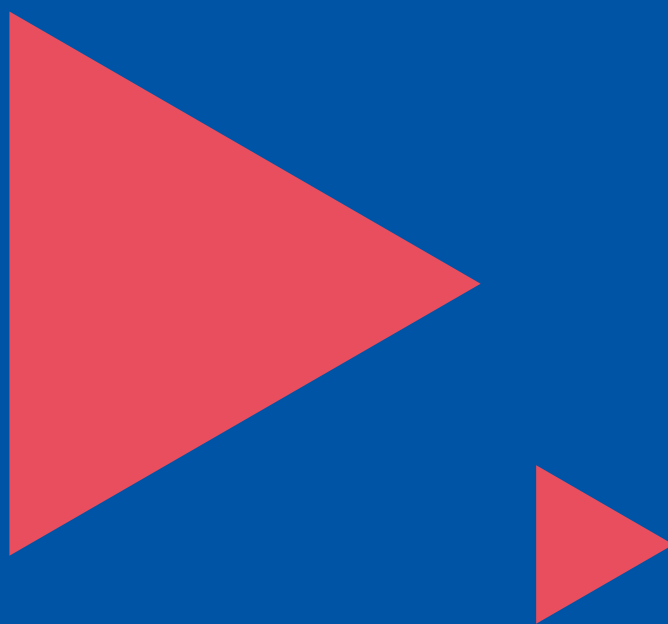
⁴⁸ "COVID-19 reproduction rate drops after MECQ, but PH needs to 'sustain momentum' in pandemic fight — research group," *CNN Philippines*, 24 Aug. 2020.



Medical frontline workers and COVID-19 — © ILO/Minette Rimando.



**Impact on economic
activity in the first
half of 2020**





► Impact on economic activity in the first half of 2020



Keeping distance before entering the public market — © ILO/Minette Rimando.

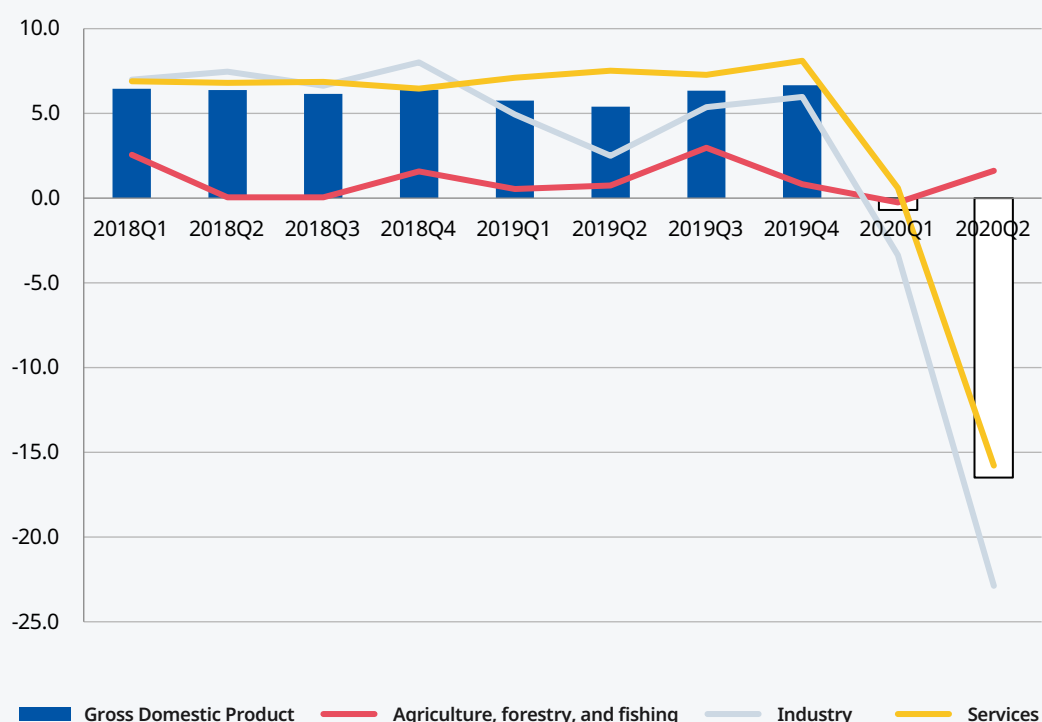
The Philippines was confronted with significant macroeconomic headwinds in the first half of 2020. Following the eruption of the Taal volcano in January 2020, fear over the spread of COVID-19 caused a decline in tourism and trade activity as early as February 2020. With the lockdown of Metro Manila in the latter half of March, the country was effectively thrust into an abrupt economic halt, paralyzing not only a vibrantly growing economy but also the livelihood of millions of Filipinos.

The economy contracted for the first time in 22 years during the first quarter (Q1) of 2020.⁴⁹ On 6 August 2020, the Philippine Statistics Authority (PSA) released an update that the GDP decreased year-on-year by

16.5 percent in the second quarter (Q2) of 2020, the lowest recorded quarterly growth since the start of the 1981 series. Examining GDP from the expenditures view, depressed demand for goods and services manifested in sluggish household final consumption expenditure, which weakened by 15.5 per cent in Q2 2020 compared to a growth of 5.6 per cent in Q2 2019. Government final consumption expenditure accelerated by 22.1 per cent in Q2 2020 compared to a growth of 6.8 per cent in Q2 2019. Meanwhile, gross capital formation (GCF) and exports and imports of goods and services registered negative growth rates. Specifically, GCF fell by 53.5 per cent driven by double-digit declines in investment in specialized and general industrial machineries, while exports and

⁴⁹ Unless stated otherwise, reported numbers are based on the National Accounts of the Philippines at constant 2018 prices.

► Figure 1. GDP growth by major economic sector, Q1 2018–Q2 2020 (percentage)



Source: PSA, National Accounts of the Philippines

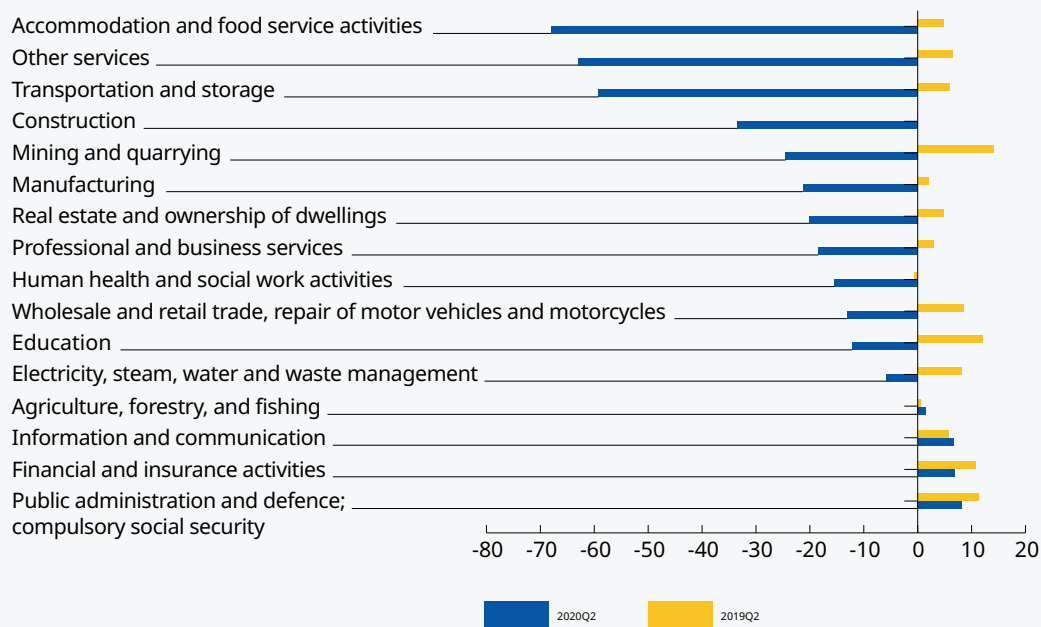
imports diminished by 37.0 per cent and 40.0 per cent respectively.

Dissecting GDP by major economic sector showed that industry was particularly impacted adversely by events in Q2 2020, causing it to shrink by 22.9 per cent compared to its level in Q2 2019 ([figure 1](#)). Agriculture moderately expanded by 1.6 per cent while the growth of services fell by 15.8 per cent.

A more granular sectoral analysis reveals that accommodation and food service activities, transportation and storage, construction, and mining and quarrying registered the largest reductions in sectoral value-added ([figure 2](#)). To illustrate, value-added in accommodation and food service activities fell by 68.0 per cent while value-added in transportation and storage and construction shrank by 59.2 per cent

and 33.5 per cent respectively. It turns out that all major economic subsectors, except information and communication and agriculture, forestry and fishing, registered reductions in value-added in Q2 2020 relative to their performance in Q2 2019. Value-added in information and communication and agriculture, forestry and fishing expanded in the said quarter. Service subsectors such as financial and insurance activities and public administration and defence also registered an expansion, albeit dampened, of value-added.

Manufacturing value-added, which accounts for 64.3 per cent of industry value-added, contracted by 21.3 per cent in Q2 2020. Value-added in subsectors such as manufacture of tobacco products, machinery and equipment, textiles and wearing apparel, fabricated metal products, non-metallic minerals, leather and footwear, and transport

► **Figure 2. GDP growth by major economic subsector, Q2 2019 versus Q2 2020 (percentage)**

Note: Subsectors arranged by order of Q2 2020 sectoral GDP growth.

Source: PSA, National Accounts of the Philippines

equipment contracted by more than 50 per cent (table 1). The fall in value-added in these subsectors can be explained when viewed from the both the demand and supply perspectives.

From the demand side, travel restrictions may have contributed to the decline in demand for transport equipment. Likewise, households may have reduced purchases of consumer durables and garments, textiles and clothing as retail shops have closed to abide by quarantine measures. In addition, output by subsectors such as machinery and equipment, garments and textiles may have been destined for export markets and are thus susceptible to disruptions in external demand. From the supply angle, shipments of machinery and

electrical equipment may have fallen due to reduced capital investments, owing to temporary business closures as a result of the lockdown. In addition, inputs into production, coming from other countries with lockdown measures in place, may have not been supplied due to logistical difficulties arising from the effects of containment measures (such as impairment of cross-country goods mobility and factory shutdowns).

Value-added in manufacture of pharmaceutical products and manufacture of coke and refined petroleum products grew by 7.7 per cent and 1.8 per cent respectively in Q2 2020. Demand for medicines and health-related commodities may have perhaps increased due to a natural behavioural impulse given

► **Table 1. Gross value added (GVA) growth and share in manufacturing GVA, by manufacturing subsector, Q1 2019 to Q2 2020**

Subsector	Growth Rates (%)						Share in manufacturing GVA (%)
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2020
Manufacture of food products	6.6	1.1	-0.8	1.6	1.5	-9.1	56.3
Manufacture of beverages	8.9	7.7	6.6	1.8	-9.7	-38.4	3.2
Manufacture of tobacco products	-1.3	-12.1	42.3	7.6	-27.6	-68.5	0.2
Manufacture of textiles	9.5	7.3	9.8	0.1	-18.5	-66.4	0.8
Manufacture of wearing apparel	11.2	14.6	13.9	8.7	3.4	-55.2	1.4
Manufacture of leather and related products, including footwear	4.0	14.7	12.1	-0.1	-16.5	-90.0	0.0
Manufacture of wood, bamboo, cane, rattan articles and related products	25.9	23.6	30.8	11.7	-7.7	-16.8	1.1
Manufacture of paper and paper products	6.8	-2.5	2.5	-1.6	-9.0	-20.0	0.8
Printing and reproduction of recorded media	17.5	18.5	19.6	8.6	8.9	-32.8	0.8
Manufacture of coke and refined petroleum products	-9.4	-2.6	-27.2	-19.3	-35.8	1.8	6.5
Manufacture of chemical and chemical products	14.4	4.0	0.6	42.1	-2.3	-22.9	8.1
Manufacture of basic pharmaceutical products and pharmaceutical preparations	20.3	20.6	20.1	64.6	27.3	7.7	1.3
Manufacture of rubber and plastic products	9.8	0.9	4.5	3.5	-8.4	-36.0	0.9
Manufacture of other non-metallic mineral products	11.2	2.4	4.5	-9.2	-18.5	-54.0	1.6
Manufacture of basic metals	12.7	20.0	22.3	-13.0	-8.6	-30.8	1.8
Manufacture of fabricated metal products, except machinery and equipment	7.5	3.3	12.1	6.6	16.0	-54.0	0.9
Manufacture of computer, electronic and optical products	-4.8	-4.3	-3.4	-4.3	-8.4	-28.8	9.5

Subsector	Growth Rates (%)						Share in manufacturing GVA (%)
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2020
Manufacture of electrical equipment	12.6	14.9	18.2	9.7	-11.0	-42.0	1.6
Manufacture of machinery and equipment except electrical	4.1	-3.1	20.9	7.9	-21.9	-63.0	0.5
Manufacture of transport equipment	2.8	1.8	-3.5	-18.1	-4.0	-63.9	0.7
Manufacture of furniture	-29.6	-21.8	-5.0	-15.8	-13.4	-57.0	0.2
Other manufacturing	9.8	-4.6	2.0	0.8	-10.3	-34.1	1.6

Source: PSA, National Accounts of the Philippines.

a pandemic scare.⁵⁰ For example, at the onset of the pandemic, people tended to hoard hand sanitizers, tissue paper and masks. Results of the PSA Monthly Integrated Survey of Selected Industries support the observed contraction in manufacturing and its specific subsectors. Figure 3 shows the plunge in the year-on-year value (VaPI) and volume (VoPI) of manufacturing production in April 2020 by 41.2 per cent and 38.8 per cent respectively, representing the largest recorded decline for both indices since 2001.⁵¹ Among the manufacturing subsectors that drove the downturn in VaPI and VoPI are leather products, footwear and wearing apparel, and furniture and fixtures.⁵² Following the drastic fall in the both indices, more recent estimates indicate an improvement in manufacturing activity in May and June 2020.

Moving from manufacturing activity to firms impacted by the pandemic, indicative evidence suggests that uncertainty over the future of business activity is related to cash flow risk. Around 64 per cent of more than 44,000

establishments covered by the NEDA Consumer and Business Survey in April 2020 regard the lack of working capital to maintain or restart business as a main obstacle to maintaining or restarting business if containment measures are prolonged. Meanwhile, about 44 per cent are concerned about repayment of loans and 31 per cent perceive the risk to health and safety of their workers as a main obstacle to business resumption. The survey results also revealed that the impacted businesses commonly prefer to receive short-term financial relief from the Government. Payment deferment of taxes (about 55 per cent of companies), payment deferment of debts (about 40 per cent), and low interest rates (about 32 per cent) are seen as relevant support measures that the government can offer to help businesses weather the negative impact of the COVID-19 pandemic.

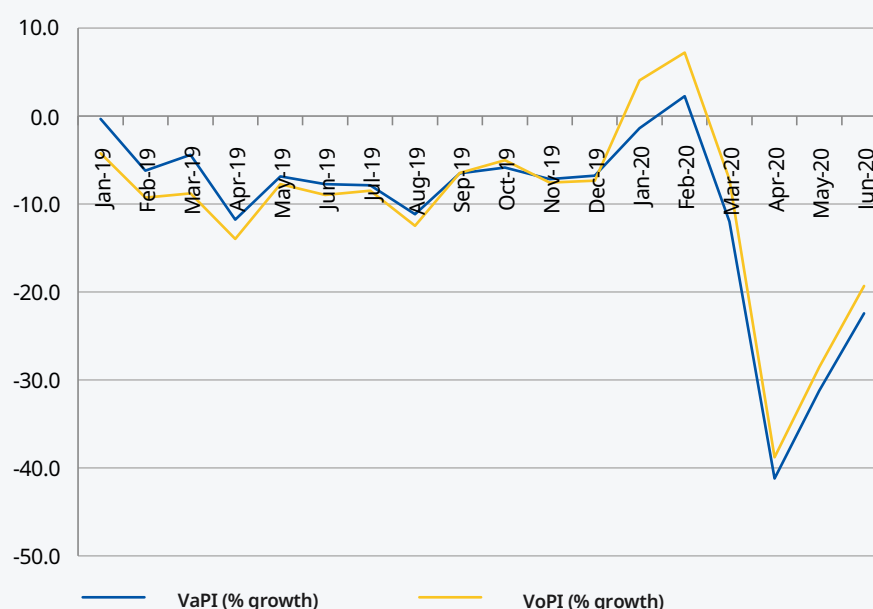
Findings from business surveys show that many firms experienced difficulties in continuing operations during the pandemic.

⁵⁰ Although one can reasonably expect that demand for some products will be reduced as households smoothen their consumption when uncertainty eases.

⁵¹ "Production Index and Net Sales Index (Monthly Integrated Survey of Selected Industries) April 2020," Accessed from: <https://psa.gov.ph/content/production-index-and-net-sales-index-monthly-integrated-survey-selected-in-dustries-april>

⁵² Ibid.

► Figure 3. Growth in Value (VaPI) and Volume (VoPI) of Production Index, January 2019–June 2020 (percentage)



Source: PSA, Monthly Integrated Survey of Selected Industries

According to a survey of businesses conducted by the United Nations Industrial Development Organization (UNIDO) in cooperation with institutional partners (UNIDO 2020),⁵³ 57 per cent of respondent firms were not in operation during the survey period. More than half (53 per cent) of the firms not in operation were permitted to operate but were unable to. Challenges such as cash flow issues, lack of available input materials and services, and lack of customers hounded these firms.

For the remaining firms that were in operation, reasons related to the curtailment of value chains stood out. These include

distribution, shipping and logistics issues, cash flow issues and lack of customers. Reducing work and/or operating hours, moving to partial operations and allowing employees to work from home emerged as the top strategies employed by firms to cope with the pandemic. However, the adoption of the work-from-home set-up was more common for medium-sized and large firms. Small firms had to either shift to partial operations or close down their businesses. Manpower concerns appear to be related to a lack of available transportation during the lockdown, fear of coming to work and difficulty of adhering to physical distancing measures inside the workplace.

⁵³ UNIDO's Assessment of the socio-economic effects of COVID-19 and containment measures on Philippine enterprises aimed to determine the impacts of COVID-19 containment measures on the operations and financial positions of Philippine enterprises and to identify gaps and areas for improvement in order to support policy recommendations for pandemic recovery. The pool of respondents included 235 micro, small, medium-sized and large enterprises nationwide. Data collection was done online using Google Forms from 28 April to 16 May 2020.

A separate survey of businesses conducted by the Asian Development Bank (ADB)⁵⁴ revealed that about two thirds of the enterprises surveyed temporarily closed their operations when the ECQ came into effect (ADB 2020a). Limited operations continued for about three tenths of the enterprises; of these, more than three quarters reported that less than 50 per cent of their business remained operational. Smaller firms were found to be less likely to remain operational. Wholesale and retail trade as well as accommodation and food services were among the most heavily impacted in terms of temporary business closures. Collectively, the UNIDO and ADB enterprise surveys provide a snapshot of the early impacts of COVID-19 on Philippine businesses, and underscore the differential impact of the pandemic across sectors and firm sizes.

The COVID-19 crisis is marked by substantial uncertainty around the recovery of economy and labour market. While the pandemic disrupted the growth trajectory of many sectors and firms affected by strict containment measures, some sectors have either been growing or showing potential for growth.⁵⁵ Preliminary reports about the information technology–business process management (IT–BPM) sector point to a potential resurgence in Q2 2020. Reports suggest that the resurgence in demand for business process outsourcing (BPO) activities was a countervailing force against the fall in demand for Philippine online gaming operators (POGOs),

as demonstrated by recent data on office leasing. New office leases increased by about 50 per cent between Q1 and Q2 2020, with the BPO subsector accounting for more than one half (55 per cent) of said growth. In contrast, POGOs accounted for 54 per cent of newly vacated spaces.

In addition, the game development industry, which is subsumed under the IT–BPM sector, has particularly experienced a surge in global demand during the pandemic. Because of this, the Game Developers Association of the Philippines project an urgent need for about 2,000 professionals in the industry.⁵⁶ Programming, quality assurance and game support constitute some of its rising subindustries.

Meanwhile, outlook for the financial and insurance services sector remains positive. With a Q2 growth rate of 6.8 per cent, it remains one of the fastest-growing sectors in the country owing to increased adoption of digital payment schemes both by firms and individuals. GCash, one of the biggest mobile wallet companies in the Philippines, has recorded a 280 per cent increase in transactions volume in the first seven months of 2020. From 28 billion pesos in 2019, the value of transactions flowing through GCash has ballooned to over 100 billion pesos.⁵⁷ Moreover, a worldwide poll conducted by Visa in July 2020 revealed that 70 percent of Filipino respondents would stick to using digital payment platforms post-pandemic,⁵⁸ while three quarters of respondents believe that it is important for businesses to have an online

⁵⁴ The ADB Philippine Enterprise Survey, conducted in cooperation with the DOF, aimed to investigate the impact of COVID-19 on Philippine enterprises and to help the government develop their bounce-back strategies in response to the crisis caused by the pandemic. The survey used non-standard sampling procedures and was disseminated through online portals from 28 April to 15 May 2020. A total of 2,481 complete responses from private sector businesses covering micro, small, medium-sized and large enterprises had been collected by the end of the survey period.

⁵⁵ D. Dumlao-Abadilla: "BPO demand lifts Q2 office leasing activity," *Inquirer.net*, 4 Aug. 2020.

⁵⁶ B. Rodriguez: "PH video game developers 'desperate' to hire more as industry levels up despite virus," *ABS-CBN News*, 4 Aug. 2020.

⁵⁷ "GCash records P100 billion in transaction value," *SunStar Philippines*, 14 Aug. 2020.

⁵⁸ "Post-Covid, Pinoy's sticking to digital payments, says poll," *BusinessMirror*, 17 July 2020.

presence.⁵⁹ The Government has recognized that the surge in digital transactions may help revive the hard-hit retail sector by keeping consumer demand afloat via e-commerce platforms,⁶⁰ underscoring the important role the “digital consumer” can play in the post-pandemic recovery process.

Whereas openness to trade with other economies has helped the Philippines boost its competitiveness in recent years through intensive involvement in global value chains, the COVID-19 pandemic risks turning this advantage into a liability. [Figure 4](#) provides a comparative illustration of the stringency of measures imposed by the country’s top trade partners to combat the spread of the coronavirus disease. On one hand, the vulnerability of local exporting firms would depend on the extent to which stringent measures are expected to translate to prolonged weak demand for goods exported from the Philippines. On the other hand, lengthened curtailment of domestic production may put existing trade deals in danger. With lockdowns and massive lay-offs of workers around the globe, the trade scenario post-pandemic could see greater reliance on domestic production factors to supply goods previously imported from other economies. If this occurs, a reduction in imports could be expected. This may inadvertently lead to a temporary halt in existing trade deals, impeding cross-border sales as well as knowledge spillovers that occur along already established global value chains (ILO 2020a).

Latest official trade statistics exhibit signs of supply chain disruptions manifesting through weaker bilateral trade ties ([table 2](#)). As a case in point, the value of the Philippines’ exports to Japan fell by 11.4 per cent from US\$5.2 billion in January to June 2019 to US\$4.6 billion in January to June 2020.

Likewise, exports to the United States of America and China fell by 29.4 per cent and 17.6 per cent respectively. Philippine exports to Australia amounted to US\$153.1 million in the first half of 2020, representing a 28.0 per cent drop from the US\$212.7 million export value reported in the same period in 2019. Japan, Hong Kong (China) and the United States were the top three export markets of merchandise goods from the Philippines in the first half of 2020.

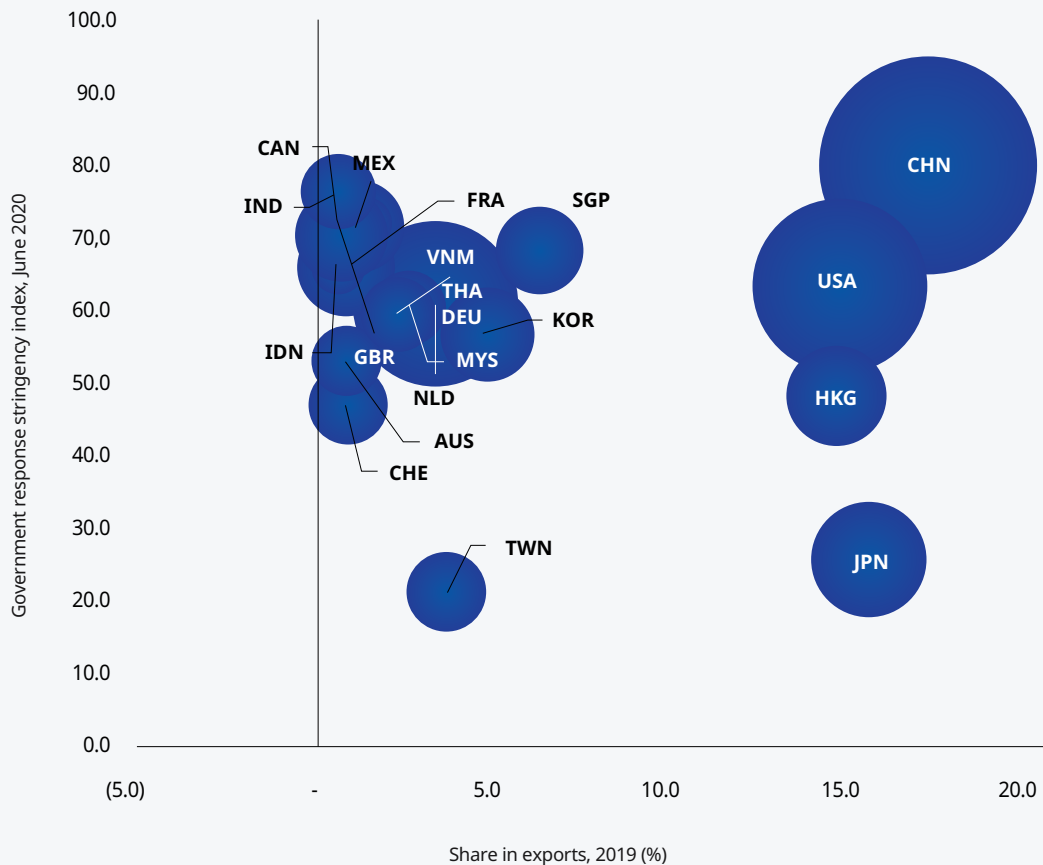
Examining imports by source country, China, Japan and the Republic of Korea comprised the country’s top three sources of imports in the first half of 2020. Actual import values, however, display substantial year-on-year declines across the board. For instance, imported products from the China amounted to US\$8.2 billion, 32.6 per cent less than the US\$12.2 billion recorded in the first half of 2019. Imports from Australia fell by 55.6 per cent from US\$821.5 million in the first half of 2019 to US\$364.6 million in the same period in 2020.

Examining exports by major type of goods, plunges in major agro-based products and manufactured goods were observed in January to June 2020 relative to their values in January to June 2019 ([Appendix table 1](#)). Exports of coconut products, which account for 2.0 per cent of total exports, fell by 16.7 per cent. Exports of sugar and sugar products declined by 39.4 per cent. Manufactured goods exports, which account for 80.3 per cent of total exports, contracted by 19.7 per cent, pulled down by the 48.6 per cent reduction in export sales of electronic products. Within the electronic products category, components/devices, electronic data processing, office equipment, and consumer electronics, among others, experienced large declines in export values. Garments and footwear, chemicals, wood

⁵⁹ J. Fenol: “Local sellers bet on e-commerce as consumers shift to ‘online first’ in purchases,” *ABS-CBN News*, 13 Aug. 2020.

⁶⁰ E. F. Rosales: “Go digital, NEDA chief tells businessmen,” *BusinessMirror*, 1 June 2020.

► Figure 4. Share in exports and stringency of COVID-19 government response measures by top export partner



Note: AUS = Australia, BEL = Belgium, CHE = Switzerland, CHN = China, DEU = Germany, FRA = France, GBR = United Kingdom, HKG = Hong Kong (China), IND = India, IDN = Indonesia, JPN = Japan, KOR = Korea, Republic of, MYS = Malaysia, MEX = Mexico, NLD = Netherlands, SGP = Singapore, TWN = Taiwan (China), THA = Thailand, USA = United States, VNM = Viet Nam. Bubble sizes correspond to 2019 trade values compiled from the World Trade Organization's Trade Database. Government response stringency index represents the average value of the COVID-19 Government Response Stringency Index in June 2020.

Sources of data and country designations: PSA, June 2020 trade statistics; University of Oxford; COVID-19 Government Response Stringency Index; ourworldindata.org.

manufactures as well as basic metals and non-metallic mineral manufactures also saw steep reductions in exports. Meanwhile, among the major types of goods with reported increases in export values were petroleum products (83.2 per cent) and textiles, yarns and fabrics (44.3 per cent).

Weak external demand puts into question the viability of the trade channel as a

potential engine of post-pandemic growth. There is also the possibility that international businesses will reduce engagement with countries encountering challenges in pandemic management. Apart from preventing businesses from closing shop and moving elsewhere, the government is resolved to attract businesses set to relocate into ASEAN. For instance, there is optimism

► **Table 2. Export and import statistics by top trade partners, January–June 2019 versus January–June 2020**

Country	Exports (FOB in US\$ million)			Country	Imports (FOB in US\$ million)		
	Jan–June 2020	Jan–June 2019	Change (%)		Jan–June 2020	Jan–June 2019	Change (%)
Japan ^{1/}	6.6	1.1	-0.8	China	1.5	-9.1	56.3
Hong Kong, China	8.9	7.7	6.6	Japan ^{1/}	-9.7	-38.4	3.2
United States ^{2/}	-1.3	-12.1	42.3	Korea, Republic of	-27.6	-68.5	0.2
China	9.5	7.3	9.8	United States ^{2/}	-18.5	-66.4	0.8
Singapore	11.2	14.6	13.9	Singapore	3.4	-55.2	1.4
Thailand	4.0	14.7	12.1	Indonesia	-16.5	-90.0	0.0
Korea, Republic of	25.9	23.6	30.8	Thailand	-7.7	-16.8	1.1
Germany	6.8	-2.5	2.5	Taiwan, China	-9.0	-20.0	0.8
Taiwan, China	17.5	18.5	19.6	Malaysia ^{3/}	8.9	-32.8	0.8
Netherlands	-9.4	-2.6	-27.2	Viet Nam	-35.8	1.8	6.5

^{1/} includes Okinawa

^{2/} includes Alaska and Hawaii

^{3/} includes Sabah and Sarawak

Note: FOB or free on board, to mean including export taxes net of subsidies.

Source: PSA, June 2020 trade statistics (released 5 August 2020).

that the Philippines could become home to firms exiting China as a result of the COVID-19 pandemic and the continuing US-China trade tensions.⁶¹ However, business groups have raised concerns over the efficacy of existing institutions in keeping businesses afloat. A survey conducted by the German business chamber, for example, revealed that 51 per cent of German firms in the country are holding back their investments because “current policies are not conducive for investing in the market”.⁶²

To address business concerns, policymakers have proposed measures aimed to ease barriers to foreign firm entry, such as

lowering the corporate income tax rate⁶³ and taming restrictions on foreign business ownership.⁶⁴ However, with limited business activity due to a prolonged lockdown occurring alongside other countries’ economic reopening, efforts to attract businesses into the Philippines are in peril. In fact, total approved foreign investments dropped to 29.4 billion pesos in Q1 2020 from 46 billion pesos recorded in the same quarter last year, representing a contraction of 36.2 per cent.⁶⁵

The pandemic has not only crippled cross-border commodity shipments. Perhaps more severe is its impact on human mobility.

⁶¹ D. Lucas: “BSP: Postpandemic PH out to win firms exiting China,” *Inquirer.net*, 25 May 2020.

⁶² R.S. Canivel: “51 percent of German firms holding back investments in PH, but not because of COVID-19,” *Inquirer.net*, 1 June 2020.

⁶³ A.L. Gonzales: “DTI in talks with firms on possible investments in PH,” *Manila Times*, 28 May 2020.

⁶⁴ “House OKs 100% foreign ownership in power, transport and communications,” *PhilStar.com*, 10 Mar. 2020.

⁶⁵ A.L. Gonzales: “Foreign investment pledges fall 36% in Q1,” *Manila Times*, 5 June 2020. The amount reported here represents investment pledges coming from six different investment promotion agencies: (1) Board of Investments, (2) Clark Development Corporation, (3) Philippine Economic Zone Authority, (4) Subic Bay Metropolitan Authority, (5) Authority of the Freeport Area of Bataan, and (6) Cagayan Economic Zone Authority.



Emergency Employment Pay Day — © ILO

For many countries such as the Philippines, domestic and international travel has become challenging due to travel restrictions placed to curb the spread of COVID-19. Hence, it is not surprising that tourism is among the sectors seen to bear the heaviest brunt of the pandemic (ILO 2020b). Tourism receipts in the first seven months of 2020 fell by 71.5 per cent from 284.8 billion pesos in January to July 2019 to 81.1 billion pesos in the same period in 2020.⁶⁶ In addition, the year-on-year slump in tourist arrivals from January to July 2020 stood at 73 per cent.⁶⁷ The tourism industry mostly embeds MSMEs so concerns over the possibility of firms exiting the sector due to operational halt already hound policy discussions.⁶⁸

Relatedly, the human mobility issue raises concerns over the future of remittance inflows, and more so the status of workers sending them back home. About 10 per cent

of GDP is accounted for by remittances; in 2019, the Philippines was the fourth largest destination of remittances.⁶⁹ Approximately 211 billion pesos of remittances were sent home by about 2.2 million OFWs from April to September 2019, according to the 2019 Survey on Overseas Filipinos.⁷⁰ As host countries struggle with managing economic disruptions and deceleration due to the pandemic, OFWs currently face the risk of repatriation or displacement. Travel restrictions have heavily impacted their deployment as well, with data from the Philippine Overseas Employment Agency (POEA) indicating that a total of 100,801 OFW applications were processed from January to August 2020, of which 24,872 applications were processed but not deployed.

Consequently, the fall in remittances was already felt as early as March 2020, when

⁶⁶ M. S. Arnaldo: "Tourism 'critical' as 7-month receipts dip 71.5 per cent," *BusinessMirror*, 14 Aug. 2020.

⁶⁷ Ibid.

⁶⁸ "50 small firms want to close temporarily putting jobs at risk: labor chief," *ABS-CBN News*, 22 May 2020.

⁶⁹ Based on World Bank Annual Remittances Data (as of April 2020). Accessed from <https://www.worldbank.org/en/topic/labormarkets/brief/migration-and-remittances>

⁷⁰ "Total number of OFWs estimated at 2.2 million." Accessed from: <https://psa.gov.ph/statistics/survey/labor-and-employment/survey-overseas-filipinos>

the year-on-year rate of personal and cash remittances declined by 5.2 per cent and 4.7 per cent respectively.⁷¹ The Bangko Sentral ng Pilipinas (BSP or Central Bank) and the World Bank expect remittances to significantly contract. Forecasted full-year decline ranges from 5.0 per cent (BSP)⁷² to 13.0 per cent (World Bank).⁷³ This story does not bode well for a consumption-driven economy such as the Philippines as a steep fall in remittances is expected to cause further declines in household consumption. To support this point, 97 per cent of the 473 OFW households surveyed in the Q4 2019 Consumer Expectations Survey of the BSP reported that they used remittances received to purchase food and other household needs.⁷⁴

Full-year growth projections are bleak. NEDA expects growth to fall within the negative 2.0 to negative 3.4 per cent range.⁷⁵ The World Bank estimates that the economy will shrink by 1.9 per cent in 2020, assuming that containment measures would be relaxed gradually in the second half of the year (World Bank 2020). Meanwhile, ADB has recently revised its growth projection from 2.0 per cent to negative 3.8 per cent (ADB 2020b).

In summary, recent macroeconomic developments indicate dim economic prospects in 2020. Curtailed domestic and international production will take a toll on the Philippine economy. This will likely lead to a reduction in labour demand and an oversupply of available labour. With the temporary closure of businesses, the long-term survival of MSMEs, which account for 99 per cent of the total number of

establishments and 63 per cent of total employment, is challenged.⁷⁶ Larger firms may also need to embrace measures to reduce costs in response to the COVID-19 pandemic, including through reduced working hours or eventual worker lay-offs. Firms in general may be faced with changes to their business models under a new normal scenario.

In a time when social distancing measures and digitalization pose questions regarding the future of work, businesses must find a way to transition and secure long-term sustainability while promoting productive employment and decent work.

Thus, businesses need to find a way to transition and secure long-term sustainability while promoting productive employment and decent work in a time when social distancing measures and digitalization pose questions regarding the future of work. The short- and medium-term economic outlook shaped by the pandemic has severe implications for the current and future labour market outcomes in the Philippines. In the next section, currently available data from labour statistics are examined to methodically reflect on the future of work in the Philippines in the context of COVID-19.

⁷¹ Data from the Bangko Sentral ng Pilipinas website: <http://www.bsp.gov.ph/statistics/keystat/ofw.htm>

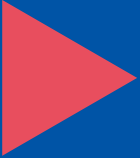
⁷² "Remittance drop may drag Philippine GDP growth down by 0.4 pct: central bank," XinhuaNet, 19 June 2020.

⁷³ K. L. Yap and S. Alegado: "World Bank Forecasts Philippine Remittances to Drop 13% in 2020," Bloomberg, 24 Apr. 2020.

⁷⁴ Accessed from http://www.bsp.gov.ph/downloads/Publications/2019/CES_4qtr2019.pdf

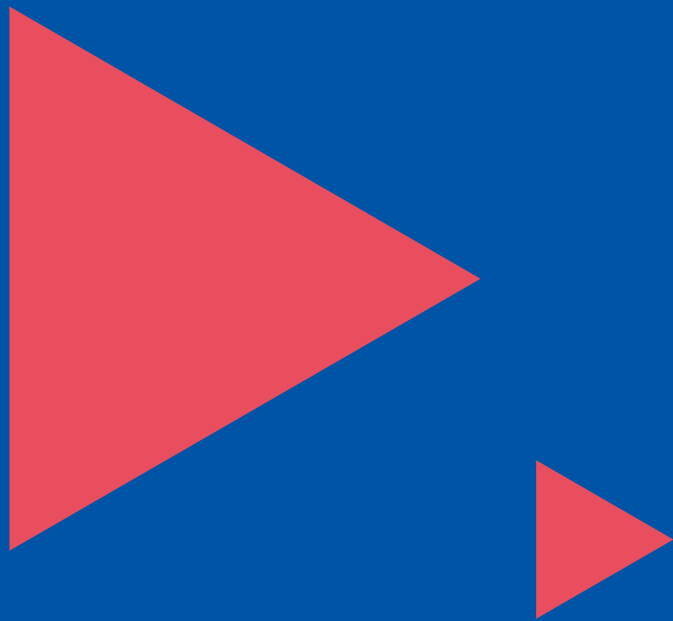
⁷⁵ "DBCC revisits medium-term macroeconomic assumptions and fiscal program amid the COVID-19 pandemic." Accessed from: <http://www.neda.gov.ph/dbcc-revisits-medium-term-macroeconomic-assumptions-and-fiscal-program-amid-the-covid-19-pandemic/>

⁷⁶ Latest official estimate based on PSA data (2014).



4

**Labour market
impact at the onset
of COVID-19**





► Labour market impact at the onset of COVID-19



A company provides transport for staff — © ILO/Minette Rimando.

Understanding the impact of COVID-19 on jobs requires a diagnostic of the labour market situation. In this section, recent labour market indicators are reviewed and followed by an assessment of the sectors at risk of job disruption to highlight the extent to which employment across sectors is impacted by the changes in economic output. The same assessment is carried out to identify manufacturing subsectors that are likely to face low, medium or high risk of being disrupted by the pandemic. In the context of increasing calls for digitalization in response to COVID-19, this section also examines how digitalization impacts occupations and sectors, with particular focus on occupations and sectors facing a double-tiered risk due to COVID-19 and digitalization.

What do the latest employment estimates show?

The Philippines recorded in April 2020 its most severe unemployment rate on record.⁷⁷ Philippine unemployment records started in 1987, and the last double-digit unemployment rate was recorded in Q2 1991 when it breached 14.4 per cent. This year's most recent estimate, corresponding to Q2 2020 or April 2020, was 17.7 per cent (figure 5). It is equivalent to about 7.3 million unemployed individuals, a more than threefold increase from the 2.3 million unemployed in April 2019. The labour force participation rate (LFPR) in April 2020 was thus estimated at 55.6 per cent (versus 61.3 per cent in April 2019), the lowest since 1987.

The rate of underemployment stood at 18.9 per cent, which equates to approximately 6.4 million individuals who either want to

⁷⁷ Unless stated otherwise, reported numbers are based on the April 2020 release of the Philippine Labour Force Survey statistics, preliminary estimates. Note that the definition for unemployment was revised beginning April 2005 to include availability criterion in conformance with international standard. Thus, the unemployment data series beginning 2005 is not strictly comparable with estimates prior to 2005.

► Figure 5. Unemployment and underemployment rates, January 2019 to April 2020 (percentage)



Source: PSA, labour and employment statistics

work for more hours in their present job or intend to take on additional jobs (figure 5). Notably, 5.5 million workers or 85.8 per cent of the underemployed consist of those engaged in “visible underemployment”.⁷⁸ Estimated visible underemployment in April 2020 increased by about 2 million workers from the April 2019 level.

The estimated number of youth in the labour force slid by 15.9 per cent from 7.7 million in April 2019 to 6.5 million in April 2020. Two million youth in the labour force were unemployed, placing the youth unemployment rate at 31.6 per cent, compared to 12.9 per cent in the same

period in 2019 (figure 5). Meanwhile, the proportion of youth which are neither in employment, education or training (NEET) with respect to the total youth population grew to 25.3 per cent from 18.7 per cent in 2019. The total number of employed persons declined by nearly 8 million in April 2020, representing a year-on-year decrease of 19 per cent. Employment across major sectors declined across the board. The contraction in some sectors was, however, disproportionate (table 3). Within industry, large declines in employment were experienced in electricity, gas, steam and air conditioning supply (-43.1 per cent), construction (-33.8 per cent), water supply

⁷⁸ Visible underemployment includes employed individuals who wanted additional work and worked less than 40 hours in their primary job during the reference week as a percentage share of the total employed. Individuals who were with jobs but did not work during the reference period belongs to this category.

including sewerage, waste management and remediation activities (-28.3 per cent) and manufacturing (-23.8 per cent). With about one-half of total employment in industry accounted for by the manufacturing sector, the observed decline in the total employed in this sector corresponds to more than 800,000 workers from the April 2019 employment level.

Examining employment in services in greater detail, the data indicate plunges in the following subsectors: arts, entertainment and recreation (-54.0 per cent); information and communication (-40.6 per cent); accommodation and food service activities (-35.8 per cent); transportation and storage (-27.0 per cent); wholesale and retail trade (-23.9 per cent); and professional, scientific and technical activities (-23.1 per cent),

among others. Overall, the decline in the total employed in services corresponds to more than 5 million workers compared to the April 2019 level. Meanwhile, employment in agriculture moderately decreased by 3.5 per cent in April 2020; 8.7 million Filipino workers were engaged in the agriculture sector during the said period.

A sectoral analysis of employment reveals changes that reflect a significant reduction in working hours. This is manifested as an increase in the share of part-time workers and a reduction in the share of full-time workers. [Appendix table 2](#) shows that the share of full-time employment between April 2019 and April 2020 decreased across all economic sectors.

► **Table 3. Employment statistics, by sector, April 2019 versus April 2020**

	Total employment ('000)		Share in total employment (%)		% change (Apr. 2019 to Apr. 2020)		
	April 2020	April 2019	April 2020	April 2020	Part-time	Full-time	Total
Total Employment	33 764.0	41 755.0	100	100	-15.0	-65.3	-19.1
<i>Agriculture</i>	8 743.1	9 059.2	25.9	21.7	3.5	-39.7	-3.5
Agriculture and forestry	7 646.7	7 890.1	22.6	18.9	2.0	-37.3	-3.1
Fishing and aquaculture	1 096.4	1 169.1	3.2	2.8	16.0	-51.2	-6.2
<i>Industry</i>	5 744.9	8 081.6	17.0	19.4	-32.3	-82.8	-28.9
Mining and quarrying	154.0	160.9	0.5	0.4	56.4	-49.7	-4.3
Manufacturing	2 702.0	3 547.9	8.0	8.5	-23.9	-78.2	-23.8
Electricity, gas, steam and air conditioning supply	61.4	107.9	0.2	0.3	65.0	-72.5	-43.1
Water supply; sewerage, waste management and remediation activities	48.3	67.3	0.1	0.2	88.2	-68.5	-28.3
Construction	2 779.3	4 197.6	8.2	10.1	-48.7	-88.1	-33.8
<i>Services</i>	19 276.3	24 614.0	57.1	58.9	-29.2	-63.6	-21.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	6 452.0	8 481.8	19.1	20.3	-25.2	-59.8	-23.9
Transportation and storage	2 583.0	3 538.5	7.7	8.5	-43.8	-89.1	-27.0

	Total employment ('000)		Share in total employment (%)		% change (Apr. 2019 to Apr. 2020)		
	April 2020	April 2019	April 2020	April 2020	Part-time	Full time	Total
Accommodation and food service activities	1 224.3	1 906.1	3.6	4.6	-67.5	-88.4	-35.8
Information and communication	267.5	450.0	0.8	1.1	-51.1	-73.4	-40.6
Financial and insurance activities	436.8	552.9	1.3	1.3	16.5	-72.1	-21.0
Real estate activities	162.8	187.8	0.5	0.4	-68.7	-69.2	-13.3
Professional, scientific and technical activities	232.5	302.5	0.7	0.7	-22.2	-75.7	-23.1
Administrative and support service activities	1 501.3	1 751.5	4.4	4.2	60.2	-54.4	-14.3
Public administration and defense; compulsory social security	2 498.7	2 751.5	7.4	6.6	0.3	-26.3	-9.2
Education	1 121.9	1 153.5	3.3	2.8	1.4	-79.1	-2.7
Human health and social work activities	459.9	564.4	1.4	1.4	28.7	-44.5	-18.5
Arts, entertainment and recreation	200.3	435.9	0.6	1.0	-95.3	-95.4	-54.0
Other service activities	2 135.1	2 537.2	6.3	6.1	-36.1	-53.9	-15.8
Activities of extraterritorial organizations and bodies	0.2	0.4	0.0	0.0	0.0	-57.4	-57.4

Note: Part-time workers pertain to workers who worked less than 40 hours in the reference week. Full-time workers pertain to those who worked for 40 hours or more during the reference week.

Source: PSA, April 2020 Labour Force Survey

The labour market impact of the COVID-19 pandemic on the Philippines has already started manifesting through a spike in the unemployment rate, a fall in labour force participation rate, a significant reduction in working hours, and a large swell in the fraction of workers who are currently employed but are absent from work.

Most of the subsectors under industry and services displayed substantial declines in full-time employment shares. For many of these subsectors, the reduction in full-time employment shares was greater than 50 percentage points. A substantial proportion of this decline is due to a shift to “with a job, but not at work”, while other shifts include increases in the proportion of part-time workers.

For example, in manufacturing, the share of full-time workers shrank to 23 per cent in April 2020 from 79 per cent in April 2019. Shift-share analysis shows that virtually all of the 56 percentage-point decline in full-time employment shares was absorbed by the “with a job, but not at work” category, indicating that workers in manufacturing still have a job to which they can return.

Meanwhile, subsectors which experienced a considerable expansion in part-time employment shares include water supply, sewerage, waste management and remediation activities (+17 percentage points increase in part-time employment share), mining and quarrying (+16 percentage points), electricity, gas, steam and air conditioning supply (+9 percentage

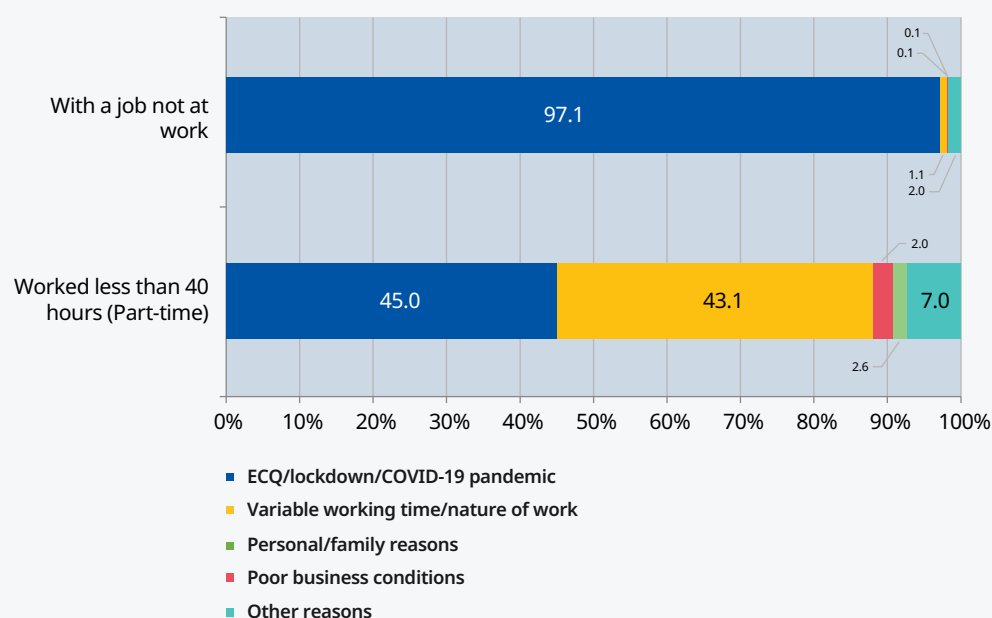
points), and human health and social work activities (+7 percentage points) from April 2019 to April 2020.

Part-time workers as well as workers who had a job but were not at work in April 2020 cited varied reasons for working less than 40 hours in the reference week. Two specific reasons stand out ([figure 6](#)). About 43.1 per cent of part-time workers, or workers who worked for less than 40 hours, cited “variable working time/nature of work” as their main reason for working less than 40 hours, while 45 per cent cited the ECQ or lockdown as their reason. Nearly all (97.1 per cent) of the employed individuals “with a job but not at work” cited the same two reasons for not working full-time during April 2020. This result highlights the job-crippling effect of the pandemic, with a considerable fraction of employed individuals appearing to have been abruptly uprooted from their usual work routines. This could have important ramifications not only for workers’ earnings, but also for their socio-emotional and psychological well-being. To further enrich this discussion, the next subsection gauges the share of employment that are at risk across Philippine sectors using the methodology outlined in ILO (2020c).

Sectoral impact

A recent global assessment of enterprises-at-risk conducted by the ILO revealed that around 436 million enterprises worldwide are facing high risk of disruption due to the COVID-19 pandemic (ILO 2020d). The wholesale and retail trade sector and the accommodation and food services sector are expected to be hit the hardest based on global estimates. As of end-June 2020, about 93 per cent of workers worldwide reside in countries which have put in place some workplace closure measure (ILO 2020e).

► **Figure 6. Reasons for working for less than 40 hours among part-time workers and workers with a job but not at work (percentage)**



Note: Other reasons include health and medical limitations, low/off season, reduction in clients/work, bad weather or natural disaster, could only find part-time work, school/training, start/end/change of job, holidays, strike or labour dispute.

Source: PSA, April 2020 Labour Force Survey

As discussed in the previous subsection, the impact of the pandemic on the Philippine labour market has already started manifesting through a spike in the unemployment rate, a fall in labour force participation rate, a decrease in employment, and a large swell in the fraction of workers who are currently employed but are absent from work. Sectoral analyses show steep contractions in employment levels in many services and industry subsectors. Prior to COVID-19, the Philippines' economic growth path was buoyed by the strong growth of industry and services, so the temporary closure of businesses in these two broad sectors poses a substantial challenge to the country's macroeconomic health and employment outlook.

In this subsection, the potential impact of COVID-19 on sectors is assessed based on

the methodology outlined in ILO (2020c). For analytical consistency, the labour impact assessment presented here is based on the macroeconomic and labour situation as of April 2020 using data from the Q1 2020 National Accounts and preliminary estimates from the April 2020 Labour Force Survey. The methodology is discussed in greater detail in Annex 1.

Using statistics collected on current export performance, employment levels and gross value-added by sector as well as information and insights from recent news developments, each ISIC-4 major economic sector is characterized as having low, medium or high propensity to be affected by the COVID-19 pandemic. A more nuanced approach is undertaken for manufacturing as the impact of COVID-19 on manufacturing subsectors is likely to be heterogeneous.

This is then used to estimate the expected job disruption by sector using employment values in Q4 2019 or October 2019 (before the onset of the pandemic) as the baseline. In this assessment, job disruption is defined broadly as job losses, as well as decreases in earnings and working hours.

Taking employment in Q4 2019 as the baseline, the assessment found that one quarter of total employment in the Philippines is estimated to be at medium or high risk of being disrupted due to the COVID-19 pandemic. This is equivalent to about 10.9 million jobs, of which 38 per cent are accounted for by women.⁷⁹ The gender imbalance in impact is explained by the dominance of male employment in many of the medium- and high-risk sectors.

Interestingly, the sectoral assessment shares commonalities with those conducted in other reports such as Abrigo et al. (2020) and TESDA (2020), though these reports discuss the outlook on sectoral output, rather than labour. To illustrate, Abrigo et al. (2020) find that transport, storage and communications, manufacturing and wholesale and retail trade may suffer substantial losses in value-added due to the pandemic. TESDA (2020) identifies wholesale and retail trade, manufacturing, real estate and renting and business activities as sectors facing the highest risk of being impacted by the pandemic. [Appendix table 3](#) summarizes some sectoral statistics that help frame the impact assessment presented here.

To reiterate salient points raised in section 3 on the overview of the macroeconomic situation, Q1 2020 witnessed substantial contractions of gross value-added in mining and quarrying, transportation and storage, and accommodation and food service activities. Other sectors either grew at a flat rate or decelerated. Generally, for all sectors,

COVID-19 is expected to reduce economic output, ultimately leading to staggered growth.

However, while the decreasing productive output of sectors could impact employment outcomes, it should be noted that some hard-hit sectors in terms of economic activity may not experience substantial declines in employment. Mining and quarrying, for instance, had a moderate reduction in employment as of the latest estimate, implying that the decline in its value-added may not entirely or necessarily be explained by the COVID-19 crisis. Most large mining operations are also notably in regions that were not put under strict restrictions, and social distancing can still be practiced in mining and quarrying sites due to the nature of work in the industry. For this reason, the pandemic is expected to have a low impact on jobs employed by the sector.

► Sectors facing high risk of job disruption

The sectors facing high risk of job disruption due to the COVID-19 crisis are manufacturing; transportation and storage; accommodation and food service activities; arts, entertainment and recreation; and tourism.

Aside from the expected direct job losses from workplace closures, manufacturing is particularly vulnerable to indirect job losses occurring via global supply chain connectivity. ILO (2020f) estimates that about 292 million jobs in manufacturing worldwide are at high risk of disruption due to the drop in consumer demand. From the supply-side perspective, input supply disruptions from the imports channel imperil the jobs of about 255 million workers worldwide.

⁷⁹ The presented estimates on potential job disruption are based on a high-impact scenario. See Annex 1 for further discussion of the methodology.

The next subsection dissects the manufacturing sector and performs the same assessment carried out in this subsection to see which subsectors are particularly vulnerable due to the crisis. In general, however, temporary factory closures in manufacturing are expected to lead to substantial reduction in average capacity utilization.⁸⁰ As the lockdown continues, many small firms are at risk of completely exiting the market. Firms incur operational costs despite being out of operation, factory rents still need to be paid, and they are still encouraged to pay their workers.⁸¹ This situation is not unique to manufacturing.

Services subsectors such as transportation and storage, accommodation and food service activities, and arts, entertainment and recreation are also carrying the heavy burden of the lockdown arrangements. Not surprisingly, restricted mobility has paralyzed the logistics and tourism industries. Although demand for delivery services remains to be high and is likely to rebound quickly post-pandemic, COVID-19 has typically jeopardized the safety of logistics frontline workers. Nevertheless, a quick revival of logistics is crucial in ensuring that production cycles are met with the least amount of uncertainty.

Tourism will be heavily impacted due to the persistence of international travel restrictions, particularly among key tourist-drawing countries. Moreover, on the demand side, the sector will be impacted to the extent that individuals and households hold on to their cash as a response to the pandemic. This is likely to be the case for households experiencing reduced cash flow prospects, leading to a fall in demand for leisure activities. With expected low demand for leisure activities comes the distress that workers in this industry would either face shorter working hours or would have to find other employment. This

is also the case for workers in the arts, entertainment and recreation sector.

► Sectors facing medium risk of job disruption

Sectors that face medium risk of COVID-19-induced job disruption are utilities; water supply and waste management activities; construction; wholesale and retail trade; information and communication; financial and insurance activities; real estate activities; and professional and scientific services.

These sectors may have experienced temporary labour shock due to the sudden switch to work-from-home arrangements. With the abrupt announcement of a lockdown in Metro Manila, workers and firms had very little time to anticipate how the pandemic was going to radically change the workplace, surfacing coordination problems as to how work could still be carried out at home. Such was the case for workers engaged in information and communication, financial and insurance activities, and professional and scientific services.

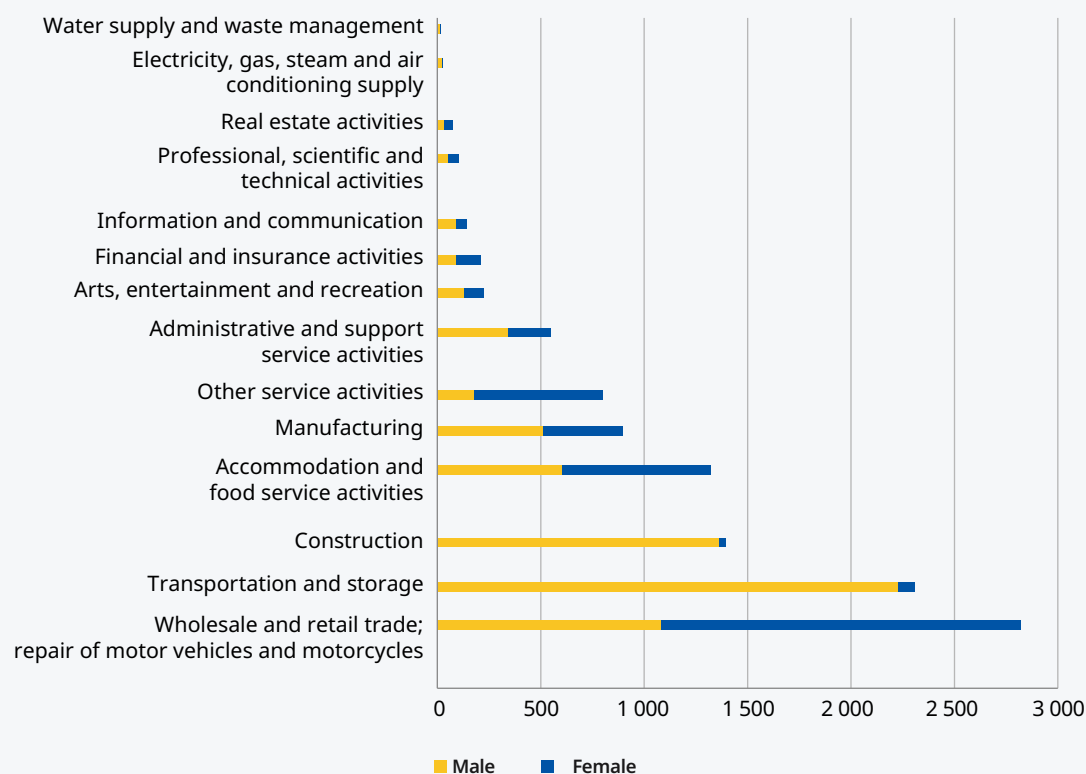
As will be discussed in a later subsection, many sectors facing medium risk also embed a significant fraction of workers whose jobs are susceptible to replacement by digitalization. What this means is that even if workers in these sectors successfully weather the labour market challenges brought about by COVID-19, they are likely to face a new employment predicament moving forward – that is, the threat of jobs being disrupted and transformed by digitalization initiatives.

Meanwhile, utilities and construction activities as well as wholesale and retail trade were temporarily halted at the onset of the

⁸⁰ P. Magtulis: "Factory closures begin to cripple manufacturing in March," *PhilStar.com*, 5 May 2020.

⁸¹ "DOLE pleads with employers to pay workers displaced by quarantine," *PhilStar.com*, 12 Apr. 2020.

► **Figure 7. Employment at medium or high risk of COVID-19 disruption, by sector and sex (in thousands)**



Note: Subsectors arranged by order of Q2 2020 sectoral GDP growth.

Source: ILO estimates using October 2019 Labour Force Survey as baseline for sectoral employment. Data sourced from the Philippine Labour Force Survey.

lockdown. With the eventual easing of certain community quarantine restrictions, more workers in these sectors have been allowed to return to their workplaces under strict hygiene monitoring and social distancing. Trade workers may have also figured out ways to transfer parts of their business operations to online platforms. To illustrate, in June 2020 alone, about 33,000 businesses have registered for retail sale via the internet, compared to a cumulative count of 9,690 businesses as of May 2020.⁸²

This suggests a booming interest in e-commerce, a sector that is seen to be integral to sustaining economic activities and driving growth in post-pandemic economic recovery. Online shopping and marketing platforms, as well as the use of electronic transactions, are seen to play a bigger role in the new normal for both businesses and consumers.⁸³ Although this needs to be assessed vis-à-vis current use trends. The National ICT Household Survey 2019 of the Department of Information and

⁸² B. Cahiles-Magkilat: "DTI business name registration for internet sale soars to 68,000," *Manila Bulletin*, 11 Aug. 2020.

⁸³ "E-commerce seen to sustain PH economy, drive growth," *Philippine News Agency*, 1 June 2020.

Communications Technology (DICT), for instance, indicated limited knowledge and use of online platforms to carry out transactions. According to the survey, more than 50 per cent of individuals interviewed were not aware that financial transactions can be conducted online; moreover, only 6 per cent used online, electronic or mobile bank or money accounts.

► Sectors facing low risk of job disruption

The low-risk sectors are agriculture, forestry and fishing; public administration and defence including compulsory social security; education; and human health and social work activities.

This category comprises of sectors that are regarded as essential to human potency and survival: the agricultural sector ensures food security; education is critical for human capital development; human health and social work activities are essential in crisis management and disease prevention or eradication; and public administration and defence is critical in maintaining safety and security during such a turbulent time. However, while the prospects for labour demand in these sectors remain relatively favourable, their workers are particularly vulnerable to contracting COVID-19, raising concerns about decent work given exposure to occupational hazards.

In terms of the total number of workers at risk per sector, wholesale and retail trade (medium risk category) has the largest number of workers at risk, which is estimated up to 2.8 million, of which 1.7 million are women ([figure 7](#)). Of the 2.3 million workers at risk in transportation and storage (high risk category), 96 per cent are accounted for by men. In construction (medium risk category), about 1.4 million workers are at risk, 98 per cent of which comprise of men.

In accommodation and food service activities (high risk category), the figure stands at 1.3 million workers and shows a more balanced gender composition. The remaining medium- and high-risk sectors have less than 1 million workers at risk of being disrupted by the COVID-19 pandemic.

A closer look at the manufacturing sector

About 900,000 jobs, or more than one fifth of total manufacturing employment, are exposed to COVID-19-induced job disruption, 58 per cent of which is accounted for by men. Teasing out impacts by subsector, results indicate that the manufacture of consumer durables, machinery and equipment, textiles, leather products and footwear, and petroleum products are likely to face high risk of job disruption ([figure 8](#)). These subsectors correspond to those that benefit from value chain connectivity. Thus, the protracted global value chain activity could trigger indirect job losses to further aggravate said risk for these subsectors. The Philippines, for instance, participates in the electrical and electronics global value chain (component stage), particularly in the manufacture of integrated circuits and in assembly and test activities for analogue semiconductors (Frederick and Gereffi 2016). Meanwhile, the manufacture of beverages, paper and paper products, and rubber and plastic products are foreseen to face medium risk of job disruption. Conversely, the potential impact on jobs in food products, wood and wood products, chemicals, pharmaceuticals and print and reproduction of recorded media appear to be less pronounced.

The electrical and electronic equipment subsector dominates the total number of at-risk workers in the sector: up to 270,000 workers in the manufacture of computer,

electronics and optical products or 29 per cent of total at-risk workers in manufacturing. Electrical equipment manufacturers are also vulnerable, with about 95,000 workers at risk of being disrupted. Manufacture of textiles and leather products and footwear account for some 140,000 at-risk workers. About the same number of workers in the manufacture of basic and fabricated metals may be disrupted due to the COVID-19 crisis.

Dual impact of COVID-19 and digitalization on sectors and occupations

As noted in section 2, early containment measures to mitigate the spread of COVID-19, particularly in Metro Manila, required that businesses temporarily stop their operations and encouraged workers (especially in “non-essential industries”) to work from home. Telecommuting essentially became the new normal overnight, and companies had to find ways to respond in an agile manner to workplace changes that working from home entailed, which include: distance communication and coordination, splitting business processes (that is, transitioning from contained business processes to more dispersed processes that can be carried out at home), and, more importantly, digitalization or automation of business tasks.

As lockdowns lengthen, telecommuting as a strategic workplace innovation becomes more crucial in maintaining productivity. This transition, however, surfaces issues relating to a future of work that is shaped by more frequent interaction with new technologies. First, the viability of work-from-home arrangements would depend

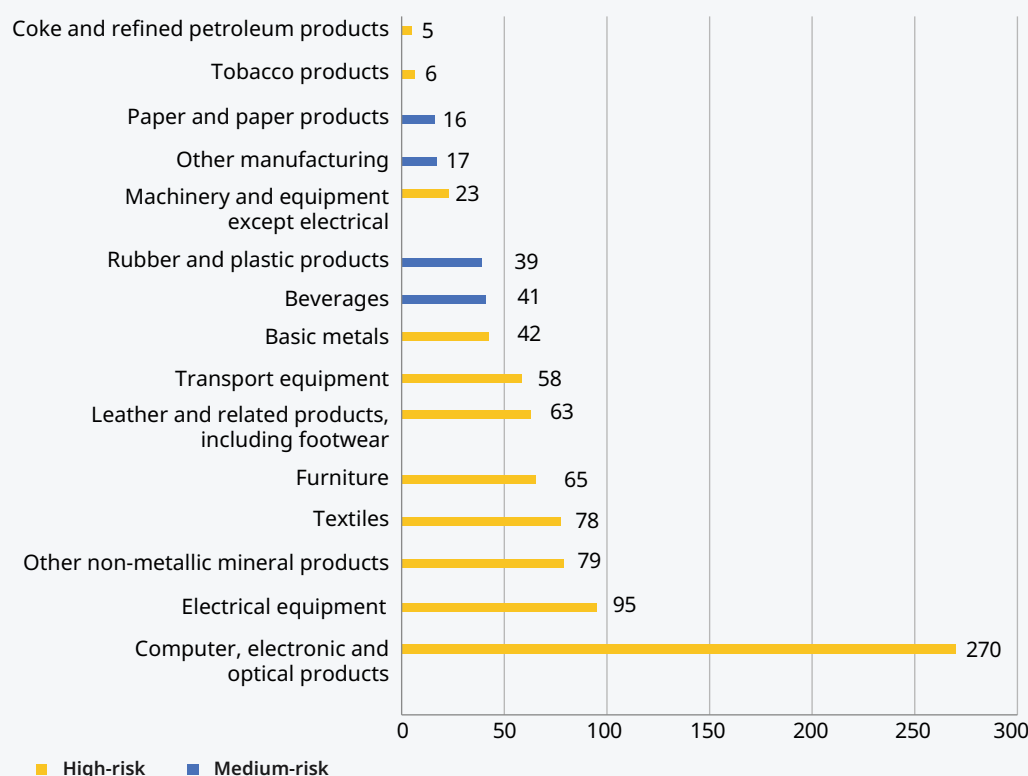
on workers’ access to ICT infrastructure as well as their capabilities to make use of digital tools to perform job tasks. However, data from the National ICT Household Survey 2019 showed that only 17.7 per cent of households have their own internet access at home, indicating that a large fraction of the population may be unable to work remotely due to connectivity issues.⁸⁴ Moreover, while 78.7 per cent of individuals surveyed used mobile phones, only 29.7 per cent have used a computer in the last three months prior to the conduct of the survey. Second, automation has the potential to replace a subset of tasks performed in particular occupations. The task-replacing potential of automation, however, does not necessarily mean that jobs will vanish – some occupations will be transformed as the task content of jobs evolve.

In this subsection, the impact of digitalization on sectors and occupations in the Philippines is evaluated vis-à-vis the expected labour market implications of the COVID-19 pandemic. The assessment centres on particularly vulnerable occupations in order to offer a more nuanced view of how technological advances combined with the socio-economic shocks caused by the pandemic may interact in disrupting the labour market.

Prior to the pandemic, the potential impacts of digital transformation, automation and the Fourth Industrial Revolution or 4IR (among other related terms) on improving efficiency in production chains have become buzzwords in policy circles. Firms had begun to recognize the potential of artificial intelligence, machine learning, predictive analytics, smart manufacturing and other 4IR technologies in redesigning workplaces, creating lean and efficient processes, and leveraging the power of big data in arriving at quick and informed business decisions.

⁸⁴ See http://dict.gov.ph/ictstatistics/wp-content/uploads/2020/07/NICTHS-Executive-Summary_Updated_July-17.pdf

► **Figure 8. Employment at medium or high risk of COVID-19 disruption, by manufacturing subsector (in thousands)**



Note: Subsectors arranged by order of Q2 2020 sectoral GDP growth.

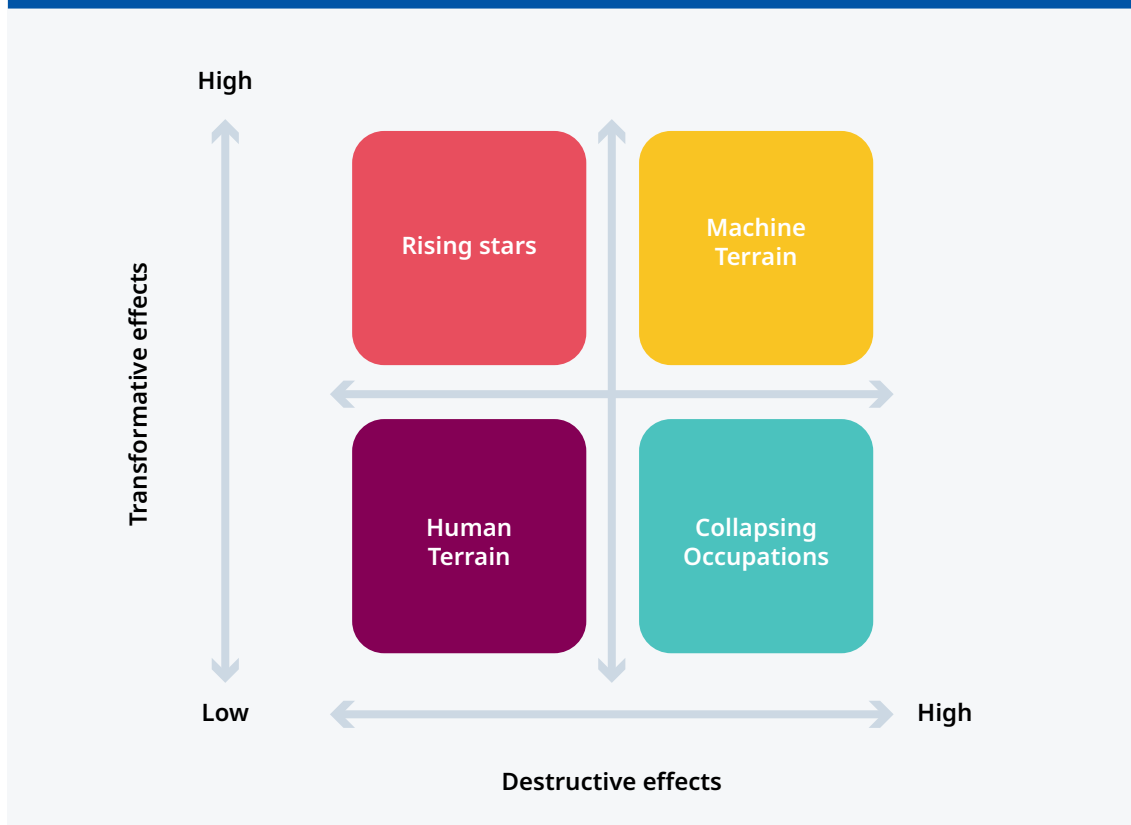
Source: ILO estimates using October 2019 Labour Force Survey as baseline for sectoral employment. Data sourced from the Philippine Labour Force Survey.

Economies, likewise, have begun accommodating 4IR into their national industrial policies (ILO 2019). However, many firms are still reluctant to jump into the bandwagon, especially small firms that may find it difficult to bear the fixed costs of adopting new and disruptive technology. Medium-sized to large firms, meanwhile, may still be assessing the costs of adopting technology to substitute for or complement labour. Also, the pace of digitalization may differ across sectors, given differences in digitalization investments needed (that is, industry versus services).

As COVID-19 rendered “social distancing” to be the new normal (at least in the short-term),

policymakers became aware that increased integration of digitalization in economies may help ensure that businesses stay afloat. The COVID-19 pandemic generated a unique externality: it essentially lowered the preference costs associated with adopting digital technologies. Before the pandemic, the status quo may have been comforting. Moving to a new normal was not only difficult, there also seemed to be no compelling reason to change systems that were working fine. COVID-19 overhauled this notion of comfort and virtually made it untenable to return to the status quo. Lockdowns crippling firm operations and endangering the survival of many firms generated a clear impetus to undertake risky choices.

► Figure 9. Classification of occupations based on destructive and transformative potential of digitalization



These risky choices involve trade-offs, one of which is replacing human labour with digitalization.⁸⁵ Another is transforming occupations in a way that enhances human-technology complementarity in workplaces. Both trade-offs could involve substantial costs – the former involving massive investments in disruptive technologies and the latter concerning the costs of retraining, retooling and upskilling.

In the analysis that follows, a connection is made between sectors at risk of labour disruption due to the COVID-19 pandemic and those that are vulnerable to two seemingly contrasting forces that define the impact of digitalization on labour outcomes.

A more detailed exposition is provided in ILO (2020g), which is entitled *The Future of Work in the Philippines: Assessing the impact of technological changes on occupations and sectors*. As discussed in said ILO report, Fossen and Sorgner (2019) identified two types of digitalization in terms of the extent to which these substitute for or complement human labour. In particular, “destructive digitalization” pertains to the type of digitalization that replaces human labour while “transformative digitalization” impacts occupations without necessarily rendering them obsolete. A four-quadrant typology of occupations can

⁸⁵ While digitalization can create new jobs through increased productivity or economies of scale, it has the potential to replace certain occupational tasks (ILO 2020g).

be built by combining the two types of digitalization ([figure 9](#)).

“Rising stars” are occupations that exhibit high potential for transformative digitalization and low likelihood for destructive digitalization. Jobs in these occupations reap the greatest benefits arising from the productivity effects of digitalization. “Machine terrain” consists of occupations likely to be transformed by technology in a way that could render them obsolete. Workers in these occupations could face significant technology-inspired turbulence. Noteworthy examples include occupations that often wield manual tools, such as assemblers in manufacturing. “Human terrain” occupations display the least exposure to both destructive and transformative digitalization while “collapsing” occupations are most vulnerable to the destructive effects of digitalization with low potential for transformative digitalization.

[Table 4](#) presents the share of each destructive-transformative occupation type per economic sector. A more detailed exposition of the technical aspects of the methodology is provided in ILO (2020g), though some caveats should be acknowledged here. First, the measure of artificial intelligence (AI) exposure at the occupational level used in the methodology relied on indices from Felten et. al (2018), which used scores that represent advancements in AI between 2010 and 2015. The data that is closest to this time period which uses the ISCO-08 occupational classification is Q1 2017 of the Philippine Labour Force Survey. Second, the computerization and AI risk scores utilized in the analysis reflect advancements in the United States of America. A correction is made to adjust the original scores in order to adapt the abovementioned indices to the context of the Philippines. Lastly, the analysis excludes potential job creation

effects arising from the productivity effects of digitalization.

The results highlight differences in destructive-transformative occupational content across sectors. To illustrate, electricity, gas, steam and air conditioning supply is the only sector dominated by occupations classified as “rising stars”. Mining and quarrying, manufacturing, water supply including sewerage, waste management and remediation activities, construction, transportation and storage, financial and insurance activities, and professional, scientific and technical activities are dominated by machine terrain occupations. Collapsing occupations hold the largest shares in accommodation and food service activities, real estate activities, administrative and support service activities, human health and social work activities, and arts, entertainment and recreation. Lastly, agriculture, forestry and fishing, wholesale and retail trade including repair of motor vehicles and motorcycles, information and communication, public administration and defence including compulsory social security, and education appear to be the domain of human terrain occupations. From the results shown in [table 4](#), several observations are made.

► **Leisure-related sectors such as accommodation and food services and arts, entertainment and recreation are dominated by “collapsing” occupations and are categorized as facing high risk of pandemic-induced job disruption.**

In Q4 2019, the two sectors together accounted for 5.4 per cent of total employment, equivalent to 2.3 million jobs. Particularly highly vulnerable are waiters, cooks, kitchen helpers, food service counter attendants, street food salespersons, fast food preparers, bookmakers, croupiers and

► **Table 4. Estimated impact on employment of COVID-19 crisis and destructive-transformative potential of digitalization, by sector**

Sector		Expected impact of COVID-19 crisis on employment, 2020	Collapsing	Human terrain	Machine terrain	Rising stars	Unclassified
A	Agriculture, forestry and fishing	Low	18	39	0	0	43
B	Mining and quarrying	Low	2	0	93	5	0
C	Manufacturing	High	9	1	66	22	2
D	Electricity, gas, steam and air conditioning supply	Medium	5	0	47	48	0
E	Water supply; sewerage, waste management and remediation activities	Medium	6	0	77	4	13
F	Construction	Medium	1	0	88	11	0
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	Medium	34	54	8	3	0
H	Transportation and storage	High	10	18	71	0	0
I	Accommodation and food service activities	High	74	23	2	1	1
J	Information and communication	Medium	20	31	20	12	17
K	Financial and insurance activities	Medium	17	16	49	11	6
L	Real estate activities	Medium	57	3	11	30	0
M	Professional, scientific and technical activities	Medium	9	18	47	13	13
N	Administrative and support service activities	Medium	85	2	7	2	4
O	Public administration and defence; compulsory social security	Low	23	33	20	4	19
P	Education	Low	8	78	3	2	9
Q	Human health and social work activities	Low	24	23	12	3	39
R	Arts, entertainment and recreation	High	73	21	1	3	1
S	Other service activities	Medium	63	24	9	2	3
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	High	100	0	0	0	0
U	Activities of extraterritorial organizations and bodies	Low	13	15	72	0	0

Note: “Unclassified” includes occupations with no computerization risk and AI transformative scores. Each row corresponds to the share of collapsing, human terrain, machine terrain and rising stars occupations in total employment per ISIC 4 Section. Cells are coloured from green (0 per cent share) to red (100 per cent share).

Source: ILO estimates based on October 2019 Labour Force Survey; Authors’ estimates, ILO (2020g).

gaming workers, and cashiers and ticket clerks. The pandemic has likely increased the substitutability of homecooked meals for food ordered in-person, which could potentially lead to reduced demand for restaurant personnel.⁸⁶ Additionally, many creative-minded sole entrepreneurs are now exploring options to deliver home-cooked delicacies by accepting orders through online platforms, thus disrupting restaurant services (and consequently increasing demand for food delivery services potentially delivered through use of mobile applications such as Grab and FoodPanda).

COVID-19 could lead to fear-induced savings, thereby reducing demand for gambling activities and ultimately, for workers in the gambling and betting business. Moreover, online games could replace the leisure gained in casinos. The video gaming and e-sports business appear to be thriving during the pandemic. Estimates suggest that the global video game market is seen to grow by 9.3 per cent in 2020, generating US\$159.3 billion in revenues. Nearly one-half (48 per cent) of this is forecasted to be accounted for by the mobile gaming business, which is expected to experience double-digit growth (13.3 per cent) this year.⁸⁷

► **Real estate and administrative and support service activities are dominated by “collapsing” occupations and face medium risk of job disruption due to COVID-19.**

Real estate managers, building caretakers, cleaners and helpers, security guards, and

contact centre information clerks and salespersons are some examples of at-risk occupations in these sectors. Many of these occupations may be confronted with lowered demand due to rising adoption of work-from-home arrangements.

There is reason to believe that working from home will persist post-pandemic, either to allay fears of infection or as an organizational change initiative aimed at securing long-term business sustainability. With crippled operations experienced during the pandemic, many companies and non-governmental organizations are now viewing it as a much-needed strategic workplace innovation.⁸⁸ How can work-from-home modalities affect certain occupations? For one, the reorganization of workplaces from offices to homes affects the level of security personnel needed with less workers present at the premises of the employer. Low-cost alternatives such as installing security cameras could cut demand for security guards, not to mention that smart buildings, as well as recent advances in AI such as more accurate facial recognition technologies, among others, have started revolutionizing the security business by reducing the need for human intervention in the sector. Also, the transition to a work-from-home arrangement may potentially mitigate the need for janitors, cleaners, helpers and building caretakers.

As for real estate managers and contact centre information clerks, mobile apps and chatbots are already able to carry out tasks previously held by workers in these occupations. In fact, call centre companies in the Philippines have been reportedly accelerating their transition to automated services as a response to COVID-19.⁸⁹ This poses a threat to call centre workers performing low-end services. Basic call services, which account for 50 to 60 per cent

⁸⁶ D. Klein: “Restaurants’ greatest competition post COVID-19: Home-cooked meals,” *QSR Magazine*, May 2020.

⁸⁷ S. Hall: “How COVID-19 is taking gaming and esports to the next level,” *World Economic Forum*, 15 May 2020.

⁸⁸ “Business as unusual’: How COVID-19 could change the future of work,” *UN News*, 27 May 2020.

⁸⁹ C. Venzon: “Coronavirus a threat to vital Philippine call centers,” *Nikkei Asian Review*, 13 Apr. 2020.



Food services reopen — © ILO/Minette Rimando.

of customer contact operations in the country, are now being relegated to chatbots.⁹⁰

► **Manufacturing and transportation and storage are machine terrain-dominated sectors that are also at high risk of the job-disruptive impacts of COVID-19.**

Machine terrain occupations that are at risk include: electrical and electronic equipment assemblers; sewing, embroidery and related workers; welders and flamecutters; tailors, dressmakers, furriers and hatters; supply, distribution and related managers; drivers and freight handlers, among others. To reiterate, machine terrain occupations are likely to experience, to a high degree, the

impacts of both transformative and destructive digitalization.

These occupations may expect more frequent interfacing with robotic technologies, including collaborative robots or “cobots”. Cobots can complement human labour by taking on “dull, dangerous and dirty tasks”,⁹¹ such as welding, assembling small parts or working with small tools that could pose occupational hazards. They are especially helpful during this pandemic given that close person-to-person contact is discouraged to mitigate disease spread. Reports also indicate that manufacturers are being encouraged to adopt the use of industrial robots to manage operations despite the pandemic situation.⁹² However, the increased adoption of cobots will necessarily eliminate some routine jobs in manufacturing, especially those that highly require manual tasks. What will remain are

⁹⁰ Ibid.

⁹¹ “Robotic automation pivotal in powering Philippine manufacturers,” *Manila Standard*, 8 June 2020.

⁹² Ibid.

jobs that complement cobots such as cobot managers. It makes sense though to believe that some lag time is needed to learn how humans and cobots can work together efficiently in factories.

► **Water supply and waste management, construction, financial and insurance activities, and professional, scientific and technical activities embed plenty of jobs classified as “machine terrain” and are medium-risk sectors for pandemic-induced job disruption.**

Within financial and insurance activities and professional, scientific and technical activities, at-risk occupations include bank tellers and related clerks, debt collectors, general office clerks, and accountants, accounting and bookkeeping clerks. To illustrate, digitalization has the capacity to transform clerical tasks in banks by encouraging customers to interface with mobile apps and information systems instead of requiring them to transact personally in bank branches. Union Bank of the Philippines, for example, has started adopting this strategy in the past few years by introducing robotics process automation to simplify bank processes.⁹³ This allowed the bank to redesign the work roles of its former bank tellers into relationship managers through bank-wide retraining efforts. Relationship managers do not only keep track of customer transactions. They also offer advice on other possible bank services that can be availed by customers.

Examples of machine terrain occupations in water supply and waste management

include garbage and recycling collectors, meter readers, vending machine collectors and plumbers and pipe fitters. In construction, particularly vulnerable are building construction labourers, carpenters, stovemasons, stonecutters, splitters and carvers, civil engineering labourers, painters and related workers. Digitalization has the potential to transform the jobs manual labourers used to perform in the construction sector. This may entail working with digital tools to augment efficiency and uphold safety measures in the sector. A post-COVID-19 world may see increased utilization of the following technologies in construction: use of web-based tools to facilitate customer engagement, conduct of remote inspections and use of technology-enhanced safety gear.⁹⁴

► **The remaining sectors with their embedded occupations are still likely to experience a mix of job disruption due to COVID-19 and the job-disrupting impact of digitalization, though the impacts may be less pronounced.**

Ultimately, adding the digitalization narrative to the labour market impact of the COVID-19 pandemic surfaced some occupations that could potentially experience magnified risks. As shown in the assessment made in the previous subsection, many as 10.9 million workers (or 25 per cent of total employment) face medium or high risk of COVID-19-induced job disruption. As shown in [table 5](#), about two thirds of the 10.9 million workers are also found to be in occupations at high risk of destructive digitalization. This is equivalent to more than 7.2 million workers exposed

⁹³ F.B. Pang: “Union Bank of the Philippines is making serious investment into digital transformation,” *The Asian Banker*, 15 May 2018.

⁹⁴ The Perceman Firm: “Here’s how COVID-19 is changing the construction industry,” 15 May 2020. Accessed from: <https://www.perceman.com/blog/2020/may/heres-how-covid-19-is-changing-the-construction/>

to a double-tiered negative risk.⁹⁵ These workers need particular attention in terms of upskilling or retraining efforts so that they can transition out of these at-risk occupations or sectors.

► **There is a significant overlap – estimated at 7.2 million workers – between sectors and occupations that face a double-tiered risk of the job-disruptive impacts of the pandemic and the destructive impacts of digitalization.**

Thus, it appears that there is a significant overlap between sectors and occupations vulnerable to job-disruptive impacts of the pandemic and those that are susceptible to the destructive impacts of digitalization. In the next section, the discussion of vulnerable employment is enriched by examining other categories of workers affected by the COVID-19 pandemic.

While the analysis has so far highlighted how digitalization efforts could replace human effort embedded in occupational tasks, it is important to keep in mind that digitalization also has the potential to transform occupational profiles.⁹⁶ This angle emphasizes the need for workers to stay abreast with new technological advancements, be it AI or more general purpose technologies such as productivity-augmenting machinery.

In the short-term, this may require efforts to retrain, retool, reskill and upskill workers, especially in the machine terrain occupations which are likely to be transformed by digitalization in a manner that could render human tasks obsolete. Relatedly, skills education and training must cater to

industry needs, and should reflect elements of adult learning (which may not necessarily correspond to pedagogical learning). In the medium- to long-term, policy can consider defining nationally recognized core competencies and technical qualifications at the occupation-sector level in order to map out a clear path for career progression across different types of occupations in different sectors. This would also help in identifying gaps in training needs as well as in determining which types of technologies are likely to shape (or disrupt) the future of work in particular occupations.

Another important caveat pertains to the size and pace of impact. While these were not explicitly modelled in the analysis, the magnitude and pace of destructive or transformative impact of digitalization on jobs will largely be shaped by policy responses put forth by the government in cooperation with other stakeholders such as employers and workers. Additional factors such as the availability and quality of ICT infrastructure needed to deliver digitalization initiatives, the fixed costs of technology adoption that accrues to enterprises (including the availability of incentives to make the transition to digitalization happen), and the willingness of stakeholders to take advantage of digitalization prospects will determine how the digitalization scenarios (in combination with the impact of COVID-19 on jobs) will play out.

⁹⁵ About 18.6 million workers in jobs classified as collapsing or machine terrain occupations (or occupations at risk of destructive digitalization) are in sectors identified to be at medium or high risk of COVID-19-induced job disruption.

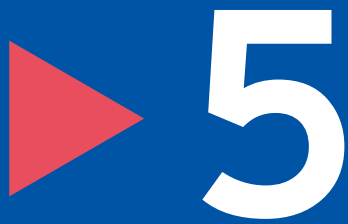
⁹⁶ Refer to ILO (2020g) for more details on occupations likely to be transformed by digitalization.

► **Table 5. Jobs at risk of COVID-19 disruption and destructive digitalization ('000)**

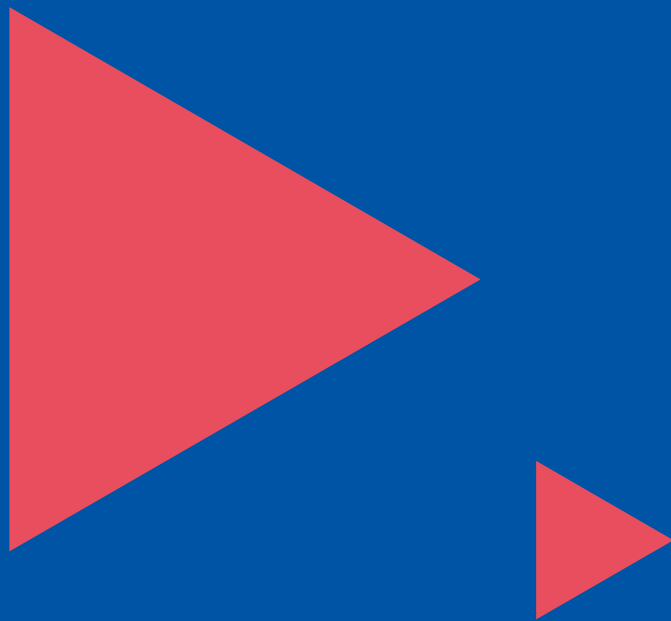
Medium-risk sectors due to COVID-19 disruption	Collapsing + machine terrain	Collapsing
Wholesale and retail trade; repair of motor vehicles and motorcycles	1 374.0	2 820.0
Construction	1 254.3	1 393.2
Other service activities	540.4	798.8
Administrative and support service activities	480.2	547.0
Financial and insurance activities	146.0	211.5
Information and communication	53.7	139.8
Professional, scientific and technical activities	50.5	100.7
Real estate activities	52.7	76.9
Electricity, gas, steam and air conditioning supply	14.7	27.5
Water supply; sewerage, waste management and remediation activities	13.7	18.5
High-risk sectors due to COVID-19 disruption	Collapsing + machine terrain	Collapsing
Transportation and storage	1 424.9	2 310.5
Accommodation and food service activities	1 057.6	1 319.4
Manufacturing	622.6	898.9
Arts, entertainment and recreation	158.2	225.5
Total	7 244.1	10 889.0

Note: Collapsing and machine terrain occupations refer to occupations facing high risk for destructive digitalization. The second column ("Collapsing + machine terrain occupations") pertains to jobs at risk of both COVID-19-induced disruption and destructive digitalization. The third column ("Total") presents a breakdown of all jobs estimated to be at risk of COVID-19-induced disruption by sector (medium- and high-risk), regardless of their susceptibility to the impact of digitalization.

Source: ILO estimates based on October 2019 Labour Force Survey and ILO (2020g).



**Impact on vulnerable
population groups**





► Impact on vulnerable population groups

Insights from the previous sections reveal labour market challenges that could arise due to the socio-economic impact of the COVID-19 pandemic and related lockdown measures. While estimated impacts differ across sectors, many jobs appear to be at risk due to the combined effect of digitalization and pandemic-induced disruption. However, at-risk groups do not only consist of workers that serve in the medium- to high-risk sectors. The negative labour market impact of the pandemic may be more pronounced for individuals engaged in the informal economy or in precarious work arrangements such as part-time workers and those in vulnerable employment. Recent evidence also suggests that young people, overseas workers and women face increased labour market impact due to COVID-19. Frontline healthcare and medical workers, meanwhile, face multiple occupational health and safety-related challenges due to the pandemic.

Informal workers

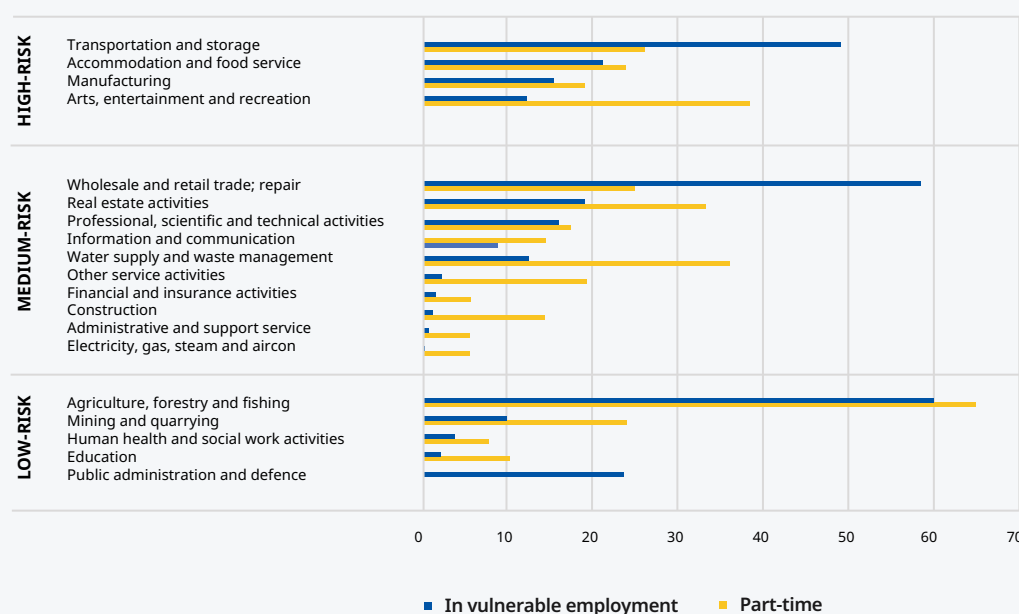
Even prior to the pandemic, individuals engaged in the informal economy or in precarious work such as casual workers, temporary workers or daily or hourly wage workers were already especially vulnerable to labour shocks. They tend to be paid less, enjoy little labour protection and are likely to be exposed to occupational hazards. It is estimated that about three tenths of the Philippine workforce is engaged in some form of “vulnerable” employment, or employment as an own-account or contributing family worker (ILO 2018).

Lockdowns may have dashed income prospects for informal and precarious workers engaged in “non-essential sectors”. ILO (2020h)



A street vendor, Manila — © ILO/Minette Rimando.

► **Figure 10. Vulnerable and part-time employment by risk of COVID-19 disruption and sector, Q4 2019 (per cent of total sectoral employment)**



Note: Sectors sorted based on risk classification.

Source: ILO estimates based on October 2019 Labour Force Survey.

estimates that as of April 2020, the COVID-19 pandemic has affected 1.6 billion informal workers globally, causing a 60 per cent dip in earnings. The estimated decline in median earnings appears to be milder in the Asia and the Pacific region, where earnings of informal workers were estimated to contract by 22 per cent in the first month of the crisis.

Because they are not protected by labour laws, workers in the informal economy risk being left at the mercy of employers. In the Philippines, for example, reports suggest that cruise workers under fixed employment contracts⁹⁷ and cabin crew

members⁹⁸ whose employment are contingent on flight frequencies and durations have suffered from lay-offs due to pandemic. These displaced workers may encounter challenges in finding work as many enterprises have been employing workforce management techniques such as downsizing, reduction of work hours and freeze hiring to cope with the COVID-19 crisis.⁹⁹

Calculations based on the Q4 2019 labour force survey show that the agriculture and trade sectors disproportionately hold the largest shares in part-time and vulnerable

⁹⁷ T. Jan and R. Cabato: "Cancellations due to coronavirus drive fear among cruise workers about being sent home without pay," *The Washington Post*, 13 Mar. 2020.

⁹⁸ M. Camus: "COVID-19 casualty: AirAsia to lay off 12 percent of workers," *Inquirer.net*, 5 June 2020.

⁹⁹ About 64 per cent of 347 enterprises surveyed by the Employers Confederation of the Philippines between 27 Mar. and 15 Apr. 2020 reported to have managed their workforce planning during COVID-19 through freeze hiring. Results can be accessed from <https://ecop.org.ph/wp-content/uploads/2020/05/Impact-Assessment-Survey-Analysis.pdf>

employment pre-pandemic.¹⁰⁰ In Q4 2019, there were about 13.5 million part-time workers, nearly half (48 per cent) work in the agriculture sector; around 2.1 million workers (or 25 per cent of total sectoral employment) in the wholesale and retail trade sector were engaged on a part-time basis. Meanwhile, those in vulnerable employment accounted for 33 per cent of total employment, equivalent to 14.3 million workers with little or no contributory social protection in the workplace. Around 42 per cent of those in vulnerable employment during Q4 2019 belonged to the agricultural sector, while 35 per cent was accounted for by the wholesale and retail trade sector. With wholesale and retail trade displaying medium risk to pandemic-induced labour disruption, targeted social protection measures could prioritize workers in this sector.

Other medium- and high-risk sectors with considerable shares (more than 20 per cent of total workers) of part-time and vulnerable employment are transportation and storage, accommodation and food services, and real estate activities ([figure 10](#)). This implies that workers in these sectors are likely to be heavily impacted by the pandemic. Mass lay-offs have in fact already been reported in these sectors. In the airline industry, for example, the drastic fall in the number of flights has caused companies such as Philippine Airlines, Cebu Pacific and AirAsia Philippines to take measures to reduce operational costs through worker lay-offs.¹⁰¹ The industry is projected to lose about 250 billion pesos in 2020 due to the COVID-19 crisis.¹⁰² Okada Manila, a five-star hotel and casino resort operator, laid off 1,000 employees at the end of May 2020.¹⁰³ Moreover, the arts, entertainment

and recreation industry, where 38 per cent of workers are employed on part-time basis, is reported to have displaced 865,000 workers due to the pandemic.¹⁰⁴

Young people

The COVID-19 crisis has resulted in multiple shocks that can disproportionately impact young people. These shocks include disruptions in education and training, employment and earnings, and increased job search constraints (ILO 2020i). COVID-19 risks marking today's youth as a "lockdown generation", underscoring the possibility that the pandemic could hollow out future labour market prospects of the young.

This assessment finds that jobs of around 1.7 million young people aged 15 to 24 years old are at risk of COVID-19-induced job disruption.¹⁰⁵ This corresponds to 27 per cent of youth employment. Most of the affected young workers are engaged in wholesale and retail trade, accommodation and food service activities, construction, and transportation and storage ([figure 11](#)). In addition, 58 per cent of total job disruption in this age group is accounted for by men. The jobs of young men in construction, transportation and storage, and manufacturing are especially at risk. In contrast, the jobs of more young women than of young men in the wholesale and retail trade sector and in accommodation and food service activities are likely to be affected by the pandemic.

A related joint assessment conducted by the ILO and ADB (2020) presents available evidence on the impact of the COVID-19 crisis on youth employment across countries in Asia and the Pacific. Results of the Global Survey on

¹⁰⁰ Vulnerable employment here is defined as own-account workers and contributing family workers.

¹⁰¹ M. Camus: "Mass layoffs hit PH aviation industry," *Inquirer.net*, 19 June 2020.

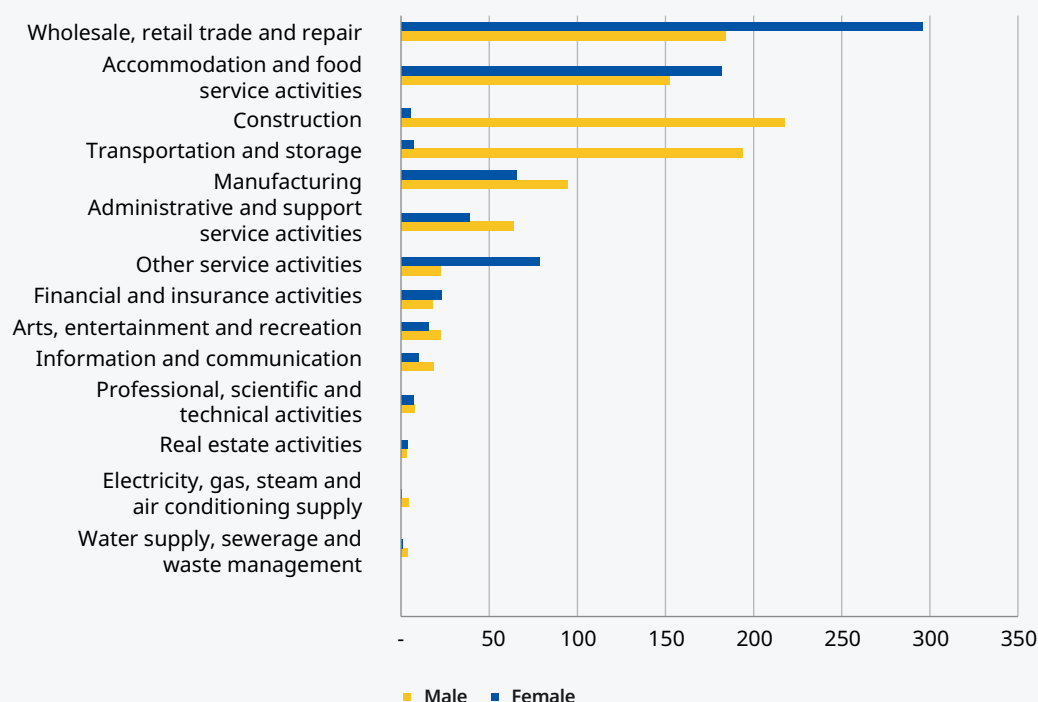
¹⁰² D. Galvez: "PH airline industry to lose about P250 billion due to COVID-19 crisis — ACAP," *Inquirer.net*, 11 May 2020.

¹⁰³ R. Rivas: "Okada Manila to lay off over 1,000 workers due to severe losses," *Rappler*, 27 May 2020.

¹⁰⁴ D. Galvez: "865,000 entertainment, audio-visual industry workers displaced by COVID-19 pandemic," *Inquirer.net*, 29 May 2020.

¹⁰⁵ Based on a high-impact scenario.

► **Figure 11. Youth employment at risk of COVID-19 disruption by sector and sex (in thousands)**



Note: Based on a high-impact scenario.

Source: ILO estimates based on October 2019 Labour Force Survey.

Youth and COVID-19 conducted by the ILO and partners of the Global Initiative on Decent Jobs for Youth¹⁰⁶ reveal that in the Philippines, about 14 per cent of young people aged 18-29¹⁰⁷ reported having stopped working¹⁰⁸ since the onset of COVID-19, with no apparent gender differences (ILO 2020j). Said survey respondents also reported that their working hours were reduced by 14 per cent, with young women reporting more severe disruption in working hours (-18 per cent) compared to young men (-9 per cent).

More than one-quarter (27 per cent) reported a decrease in income.

As of 30 August 2020, evidence does not show a flattening of the COVID-19 curve in the Philippines. Thus, the future of education and training in the country remains riddled with uncertainty. Technical and vocational education and training (TVET) institutions, for instance, faced temporary or permanent closure due to the pandemic. Among the 1,565 private technical-vocational institutions (TVIs) surveyed in the Rapid

¹⁰⁶ The Global Survey on Youth and COVID-19 was conducted from 21 April to 21 May 2020. Initial results and methodology were discussed in ILO (2020d; 2020j). The regional sample includes 2,634 observations from 23 countries in Asia and the Pacific, 186 of which correspond to respondents from the Philippines.

¹⁰⁷ This differs from the international definition of the youth population (aged 15-24 years).

¹⁰⁸ Stopped working is defined as people who either declared to have lost their job since the onset of the COVID-19 pandemic or have reported at least 1 hour worked daily before the outbreak and 0 hour worked daily during the outbreak.



A street sweeper maintain cleanliness of major roads amid the COVID-19 pandemic — © ILO/Minette Rimando.

*Assessment Survey on the Impact of COVID-19/ECQ to Technical-Vocational Institutions*¹⁰⁹ conducted by TESDA, 99 per cent reported that they will close temporarily, while the remaining 1 per cent indicated that they will close permanently. Survey results showed that about one-third (34 per cent) of the respondents do not have the capacity to continue operations.

The extent of disruption in TVET in the country is documented by other related surveys. For instance, about nine out of ten respondents of the *ILO-UNESCO-World Bank Survey on TVET and COVID-19*¹¹⁰ from the Philippines reported the cancellation or postponement of certifying exams and

assessments for TVET trainees. Majority (around 60 per cent) reported that the delivery of work-based learning and apprenticeships has been affected by the closure of workplaces; training had to be administered online in lieu of face-to-face delivery. To illustrate, three out of five respondents in the Philippines continued training fully remote (online and/or offline distance learning) or partially remotely (a combination of face to face, online and/or offline distance learning) during the pandemic.

Preliminary results from the *Global Survey on the Impact of COVID-19 on Staff Development and Training Including*

¹⁰⁹ TESDA's Rapid Assessment Survey on the Impact of COVID-19 to Technical-Vocational Institutions, administered online via Google Forms, was conducted from 25 April to 30 April 2020 and 8 to 15 May 2020. A total of 3,777 (out of 4,042) private TVIs were reached to participate in the rapid assessment but only 1,565 respondents participated (41 per cent of TVIs reached). It sought to determine the ability of private TVIs to continue operations despite the pandemic. It also aimed to determine the readiness and capacity of private TVIs to implement alternatives to face-to-face learning.

¹¹⁰ The ILO-UNESCO-WBG Joint Survey on TVET provision during the time of COVID-19 was carried out from 5 April to 15 May 2020. The global survey targeted responses from providers of initial and continuing technical and vocational education and training, policy makers and social partners. The survey received 1,348 responses from 126 countries, with 632 responses from 25 countries in Asia and the Pacific and 37 responses from Philippine stakeholders.

Apprenticeships and Internships/Traineeships support the aforementioned results.¹¹¹ In the Philippines, around seven in ten respondents who reported that their enterprises offer apprenticeship training indicated that COVID-19 has completely interrupted such training. About one-half said that no adjustments in apprenticeship schedule were introduced despite the pandemic.

To cope with disruptions in training which are likely to put young people at a grave disadvantage, plans are in place to secure the continuation of programmes and policies supporting human capital development. DepEd has crafted a Basic Education Learning Continuity Plan (BE-LCP) which outlines plans for continued learning in the next school year amid the pandemic. The BE-LCP underscores that learning continuity shall be pursued while ensuring that the safety, health and well-being of students are protected. This necessitates exploring alternatives to the current learning modalities employed in the basic education system, such as distance learning and blended learning on top or in place of face-to-face learning. Capacity building of teachers and school leaders are ongoing in preparation for the transition.

CHED, meanwhile, has started crafting guidelines for possible continuation of face-to-face classes in areas under MGCQ.¹¹² As for TVET, TESDA training activities may resume soon, as per recent reports. Enterprise-based and in-plant training will roll out in areas under GCQ, while distance

and blended learning modules for TVET programmes are made available online.¹¹³

The promotion of distance or blended learning in defining the new normal in education and training needs to be accompanied by investments in appropriate infrastructure and digital skills. Stakeholders have warned that plans to move towards this direction may be futile if the basics are not in place.¹¹⁴ For instance, digital infrastructure is critical to ensure seamless transition to contactless learning. At the minimum, the country needs to secure access to stable internet connection for all. Learners and educators should have access to the appropriate devices required to wield digital learning platforms. Moreover, they need to have basic digital literacy. Without these basics, it would be difficult to ensure that no student will be left behind.

The Philippines lags behind other countries in terms of internet access, speed and affordability.¹¹⁵ According to a report by the Asia Foundation (2019), about 45 per cent of Filipino citizens or 46 million individuals do not have access to the internet. According to the 2020 Speedtest Global Index, the country ranked 111th out of 173 countries in terms of fixed broadband internet speed. Average download speed in the country is estimated at 22.3 Megabits per second (Mbps), which is considerably slower than the global average (76.9 Mbps).¹¹⁶ Despite slow internet speeds, internet rates in the Philippines are among the costliest in the world, ranking seventh among 62 countries surveyed by picodi.com in

¹¹¹ The Global Survey on the Impact of COVID-19 on Staff Development and Training Including Apprenticeships and Internships/Traineeships was carried out from 27 April to 5 June 2020. The global survey targeted responses from enterprises and other organizations in all regions of the world. The survey received 837 responses from 110 countries, including 183 from the Philippines.

¹¹² M. Reysio-Cruz: "Still no face-to-face classes in SUCs, says CHED," *Inquirer.net*, 25 June 2020.

¹¹³ D. Nazario: "TESDA training activities to resume soon," *Manila Bulletin*, 24 June 2020.

¹¹⁴ M. Hernando-Malipot: "Teachers to gov't: ensure stable Internet connection for blended learning," *Manila Bulletin*, 24 June 2020.

¹¹⁵ The country ranked 63rd out of 100 countries in the 2020 Inclusive Internet Index, based on the assessment conducted by The Economist Intelligence Unit (EIU) covering factors such as internet availability, affordability, readiness and relevance. Accessed from: <https://theinclusiveinternet.eiu.com/explore/countries/performance>

¹¹⁶ Data accessed from: <https://www.speedtest.net/global-index#mobile>



Market vendors and motor riders wear masks and operate amid the COVID-19 lockdown — © ILO/Minette Rimando.



December 2019. A 100 Mbps internet connection costs about 2,840 pesos per month in the country,¹¹⁷ which accounts for about 18 per cent of a minimum wage earner's monthly income.

The high cost of internet connectivity in the Philippines could worsen inequality by naturally barring the poor from accessing employment and training opportunities. Government partnerships with telecommunication companies to make internet services more affordable, and ensuring that all learners have access to devices and the basic know-how to use the devices could help make education and training inclusive in the new normal.

Overseas workers

As discussed in Section 3, remittance inflows are forecast to contract as OFWs face retrenchment or repatriation woes due to the COVID-19 pandemic. As of 30 August, more than 173,000 repatriated Filipino workers have returned to their home provinces.¹¹⁸ They had been forced to leave their jobs abroad to face uncertain job prospects and re-entry challenges at home. Reports indicate that OFWs experience difficulties as soon as they arrive in the country.

For one, health protocols require returnees to undergo reverse transcription-polymerase chain reaction (RT-PCR) testing and quarantine in government-designated facilities or approved hotels upon arrival. While this ought to curb disease spread, delays in testing and release of health certificates have kept repatriated workers in "quarantine limbo", stranded in overcrowded health facilities for at times more than the 14 days mandated by the government.¹¹⁹ As prolonged quarantine increases the risk of infection among returnees, the current situation raises doubts on whether the imminent influx of more repatriated OFWs in the months to come could overwhelm the country's quarantine facilities.¹²⁰ To provide more context on potential OFW re-entry burden faced by the country due to COVID-19, DOLE estimates that more than 1 million OFWs are at risk of being displaced by December 2021.¹²¹ As of 16 August 2020, more than 600,000 OFWs are reported to have been displaced from their work, with about 58 per cent or approximately 350,000 OFWs displaced and stranded overseas.¹²²

¹¹⁷ "But first, better internet," *Inquirer.net*, 23 May 2020.

¹¹⁸ N.A. Mercado: "DOLE: Over 173,000 repatriated OFWs now back at home provinces," *Inquirer.net*, 30 Aug. 2020.

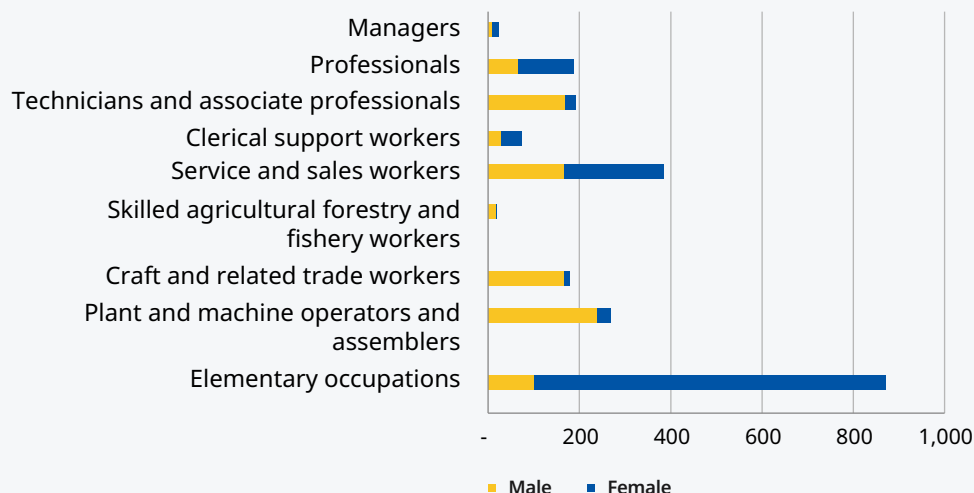
¹¹⁹ S. Tomacruz and J.C. Gotinga: "OFWs struggle through prolonged quarantine in gov't 'VIP treatment'," *Rappler*, 31 May 2020.

¹²⁰ S. Tomacruz: "Gov't facing 'problem' with thousands of returning OFWs – Galvez," *Rappler*, 20 May 2020.

¹²¹ E. Quismorio: "Over 1M OFWs to lose jobs by 2021," *Manila Bulletin*, 29 May 2020.

¹²² "Displaced OFWs soar past 600k." Accessed from: <https://www.dole.gov.ph/news/displaced-ofws-soar-past-600k/>

► Figure 12. Overseas Filipino workers by occupation, 2019 (in thousands)



Source: PSA, 2019 Survey on Overseas Filipino Workers

Another challenge concerns helping OFWs return to their home provinces. As of 30 August, about 170,000 repatriated OFWs cleared of COVID-19 have been ushered back to their hometowns in line with the *Balik Probinsya, Bagong Pag-asa* Programme.¹²³ The risk of this move, though, was revealed as reports indicated new cases of COVID-19 in the provinces that corresponded to OFWs who had tested negative for COVID-19 before making the journey to their hometowns.¹²⁴ For example, on 12 June, it was confirmed that the first COVID-19 case in Southern Leyte is a returning male seafarer.¹²⁵

Upon return, OFWs may find themselves caught up in tight job market. Pre-pandemic, it may have been easier for OFWs who lost their job to find other opportunities in other host countries. However, given that almost all destination countries are affected by

COVID-19, repatriated workers would have to rely on domestic job opportunities. As discussed previously, demand for jobs across sectors has weakened, so the odds of OFWs finding a new job in the time of COVID-19 is bleak.

Examining the occupational structure of OFW employment pre-pandemic from the 2019 Survey of Overseas Filipino Workers reveals that about 873,000 workers (or 39.6 per cent of the total number of OFWs in 2019) are engaged in elementary occupations, 88.3 per cent of which are accounted for by females (figure 12). Elementary occupations are characterized by simple and routine tasks that typically involve use of handheld tools and manual effort, and include cleaners and helpers, maintenance personnel, among others.¹²⁶ Jobs in elementary occupations are likely to

¹²³ "Over 170,000 repatriated OFWs have returned to their provinces — DOLE," *CNN Philippines*, 30 Aug. 2020.

¹²⁴ "OFWs who tested negative for COVID-19 in NCR, test positive in province," *GMA News Online*, 7 June 2020.

¹²⁵ "Returning OFW is first COVID-19 case in Southern Leyte," 12 June 2020. Accessed from <http://southernleyte.gov.ph/latest/2273-returning-ofw-is-first-covid-19-case-in-southern-leyte>

¹²⁶ 2012 Philippine Statistical Classification of Occupations. Accessed from: <https://psa.gov.ph/classification/psoc/?q=psoc/major>

be at the lower end of the skill spectrum and are thus potentially not valued highly in the labour market. Also accounting for a large share of total OFW employment are service and sales workers and plant and machine operators. These are two occupational groups that are associated with sectors that are heavily impacted by the pandemic (namely wholesale and retail trade, accommodation and food services and manufacturing).

If job disruption caused by COVID-19 hits occupational groups that embed most workers, an influx of repatriated low-skilled workers paid with more competitive salaries overseas may be expected. All else equal, OFWs may encounter challenges in reintegration in the local labour market as domestic workers may be more favoured by employers due to factors such as better know-how of the domestic business or economic climate (or so-called “location-specific human capital”) and lower wage bargaining power (Abarcar 2016).

This situation poses a huge challenge for the government which needs to support the social and economic reintegration of thousands of repatriated OFWs, a cohort of workers that has helped keep the economy buoyant in the past few decades. Given a sudden global shift in mobility patterns from hypermobility to immobility, the government may have to reimagine a Philippines with limited international labour migration. This entails thinking less about sending people out and more on coming up with ways to absorb OFWs through productive employment in the domestic labour market. This may also require a review of the country’s national reintegration policies and strategies for OFWs in order to place particular focus on providing better social protection for these workers, ensuring gender-responsiveness, and increasing

preparedness and capacity-building to effectively manage mass return situations.

Women

Results of the assessment presented in section 4 revealed that about 4.1 million employed women are at risk of job disruption by COVID-19, particularly in industries such as wholesale and retail, and accommodation and food service activities. The assessment also found that the pandemic disproportionately affects employment among men. Women are thus more likely to still keep their jobs despite the pandemic situation – either under a work-from-home arrangement or serving as frontline workers combatting the pandemic. From this point of view, working women may be especially vulnerable to the health impacts of COVID-19, on top of other socio-economic woes that the pandemic may bring to women.

While the gender difference in the expected impact is supported by literature which suggests that men’s employment is more severely affected by economic downturns (Alon et al. 2020), a broader gender view indicates that the socio-economic ramifications of COVID-19 for women goes beyond the story gleaned from the data. The pandemic has exacerbated gender-based violence. The strain on livelihood and income prospects may spark domestic conflicts that can lead to violence and abuse of women and children (UN Women 2020), perhaps more so in male-dominated households and in those with displaced or retrenched patriarchs. Women trapped inside their homes due to containment measures may find it more difficult to report experiences of abuse, exacerbating the already low help-seeking behaviour of women experiencing gender-based violence.¹²⁷

Unequal and heightened gendered power contestations within the household may also manifest in unmet need for family planning. Contraceptive use among women may drop

¹²⁷ P. Ranada: “During coronavirus lockdown: Abused women, children more vulnerable,” *Rappler*, 9 May 2020.



A street sweeper maintain cleanliness of major roads amid the COVID-19 pandemic — © ILO/Minette Rimando.

as containment measures may hinder women from accessing reproductive health clinics. Lack of access to contraception may spur a baby boom. In fact, the University of the Philippines Population Institute and the United Nations Population Fund predict an additional 751,000 unintended pregnancies if the lockdown continues until the end of 2020.¹²⁸

Moreover, a prolonged lockdown may worsen the unpaid household and care work experienced by women (ILO 2020k). The pressure is likely to be greater for working mothers who would have to divide their time between home and work responsibilities, and even so for mothers with school-age children as school closures due to COVID-19 have amplified the need for parental involvement in at-home schooling.

Despite the multiplicity of risks faced by women, there are some possible countervailing forces that may work in their favour (Alon et al. 2020). For instance, two-parent

households may provide opportunities for sharing child-rearing responsibilities. Furthermore, stay-at-home mothers, as well as unemployed and disabled women, may be able to secure remote work opportunities, enabling them to wield flexible work arrangements (encouraged due to COVID-19) to their advantage.

Healthcare and medical workers

In Q1 2020, about 460,000 workers were employed in the human health and social work activities sector. Despite not being susceptible to the job displacement impact of the pandemic, workers in this sector currently face increased exposure to occupational safety and health risks due to COVID-19. Medical literature also indicate that frontline healthcare workers are under heightened risk of COVID-19 infection. The

¹²⁸ A. Santos: "Philippines faces baby boom after lockdown hits family planning," *Aljazeera*, 14 July 2020.

risk is highest among those who have reused personal protective equipment (PPE) and those with inadequate access to PPE. Although adequate PPE supplies do not necessarily mitigate high-risk exposure to infection (Nguyen et al. 2020).

As of 3 August 2020, 5,008 healthcare workers have tested positive for COVID-19, with 4,576 recoveries and 38 deaths.¹²⁹ Several reasons are cited as to why health workers are at risk of COVID-19 infection. For one, social stigma attached to the labels PUM (Person Under Monitoring) and PUI (Person Under Investigation) hinders patients from disclosing accurate medical and travel history.¹³⁰ Also, reports of PPE shortage remain¹³¹, despite concerted efforts by the Government and private institutions to help close the PPE supply gap.¹³²

Under the Bayanihan Law, health workers severely infected with COVID-19 are entitled to receive 100,000 pesos each while the bereaved families of those who die from COVID-19 will receive 1 million pesos. All healthcare workers who are required to report to work during the pandemic are also entitled to benefits such as life insurance, hazard pay, routine testing, and free transport and accommodations to and from their workplaces. However, there have been reports of unpaid benefits to healthcare workers.¹³³ Healthcare workers have also decried that the supposed COVID-19 hazard pay is “deceptive” in that it is not regarded as an added benefit to health workers who are already entitled to such benefits.¹³⁴

Healthcare and medical workers face magnified health challenges beyond the risk of COVID-19 infection. They are likely to experience burnout, overexertion and other mental health problems.¹³⁵ The anxiety of being out in the open to serve in the midst of the pandemic, as well as the likely traumatic experience of seeing patients die from the coronavirus disease, may take a toll on healthcare workers' mental health.

The rise in cases of infected individuals have overwhelmed the entire system, prompting 80 medical associations to write an open letter to the President on 1 August calling for the tightening of an eased lockdown in the country.¹³⁶ Medical associations noted that the Philippines is “waging a losing battle against COVID-19”, and that a consolidated and definitive plan of action is needed to overturn this. Given the multi-layered challenges healthcare and medical workers face as they serve the nation along the frontlines of the battle against COVID-19, failure to address the concerns of this cohort of workers may contribute to aggravating the pandemic situation and make it more elusive for the country to achieve faster recovery from the pandemic.

¹²⁹ S. Tomacruz: “PH health workers infected with coronavirus reach 5,008,” *Rappler.com*, 3 Aug. 2020.

¹³⁰ R. Baticulon: “Why do Filipino healthcare workers keep getting infected with COVID-19?” *CNN Philippines*, 13 May 2020.

¹³¹ G. Baron: “Healthcare workers still struggling with PPE shortage,” *Manila Bulletin*, 19 July 2020.

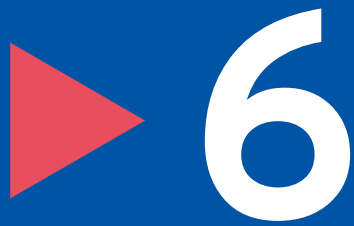
¹³² K. Crismundo: “DTI chief assures support for local PPE makers,” *Philippine News Agency*, 23 Aug. 2020.

¹³³ J. Pedrajas: “More complaints about unpaid hazard pay of healthcare workers surfaced,” *Manila Bulletin*, 15 Aug. 2020.

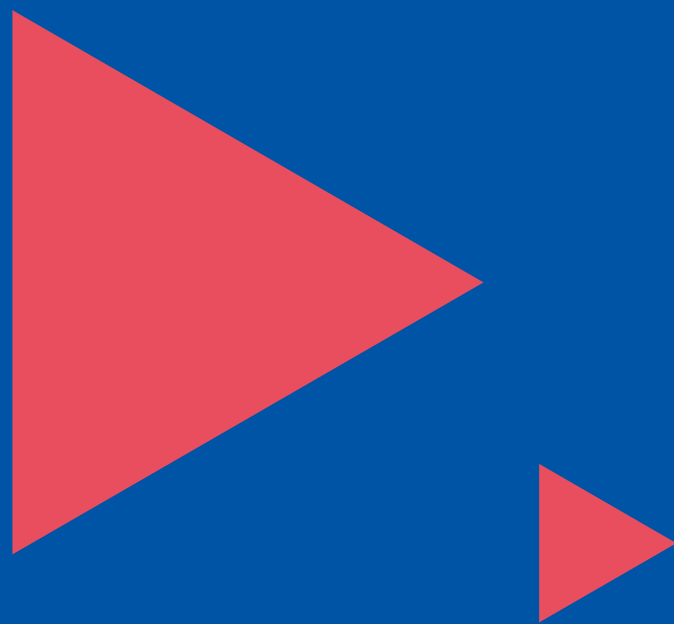
¹³⁴ C. Gonzales: “Hazard pay for gov’t workers ‘deceptive,’ ‘divisive’ – health workers’ group,” *Inquirer.net*, 10 June 2020.

¹³⁵ G. Baron: “COVID-19 wreaks havoc on healthcare workers’ mental health,” *Manila Bulletin*, 21 July 2020.

¹³⁶ V. Barcelo, J. Zurbano and M. Cruz: “Frontliners plead for ‘timeout,’” *Manila Standard*, 2 Aug. 2020.



National labour market policy responses related to COVID-19





► National labour market policy responses related to COVID-19



Occupational safety and health — © ILO/M. Fossat.

While estimates paint a bleak outlook for labour (at least in the near future) due to the disruptive effects of COVID-19, the extent and depth of the impact on jobs would depend on the effectiveness and appropriateness of national policy responses aimed at addressing pertinent growth and employment bottlenecks. In this section, national labour market policy responses to manage the impact of COVID-19 are reviewed using the four pillars in addressing the COVID-19 crisis developed by ILO (2020c). These are: (a) stimulating the economy and employment, (b) supporting enterprises, jobs and incomes, (c) protecting workers in the workplace, and (d) relying on social dialogue for solutions. Some measures have already been reviewed in section 2, yet are recalled and discussed here in relation to the four pillars (figure 13).¹³⁷

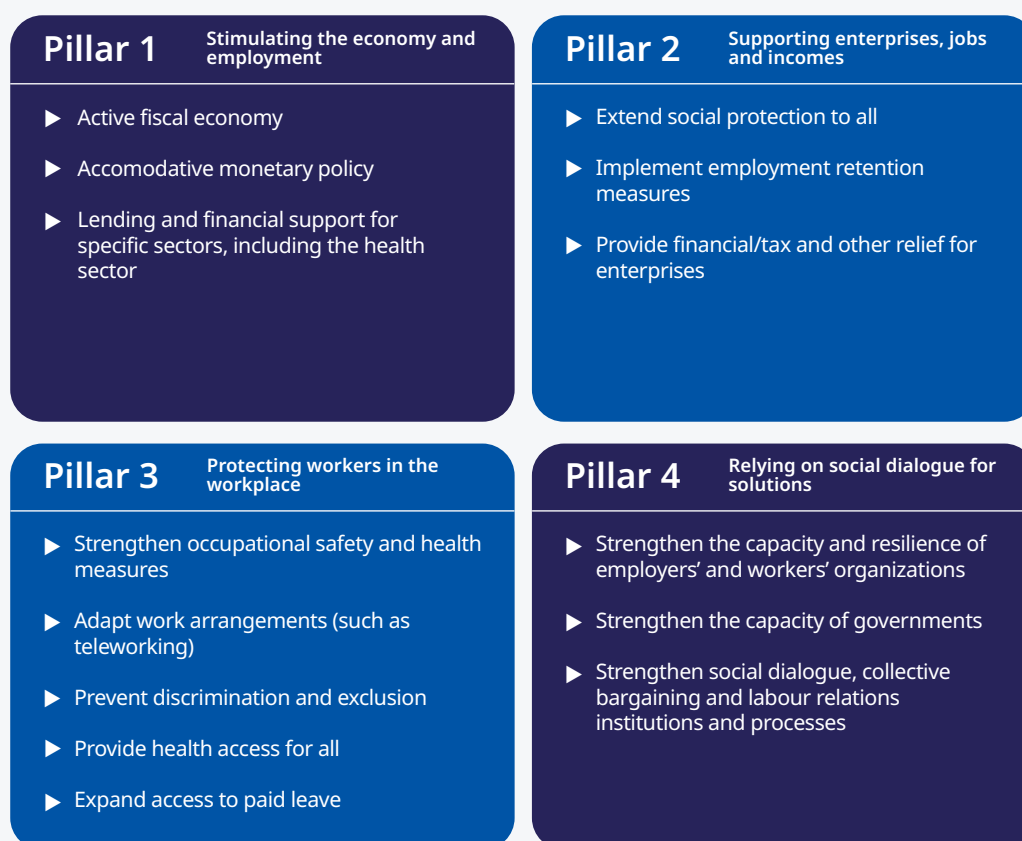
► Pillar 1: Stimulating the economy and employment

The first pillar concerns economic revival and revitalization in order to boost job creation during and after the pandemic, as strict containment measures, particularly in highly urbanized cities, brought havoc to businesses and jobs alike.

Special emergency powers have been conferred to the President through the Bayanihan to Heal as One Act. Special emergency powers have been conferred to the President through the Bayanihan to Heal as One Act. Its extension, called Bayanihan to Recover as One Act or Bayanihan 2, proposes a 140 billion-peso fund to finance COVID-19 policy responses covering capacity building

¹³⁷ A comprehensive overview of policy responses in the Philippines can be accessed from the ILO COVID-19 policy response inventory. See <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#PH>

► **Figure 13. ILO policy framework: Four key pillars in addressing the COVID-19 crisis on the basis of international labour standards**



Source: ILO (2020c)

and enhancement of health care services, the implementation of cash-for-work programme, provision of supplementary assistance for OFWs and displaced workers, and provision of cash-for-work subsidy. Aside from direct transfers to vulnerable populations and workers, the economy has also been kept afloat by interventions by the BSP such as use of monetary instruments and regulatory relief measures, including liquidity infusion through policy rate cuts and reduction of big banks' reserve requirement ratio, which are estimated to release liquidity amounting

to about 1.4 trillion pesos or 7 per cent of the country's GDP.¹³⁸ In addition, BSP has entered into a repurchase agreement with the national government, extending about 300 billion pesos worth of financing for the fight against COVID-19.

To provide immediate relief to impacted businesses and populations, several economic stimulus bills have been proposed. Aside from the CREATE bill (discussed in section 2), House Bill No. 6815, also known as the Philippine Economic Stimulus Act (PESA) or the Accelerated Recovery and Investments

¹³⁸ J. Villanueva: "Diokno cites BSP's contribution to Covid-19 response," *Philippine News Agency*, 26 June 2020.

Stimulus for the Economy (ARISE) bill, allots 1.3 trillion pesos to fund COVID-19 response programmes which would help reboot the Philippine economy.¹³⁹ This comprehensive economic stimulus package covers COVID-19 mass testing; wage subsidies for critically-impacted businesses, freelancers, the self-employed and repatriated OFWs; cash-for-work programme financing; and funding of existing loans, MSME loan programmes and provision of interest-free loans to agri-fishery businesses and MSMEs engaged in “non-essential industries”. The bill also embeds sectoral interventions such as financial assistance to revive the tourism, transportation, manufacturing and agriculture sectors. In addition, it proposes an enhanced “Build, Build, Build” programme worth about 650 billion pesos covering three years.

Other bills proposing stimulus packages that have been filed in the House of Representatives are: (a) House Bill No. 6795, also known as the Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act, which seeks to strengthen the capacity of the Philippine Guarantee Corporation, Land Bank of the Philippines and Development Bank of the Philippines in providing financial assistance to MSMEs, particularly by institutionalizing the expansion of these agencies’ loan programme for MSMEs affected by the pandemic, among other measures;¹⁴⁰ (b) House Bill No. 6816 or the Financial Institutions Strategic Transfer (FIST) Act, which stipulates measures to assist banks and other financial institutions with offloading their debts and

managing their non-performing assets amid COVID-19;¹⁴¹ and (c) House Bill No. 6920 or the COVID-19 Unemployment Reduction Economic Stimulus (CURES) Act of 2020, a 1.5 trillion-peso measure which aims to boost direct and indirect job creation, particularly in the rural countryside, by funding infrastructure projects in priority sectors such as health, education, agriculture and construction.¹⁴²

To provide an indication of the size of the Philippines’ COVID-19 fiscal response vis-à-vis those in ASEAN neighbour economies, data from the ADB COVID-19 Policy Database show that as of 24 August 2020, the country had announced a fiscal allocation of US\$21 billion, representing 5.7 per cent of its GDP in 2019 (figure 14). Relative to other ASEAN countries, this fiscal commitment ranks among the middle tier of countries with stimulus packages amounting to 5 to 11 per cent of GDP, which also includes Cambodia, Indonesia, Viet Nam. Around one-half of the estimated fiscal expenditure in the Philippines is directed towards government support to sustain incomes and revenues.¹⁴³

► Pillar 2: Supporting enterprises, jobs and incomes

The second pillar pertains to measures aimed at reinvigorating enterprises, supporting job creation and incomes. This includes financial assistance provided by several agencies to

¹³⁹ See http://www.congress.gov.ph/legisdocs/first_18/CR00312.pdf

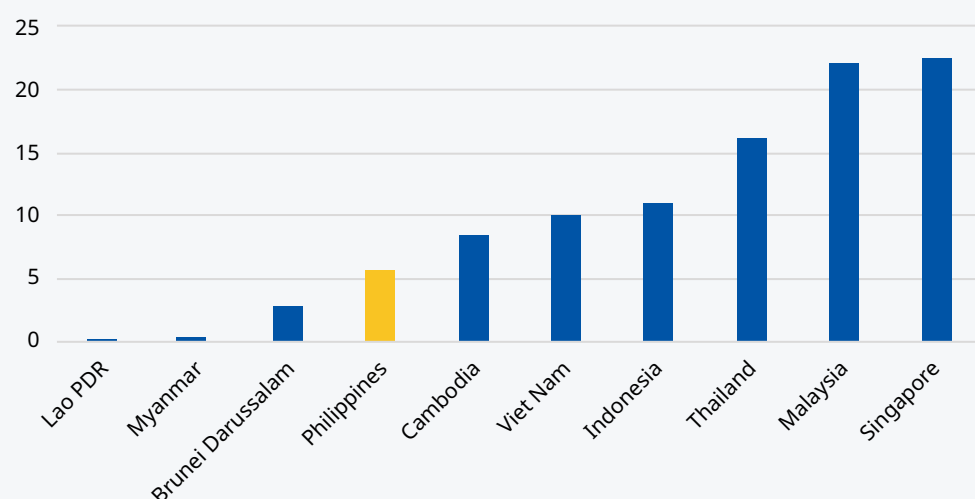
¹⁴⁰ See http://www.congress.gov.ph/legisdocs/basic_18/HB06795.pdf

¹⁴¹ See http://www.congress.gov.ph/legisdocs/first_18/CR00313.pdf

¹⁴² See http://www.congress.gov.ph/legisdocs/first_18/CR00350.pdf

¹⁴³ The ADB COVID-19 Policy Database team mentioned some caveats regarding the use and interpretation of the statistics in its database: “Measures and packages included in the database are mostly intentions and announcements of authorities. Information on actual amounts spent or transacted are not always available. Some measures only have estimated amounts such as liquidity injected to the economy due to lower reserve requirements. Moreover, measures are not always announced with a defined period of implementation or effectivity and intended amounts have changed in some cases. Lastly, the database does not make any judgement on the appropriateness of the type and amount of measures.” (<https://data.adb.org/story/key-responses-covid-19-asia-pacific-economies-update-adb-covid-19-policy-database>)

► Figure 14. Size of announced fiscal policy response, ASEAN countries (per cent of 2019 GDP)



Note: Includes fiscal policy expenditure for (1) liquidity support, (2) credit creation, (3) direct long-term lending, (4) equity support, (5) government support to income/revenue, and (6) other expenditures without breakdowns.

Source: ADB: COVID-19 Policy Database, <https://covid19policy.adb.org/> (accessed 24 Aug. 2020).

support households and workers affected by the pandemic. For instance, the Department of Agriculture–Agricultural Credit Policy Council (DA-ACPC) provides loan assistance to micro and small enterprises (MSEs) in the agro-fishery industry, as well as to marginalized small farmers and fisherfolk nationwide.¹⁴⁴ Under DA-ACPC's Expanded Survival and Recovery (SURE) Aid Project, non-collateralized loans amounting to 25,000 pesos with zero interest payable in ten years are provided to beneficiaries whose incomes were affected by the pandemic. With a 2.5 billion-peso fund, the programme aims to reach about 150 MSEs and 40,000 marginalized small farmers and fisherfolk.

The 51 billion-peso Small Business Wage Subsidy Programme of the DOF provides workers of small businesses with wage subsidies ranging from 5,000 to 8,000 pesos. Under DOLE's COVID-19 Adjustment Measures Programme (CAMP), one-time financial support amounting to 5,000 pesos were provided to workers in private establishments that have adopted flexible working arrangements or endure temporary closure. Its Abot Kamay ang Pagtulong (AKAP) Programme, meanwhile, provides one-time financial assistance of US\$200 to displaced land- and sea-based Filipino workers owing to COVID-19.¹⁴⁵ Moreover, about 60,000 Social Security System (SSS) members who were involuntarily separated from their jobs due to COVID-19 can be covered by SSS unemployment

¹⁴⁴ Accessed from: <http://acpc.gov.ph/agri-fishery-loan-distribution-on-going-amid-pandemic/>

¹⁴⁵ DOLE has sought PhP 2.5 billion in additional funds to support the growing number of displaced OFWs. Additional information about can be accessed from: <https://www.cnnphilippines.com/news/2020/7/5/DOLE-seeks-2.5-billion-more-for-OFWs-displaced-by-pandemic.html>

benefits.¹⁴⁶ DSWD's Social Amelioration Programme (SAP), which was mandated under the Bayanihan to Heal as One Act, provides cash assistance ranging from 5,000 to 8,000 pesos to about 18 million affected families. As of 26 August 2020, the second tranche of the SAP is reported to have reached 95 per cent of its intended beneficiaries (equivalent to about 13.5 million families).¹⁴⁷

Also included in the second pillar are measures that infuse liquidity into businesses so that they could weather financial risks. To support MSEs heavily affected by COVID-19, DTI set up a 1 billion-peso Enterprise Rehabilitation Financing Facility (ERF). The ERF loan fund is open to MSEs with at least one year of continuous operation pre-pandemic and have suffered a drastic reduction in sales,¹⁴⁸ where loans ought to be used for business stabilization or recovery. DTI also spearheads the Livelihood Seeding Programme, which provides livelihood kits and business advisory assistance and service worth 5,000 to 8,000 pesos to individuals interested in starting their own businesses.¹⁴⁹

Land Bank of the Philippines' Interim Rehabilitation Support to Cushion Unfavorably-Affected Enterprises by COVID-19 (i-RESCUE) supports small and medium-sized enterprises, cooperatives and microfinance institutions by providing additional funds and loan restructuring under flexible terms and conditions. In addition, restructured loan amortizations through longer tenor and grace periods and an option to adopt a flexible interest rate may be availed under the bank's Calamity Rehabilitation Support (CARES) programme. Additional financing programmes

include: Philippine Guarantee Corporation's MSME Credit Guarantee programme, which provides 120 billion pesos in working capital loans for MSMEs heavily impacted hit by the pandemic;¹⁵⁰ and Development Bank of the Philippines' Rehabilitation Support Programme on Severe Events (RESPONSE), which grants borrowers from both private and public institutions that have been adversely affected by calamities with rehabilitation financing support.¹⁵¹

Other measures under the second pillar include DTI's free webinar series called "CTRL+BIZ:REBOOT NOW", which provides MSMEs with information regarding starting online businesses, and DOLE's Tulong Panghanapbuhay sa Ating Disadvantaged/ Displaced Workers (TUPAD) Program, which helps displaced, underemployed or seasonal workers gain emergency employment for a minimum of ten days but not exceeding 30 days.¹⁵²

► Pillar 3: Protecting workers in the workplace

The third pillar comprises of measures concerning worker protection. It spans programmes and policies covering occupational safety and health standards, worker compensation and benefits and working hours, among other worker concerns, that have emerged due to the pandemic situation. As mentioned in earlier sections, the pandemic cascaded a widespread migration of work systems from offices to homes. DOLE has

¹⁴⁶ To qualify for the benefit, applicants must have paid at least 36 monthly contributions, 12 of which should have been paid within the last 18 months prior to involuntary separation. More details in <https://www.cnn.ph/news/2020/6/10/SSS-unemployment-benefit-how-to-claim.html>

¹⁴⁷ F.M. Cervantes: "SAP 2 payouts 95% complete: DSWD," *Philippine News Agency*, 26 Aug. 2020.

¹⁴⁸ Accessed from: <https://www.dti.gov.ph/archives/news-archives/sbcorp-loan-facility-covid-affected-msmes/>

¹⁴⁹ "DTI ramps up livelihood programs for BP2 resumption," *The Manila Times*, 3 July 2020.

¹⁵⁰ Accessed from: <https://philguarantee.gov.ph/2020/05/22/philguarantee-opens-credit-guarantee-facility-for-covid-19-affected-msmes/>

¹⁵¹ Accessed from: <https://www.dbp.ph/developmental-banking/social-services-community-development/dbp-rehabilitation-support-program-on-severe-events/>

¹⁵² See <https://www.dole.gov.ph/tupad-contents/> for more information about DOLE's TUPAD programme

issued guidelines on flexible work arrangements, encouraging enterprises to adopt techniques such as telecommuting, work-from-home arrangement, reduced work days or hours, rotation of workers and forced leave to promote continued business operations and mitigate worker income loss.¹⁵³ DepEd has also encouraged the adoption of alternative work arrangements, including telecommuting, among its teaching and non-teaching personnel.¹⁵⁴

Likewise, such arrangements are encouraged by the DICT, which issued guidelines on the continued operation of ICT-BPO companies.¹⁵⁵ It launched wfh.gov.ph, a website that contains remote work tools and resources to help promote digital literacy and build ICT knowledge among government employees.¹⁵⁶ In addition, filed in the Senate is a bill proposing to make alternative working arrangements mandatory, offering this option to employees whose physical presence in the workplace is not necessary to deliver and complete job tasks.¹⁵⁷

Included in the third pillar are policies that enforce health standards in the workplace. The proposed House Bill No. 6864, also known as Better Normal for the Workplace, Communities and Public Spaces Act of 2020, promotes online methods of workplace communication and mandates private businesses to submit a Management Plan to their respective local government unit to determine business compliance with

Universal Safety Measures outlined in the Act.¹⁵⁸

Prior to this bill, standards and guidelines have already been released by some agencies. For example, the DOH released Administrative Order No. 2020-0016, which defines minimum health system and capacity standards for COVID-19 preparedness and response to serve as guide for local and sectoral planning.¹⁵⁹ DOLE and DTI issued interim guidelines on the prevention and control of COVID-19 in workplaces, mandating workers and employers to observe minimum health protocols and standards strictly to mitigate risk of infection.¹⁶⁰ Separate guidelines on workplace precautionary health measures were issued by DOLE, along with additional guidelines that cover worker entitlements such as leave of absence, hospitalization benefits and social security and compensation benefits.¹⁶¹

Concerning employee benefits, the Bayanihan to Heal as One Act grants health workers with “COVID-19 special risk allowance” on top of hazard pay. Likewise, all government workers who physically report for work during the community quarantine are entitled to receive hazard pay. Medical frontline workers and allied workers are provided with full hospitalization coverage under PhilHealth should they contract COVID-19. Moreover, the cost of treatment for COVID-19 patients is also covered by PhilHealth under the Government’s National Health Insurance Program.¹⁶²

¹⁵³ See <https://www.dole.gov.ph/news/labor-advisory-no-09-20-guidelines-on-the-implementation-of-flexible-work-arrangements-as-remedial-measure-due-to-the-ongoing-outbreak-of-coronavirus-disease-2019-covid-19/> for more details.

¹⁵⁴ More details available in https://www.deped.gov.ph/wp-content/uploads/2020/03/DM_s2020_043.pdf

¹⁵⁵ See https://dict.gov.ph/wp-content/uploads/2020/03/DEPARTMENT_CIRCULAR_NO_005_ALL_COVERED_ICT_ENABLED_BUSINESS_PROCESS-2.pdf for more details.

¹⁵⁶ Accessed from: <https://dict.gov.ph/dict-launches-wfh-gov-ph-to-provide-telecommuting-resources-for-government-employees/>

¹⁵⁷ C. M. Ramos: “Senate bill to boost work from home scheme,” *Inquirer.net*, 28 June 2020.

¹⁵⁸ See http://www.congress.gov.ph/legisdocs/first_18/CR00332.pdf

¹⁵⁹ See <https://www.doh.gov.ph/sites/default/files/health-update/ao2020-0016.pdf>

¹⁶⁰ The full set of protocols can be viewed on <https://www.dole.gov.ph/news/dti-and-dole-interim-guidelines-on-workplace-prevention-and-control-of-covid-19/>

¹⁶¹ More details available on https://www.dole.gov.ph/wp-content/uploads/2020/01/LABOR-ADVISORY-NO.-04-20-GUIDELINES-ON-2019-NOVELA-CORONAVIRUS-2019-nCOV-PREVENTION-AND-CONTROL-AT-THE-WORKPLACE.pdf?fbclid=IwAR30NI8Vdt-PJRc194WvnBhrWnG-s_Y5iYgTZjqffP2KBP7es4CDSbXOIhk

¹⁶² See <http://www.covid19.gov.ph/wp-content/uploads/2020/03/20200324-RA-11469-RRD.pdf>



Health worker and COVID-19 — © ILO/Minette Rimando.

► Pillar 4: Relying on social dialogue for solutions

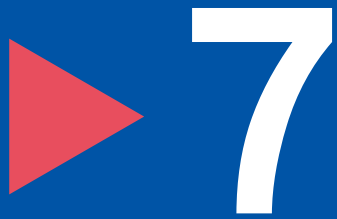
The set of policies under the fourth pillar highlights the role of social dialogue in generating policy solutions. Among the many examples include DOLE initiatives to consider inputs of social partners and stakeholders in the formulation and fine-tuning of its social amelioration programmes and financial assistance programmes such as CAMP, TUPAD and AKAP. It held virtual meetings to discuss the health and socio-economic impacts of COVID-19 on workers and businesses, which led to the crafting of resolutions that augmented funds for worker support in the advent of the pandemic, as well as those that promote workers' rights to security of tenure and

protection. Trade unions provided their inputs via online mechanisms to House bills relating to the government's economic stimulus packages, as well as in rethinking what the new normal means for workers. Public sector unions discussed with the Senate Committee on Labour regarding salary payments for government employees regardless of employment status, while individual unions were involved in sub-national and sector-specific collaboration with regional DOLE offices.

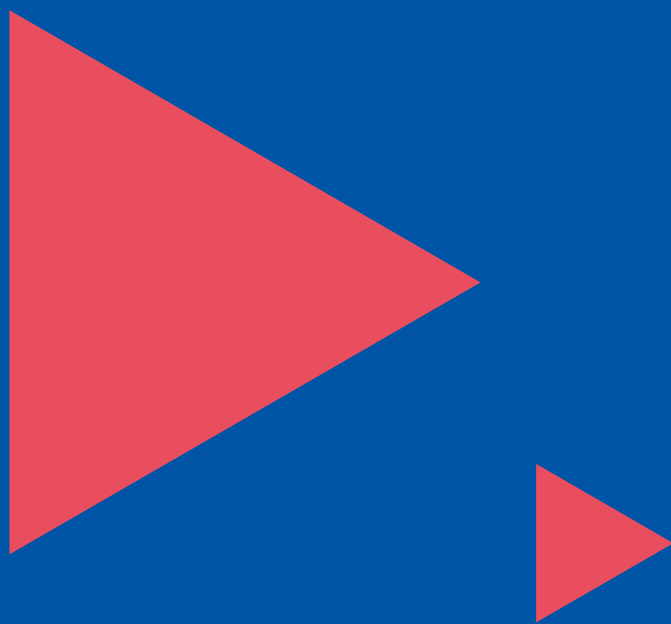
At the enterprise level, national union centres and federations encouraged their members and affiliates to participate in dialogues concerning COVID-19 policy such as those that cover flexible work arrangements and the issue of leaves and compensation in line with collective bargaining agreements. In

In addition, the Employers' Confederation of the Philippines (ECOP) has organized a series of webinars to discuss government responses to support workers and businesses amid the pandemic. It has also crafted several policy proposals on mitigating the impact of the pandemic on employers and employees. These include proposals that address policy gaps of DOLE's enterprise subsidy programme; tackle the provision of subsidy to businesses, especially MSMEs; discuss loan moratoriums and deferment of payment of premium contributions; and encourage companies to install and implement business continuity plans and implement flexible work arrangements.

The measures and policy responses reviewed highlight the central role played by stakeholder cooperation, collaboration and dialogue in crafting context-sensitive and responsive interventions to address pertinent economic issues that has surfaced during this pandemic. While these do not capture all policy responses put forward, they provide an overview of the direction of current policies and of stakeholders shaping the policy responses.



Conclusions and looking ahead





► Conclusions and looking ahead

Summary and conclusions

As of 30 August 2020, evidence does not show a flattening of the COVID-19 curve in the Philippines. Uncertainty over the future of production, businesses and labour market prospects in the country persists. Recent evidence shows that the effect of the pandemic has started to manifest in key economic and labour market indicators. Growth in GDP decelerated by 0.2 per cent in Q1 2020, and the total number of employed persons declined by 8 million year-on-year in April 2020. Crippled economic activity is likely to translate to severe disruptions in the job market, particularly through diminished labour demand reflected in firm downsizing and reduction of work hours, in accelerated and deliberate efforts to increase digitalization in the world of work, and in an increased number of individuals engaged in informal or precarious work. Labour market disruptions are likely to disproportionately affect certain cohorts such as young people and OFWs.

It is estimated that 25 per cent of total employment is likely to be disrupted by COVID-19, either through decreased earnings and work hours or complete job loss. This is equivalent to about 10.9 million workers, about two fifths of which are women. More detailed sectoral analysis indicates that wholesale and retail trade, transportation and storage, construction, and accommodation and food services embed the largest number of workers at risk. In total, about 7.8 million workers in these sectors are likely to be disrupted by COVID-19.

An occupational analysis of the impact of digitalization on jobs at the sectoral level shows that some sectors face a double-tiered risk of being disrupted. In particular, some sectors which display medium to high risk of being disrupted by COVID-19 also display high shares of workers in occupations likely to be disrupted by digitalization.

Sectors offering leisure-related services such as accommodation and food services and arts, entertainment and recreation face high risk of pandemic-induced job disruption and are dominated by “collapsing” occupations.



Safety and health in manufacturing — © ILO/M. Fossat.



Safety measures to prevent the spread of COVID-19, Manila — © ILO/Minette Rimando.

Illustrative collapsing occupations in these sectors include waiters, cooks, kitchen helpers, food service counter attendants, street food salespersons, fast food preparers, bookmakers, croupiers and gaming workers, and cashiers and ticket clerks. Likewise, manufacturing and transportation and storage constitute sectors dominated by machine terrain occupations (or occupations facing high risk for destructive digitalization and high potential for transformative digitalization) and are highly susceptible to the job disruptive impacts of COVID-19. Examples of vulnerable machine terrain occupations include: electrical and electronic equipment assemblers; sewing, embroidery and related workers; welders and flamecutters; tailors, dressmakers, furriers and hatters; supply, distribution and related managers; and drivers and freight handlers.

Estimates suggest that about two thirds of workers at risk of COVID-19-induced job disruption are in occupations facing high risk for destructive digitalization (namely collapsing and machine terrain occupations). This equates to more than 7.2 million

workers exposed to a double-tiered risk of job disruption.

Aside from the aforementioned workers, other groups of workers at risk include informal or precarious workers, young people and OFWs. Sectoral analysis of vulnerable employment suggests that more than one-fifth of employment in transportation and storage, accommodation, and food services, wholesale and retail trade, and real estate activities are part-time workers and those in vulnerable employment.

As the youth unemployment rate registered a sharp spike from 12.9 per cent in April 2019 to 31.6 per cent in April 2020, young individuals in the Philippines face multiple labour market risks such as severe disruptions in education and training, low earnings, limited employment prospects and magnified job search constraints. While digital technology could help enable the continuation of education and training (and possibly highlight the competitive advantage of youth in the use of digital tools at work) in this time of pandemic, evidence indicates that the

Philippines lags behind other countries in terms of internet access, speed and affordability. As lack of access may exacerbate existing inequalities, it appears that much needs to be done to ensure that no one is left behind in the transition towards the new normal in education and training.

As for OFWs, more than 600,000 are reported to have been displaced from their work as of 16 August 2020, and are encountering re-entry and reintegration challenges in the Philippine labour market. These workers need to recover from being retrenched and require support.

Among women workers, as many as 4.1 million are likely to be disrupted by COVID-19, particularly in industries such as wholesale and retail trade and accommodation and food service activities. Indicative evidence suggests that the pandemic has magnified many of the social vulnerabilities women already face – unpaid household and care work, the unmet need for family planning, and gender-based violence. Despite not being susceptible to the job displacement impact of the pandemic, healthcare and medical workers in the frontlines are facing increased occupational safety and health risks, including high risk of COVID-19 infection, burnout and exhaustion. Overwhelmed health facilities contribute to the burden, alongside difficulties relating to PPE supply and claiming of special risk benefits. About 460,000 workers were employed in the human health and social work activities sector in Q1 2020.

Building a better normal in the labour market

In this final subsection, findings from the analyses are used to offer policy measures deemed to be critical in supporting the recovery in the labour market in the Philippines amid the COVID-19 pandemic. Potential and existing programmes and

policies (some were elaborated on in section 6) are linked to the results presented in this report across the following pillars: (a) stimulating the economy and employment; (b) supporting enterprises, jobs and incomes; (c) protecting workers in the workplace; and (d) relying on social dialogue for solutions (see [figure 13](#)). The recommendations in this report (particularly in sections covering labour and employment issues) may complement those already outlined in Government reports such as the We Recover as One Report, which outlines recommendations to rebuild economic confidence and adjust to the new normal shaped by COVID-19 (IATF-TWG for AFP 2020).

In the Philippines, fear-induced uncertainty brought about by the pandemic is likely to keep businesses at a standstill, constrain the free movement of labour, and jeopardize plans that promote long-term, sustainable and inclusive economic growth and productive employment. Fear mitigation is therefore crucial in achieving a strong post-pandemic economic rebound. Likewise, enabling policies and institutions in mitigating the paralyzing effect of pandemic-induced uncertainty plays a critical role. For instance, vigorous and widespread mass testing and contact tracing efforts would help contain the spread of COVID-19, enabling the country to rely less on extended lockdowns to curtail disease spread. Moreover, such efforts build public confidence necessary to restart economic activity and facilitate the safe return of workers in workplaces.

Short-term financial and tax relief for businesses (especially MSMEs) can reduce the risk of business closures and associated worker lay-offs. This is important because continued business activity secures the potency of existing value chains and diminishes risk of indirect job disruption via hampered production links.

It would be difficult to combat the negative impact of COVID-19 on jobs if employers stop hiring or worse, if companies shut down or decide to lay off their workforce to avoid incurring further losses. In accordance with this, the government may consider providing short-term options that ease companies' financial burden so they can quickly resume business operations. It may be prudent to give priority to local MSMEs in this regard, particularly MSMEs in sectors identified to be at high risk of pandemic-induced job disruption. Relatedly, the government may also consider subsidizing the mass testing of companies' skeletal workforce (or workers who have no choice but to work on-site). As of end-August, DOLE advises employers to shoulder the cost of COVID-19 control and prevention,¹⁶³ effectively putting an additional burden to the already imperilled balance sheets of many enterprises.

Recall that the analysis presented in this report showed that the pandemic caused a reduction in work hours manifested through a shift in the composition of the workforce from full-time to part-time employment and an increase in the share of individuals "with a job but not at work". Workers affected by this shift may find other means for earning money, and potentially through the informal economy. For such workers, immediate support may be required in terms of income and in-kind assistance. Other considerations may include public employment programmes. Moreover, identifying and addressing policy gaps in non-standard forms of employment will be important as a medium- to long-term measure to ensure that workers and enterprises benefit from productive employment and decent work in the

socio-economic recovery process. Preliminary evidence indicates emerging opportunities in e-commerce¹⁶⁴ and the gig economy,¹⁶⁵ which may pave the way for an increase in self-employment (through online platforms), independent contracting and freelancing.

The rise of alternative work arrangements inevitably raises questions about regulation, social protection and decent work. One policy measure put forward recently in this regard is the taxation of online businesses. Revenue Memorandum Circular No. 60-2020 of the Bureau of Internal Revenue requires all Filipinos engaged in an online business to register their business and pay taxes, including sales earned from past transactions.¹⁶⁶ While this measure may help workers engaged in the gig economy to transition to formal employment, regulate the e-commerce business and augment funds needed by the government for its pandemic response efforts, a comprehensive view and dialogue among stakeholders is needed as it may also have additional effects in discouraging those attempting to enter the e-commerce market or in prompting current businesses to leave the market.

On another note, independent contracting and freelancing fall within the bounds of so-called "non-standard forms of employment" which are likely to be output-based, amenable to be carried out remotely and requires frequent interaction with digital tools. Because such arrangements tend to be short-lived and on demand, implementing social protection measures would help ensure decent work for individuals engaged in these non-standard forms of employment (ILO 2016). Early attempts in this regard appear in proposed legislation that protects freelance workers amid the pandemic.¹⁶⁷

¹⁶³ For more information, see <https://www.dole.gov.ph/news/labor-advisory-no-18-series-of-2020-guidelines-on-the-cost-of-covid-19-prevention-and-control-measures/>

¹⁶⁴ B. de Vera: "PH e-commerce gains during COVID-19 lockdown," *Inquirer.net*, 21 Apr. 2020.

¹⁶⁵ P. Romero: "New normal seen to boost gig economy," *PhilStar*, 18 May 2020.

¹⁶⁶ R. Rivas: "As online selling booms, BIR reminds vendors to register, pay taxes," *Rappler*, 11 June 2020.

¹⁶⁷ V. Gulla: "House bills seek to protect freelance workers amid COVID-19 pandemic," *ABS-CBN News*, 26 June 2020.

In relation to the rise of digital careers, ramping up digital infrastructure and promoting digital literacy for all serve as broad-based policies to manage job disruption due to the COVID-19 pandemic. The analysis presented in this report showed that COVID-19 may accelerate the adoption of digitalization in formal training institutions and in businesses. This underscores the cross-cutting impact of digitalization across age groups. For youth, COVID-19 has meant needing digital tools to secure continued training and education despite the pandemic. For many working adults, the pandemic set off a shift from office-based work to teleworking that requires performing most job tasks at home.

Although teleworking cannot be performed for all occupations, the new normal in workplaces is being characterized by the rise of work-from-home arrangements that require frequent interfacing with digital technologies to coordinate tasks and maintain productivity. The situation presents greater challenges for households with limited ICT infrastructure, and with workers and learners sharing equipment. Policies that boost investment in stable and fast broadband connectivity as well as government assistance in providing ICT equipment and digital skills training tailored to the specific needs of particular age cohorts are therefore crucial in promoting inclusivity in the adoption of digital technologies (Park and Inocencio 2020). Social dialogue would also help ensure “decent digiwork” – in particular, negotiating which aspects to regulate by law and which ones to leave for bipartite agreements at company or workplace level can be discussed among relevant policy stakeholders.

Context-specific and appropriate measures for particular groups and sectors may be explored. Returning OFWs and informal and precarious workers, especially those who have been laid off from their jobs, will benefit from short-term financial assistance from the Government. Measures facilitating

the social reintegration of displaced OFWs and informal workers will help them recover from pandemic-related woes. These can cover labour market information and employment assistance, as well as retraining, retooling or upskilling efforts to facilitate re-entry into formal employment. Ensuring social protection coverage (particularly retirement, unemployment insurance, provident savings) of OFWs, especially for women and those in elementary and precarious job sectors, is also critical in the long-term, given that many OFWs are not covered or fall out of mandatory social protection schemes in the country or are not qualified in social security schemes of destination countries.

Meanwhile, among the multiple vulnerabilities brought about by COVID-19 on the young population is the possibility of lost opportunities for education and training. This can impact future job prospects, potentially placing young people of today at a grave disadvantage. Apart from ensuring access to lifelong learning despite the pandemic, the Government can consider implementing programmes that will directly address potential future job discrimination against the young who are at risk of being dubbed as the “lockdown generation”. These may include national initiatives that promote remote apprenticeships, work-based learning or the establishment of national accreditation systems that recognize training or education gained from multiple learning modalities. Such measures communicate to prospective employers that learners who have obtained credentials during COVID-19 (and beyond) are not necessarily any less than learners who have obtained their distinctions via traditional learning routes.

Concerning sector-specific policy responses, the categorization of sectors into low-, medium- or high-risk of job disruption due to COVID-19 is useful in that it can be used to define more focused measures based on expected labour market impact. This study



found that high-risk sectors correspond to sectors that are least likely to remain operative with containment measures in place or are experiencing (or are likely to experience) sharp slumps in demand due to the pandemic. As mentioned earlier, supply-side support measures such as being prioritized in employee mass testing efforts and in government financial support may help these sectors reboot quickly. In addition, workers in high-risk sectors would benefit from targeted financial assistance, such as unemployment insurance for the retrenched. Meanwhile, for businesses in high-risk sectors that face significant demand-driven risks, aid can come in the form of assisting industries in reconfiguring their business models or in building continuity plans that take into consideration unique business challenges brought about by the pandemic.

Sectors facing medium risk of job disruption correspond to those whose operations were temporarily halted by the lockdown but may recover after some transition period. Such sectors (such as information and communications, financial and insurance activities) may benefit from policies that directly address potential data privacy or cybersecurity issues. As organizational change processes may differ across sectors and companies within those sectors, shared sector-specific guidelines may be jointly crafted through social dialogue facilitated by the Government, in cooperation with employers' and workers' organizations.

Lastly, low-risk sectors are comprised of essential industries whose workers, such as, for instance, healthcare and medical workers, are potentially at greatest risk of occupational hazards. In accordance with this, measures that directly address potential ergonomic, psychosocial and health risks need to be in place to protect workers in these industries. Policies that facilitate the absorption of displaced workers into low-risk sectors can also be considered. This can potentially be addressed through targeted technical-vocational education and training and job-skills matching programmes.

Taken together, a combination of broad-based and targeted policy measures is needed to manage the disruptive impact of COVID-19 on jobs in the Philippines. A concerted and coordinated response involving multiple stakeholders spanning the Government, employers' and workers' organizations, industry, the academe and beyond will ensure that all voices are heard and that specific and unique needs by certain groups are aptly addressed (ILO 2020I). To foster an inclusive and sustainable recovery, these efforts must leverage strong tripartite dialogue and engagement of representative workers' and employers' organizations especially in the design and implementation of effective policy responses. Tripartite dialogue to oversee the COVID-19 policy responses on jobs and incomes may be fostered through modalities such as a national tripartite committee.

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Annex 1: Methodology note

► Annex 1: Methodology note

The number of jobs at risk of being disrupted due to the COVID-19 pandemic is estimated using a two-step process. First, the level of expected impact to output and employment in each sector is assessed in a manner that is similar to the ILO global analysis in its ILO Monitor on COVID-19 and the world of work (ILO 2020d). Then, the share and level of jobs at risk within each sector is estimated.

The first step involved examining the experienced reduction of gross value-added by major subsector (based on 17 sections of the International Standard Industrial Classification of All Economic Activities (ISIC) and by manufacturing subsector (reflecting sector classifications at the two-digit ISIC level) during Q1 2020. Time-series data (for purposes of year-on-year comparisons) were culled from the National Accounts of the Philippines published by the PSA. Complementing this dataset is data on the employment situation as of April 2020, which are preliminary estimates gathered from the official labour statistics published by the PSA. Sectoral employment disaggregations (consistent with the 17 sections of ISIC) are publicly available and thus map consistently with the value-added dataset.

Auxiliary measures such as exports composition (April 2020 versus April 2019), indices based on monthly surveys of manufacturing activity, data from the Oxford COVID-19 Government Response Tracker (which ranks the stringency of social distancing measures implemented by governments in

144 countries and territories) were taken to provide more context on the underlying macroeconomic dynamics that could have impacted the labour market situation. Statistics were combined with information gathered from news reports spanning the period March to August 2020 to identify sector-specific issues salient in the COVID-19 discourse, particularly in the Philippine context. This allowed for a more holistic understanding of the issues surrounding the pandemic as current numbers may not accurately reflect pertinent and emerging sector-specific issues as the pandemic progresses.

The term “at-risk sector” in this context is adapted from the term applied first in the ILO Monitor Second edition (ILO 2020c). In the Monitor, the assessment of the impact of the crisis on economic output by different sectors is based on real-time economic and financial data. A similar approach is applied here but at the country level only and applying the risk assessment at the section-level of the ISIC. Two substages underpin this stage of the analysis. It first relied on official statistics that reflect the change in value-added and employment experienced by sectors during the first half of 2020. The assessments were then revised based on contextual evidence provided by auxiliary measures and news articles.

As a next step, coefficients reflecting low-impact and high-impact scenarios were assigned to each sector. These coefficients were multiplied by the number of persons employed in the detailed sector to generate a range

of workers impacted. The low-impact scenario reflects a situation in which the containment measures, both domestically and in the Philippines' key external partners, are fairly short-lived and not overly stringent, and in which production losses are not especially severe. Conversely, in the high-impact scenario, the lockdown measures are

severe and the expected economic downturn from the collapse in global demand bring especially negative consequences to the Philippine labour market. The employment data used correspond to Q4 2019 of the Labour Force Survey produced by PSA.

► **Appendix Table 1: Philippine exports by major type of goods, January–June 2019 versus January–June 2020**

Major type of goods	2020 January–June ^P (FOB in US\$ thousand)	% share	2019 January–June ^P (FOB in US\$ thousand)	% share	Growth rate (%)
Total exports	28 431 352	100.00	34 577 265	100.00	-17.8
Total agro-based products	2 441 215	8.59	2 641 428	7.64	-7.6
Agro-based products	2 016 939	7.09	2 164 093	6.26	-6.8
Coconut products	572 012	2.01	686 883	1.99	-16.7
Sugar and products	38 351	0.13	63 305	0.18	-39.4
Fruits and vegetables	1 406 575	4.95	1 413 904	4.09	-0.5
Other agro-based products	424 276	1.49	477 335	1.38	-11.1
Forest products	118 166	0.42	170 056	0.49	-30.5
Mineral products	2 400 447	8.44	2 465 233	7.13	-2.6
Petroleum products	161 935	0.57	88 404	0.26	83.2
Manufactured goods	22 821 156	80.27	28 411 047	82.17	-19.7
Electronic products	16 101 907	56.63	18 911 834	54.69	-14.9
Other electronics	1 094 299	3.85	1 785 099	5.16	-38.7
Garments	259 135	0.91	458 833	1.33	-43.5
Textile yarns/fabrics	153 754	0.54	106 579	0.31	44.3
Footwear	35 838	0.13	63 360	0.18	-43.4
Travel goods and handbags	182 773	0.64	288 028	0.83	-36.5
Wood manufactures	73 345	0.26	123 034	0.36	-40.4
Furniture and fixtures	131 885	0.46	140 251	0.41	-6.0

Major type of goods	2020 January–June ^p (FOB in US\$ thousand)	% share	2019 January–June ^p (FOB in US\$ thousand)	% share	Growth rate (%)
Chemicals	535 345	1.88	818 837	2.37	-34.6
Non-metallic mineral manufactures	93 575	0.33	129 976	0.38	-28.0
Machinery and transport equipment	1 498 880	5.27	2 163 808	6.26	-30.7
Processed food and beverages	531 339	1.87	627 287	1.81	-15.3
Iron and steel	17 392	0.06	59 799	0.17	-70.9
Baby carrier, toys, games and sporting goods	66 156	0.23	117 366	0.34	-43.6
Basketwork, wickerwork and other articles of plaiting materials	13 699	0.05	16 102	0.05	-14.9
Misc. manufactured articles, n.e.s.	313 281	1.10	493 285	1.43	-36.5
Others	1 718 554	6.04	2 107 568	6.10	-18.5
Special transactions	488 433	1.72	801 097	2.32	-39.0
Re-export	58 513	0.21	122 278	0.35	-52.1

Note: p = preliminary; r = revised

Note: FOB or free on board, to mean including export taxes net of subsidies.

► **Appendix Table 2: Employment structure by type, April 2019 versus April 2020**

	Employment shares (%) April 2020			Employment shares (%) April 2019			Percentage point change (Apr. 2019 to Apr. 2020)		
	Part-time	Full-time	With a job, not at work	Part-time	Full-time	With a job, not at work	Part-time	Full-time	With a job, not at work
<i>Agriculture</i>	68	22	10	63	36	1	5	-13	9
Agriculture and forestry	68	22	10	65	34	1	3	-12	9
Fishing and aquaculture	64	24	11	52	47	1	12	-23	10
<i>Industry</i>	17	20	63	18	81	1	-1	-62	62

	Employment shares (%) April 2020			Employment shares (%) April 2019			Percentage point change (Apr. 2019 to Apr. 2020)		
	Part-time	Full-time	With a job, not at work	Part-time	Full-time	With a job, not at work	Part-time	Full-time	With a job, not at work
Mining and quarrying	40	39	21	25	74	1	16	-35	19
Manufacturing	20	23	57	20	79	1	-0	-56	56
Electricity, gas, steam and air conditioning supply	14	46	40	5	95	0	9	-49	40
Water supply; sewerage, waste management and remediation activities	27	39	33	10	90	0	17	-50	33
Construction	12	15	73	16	83	1	-4	-68	72
Services	21	35	44	23	76	1	-2	-41	43
Wholesale and retail trade; repair of motor vehicles and motorcycles	24	39	36	25	75	1	-0	-35	36
Transportation and storage	17	12	72	22	78	1	-5	-66	71
Accommodation and food service activities	12	14	75	23	77	0	-11	-63	74
Information and communication	9	40	51	11	88	1	-2	-49	51
Financial and insurance activities	15	32	53	10	89	0	5	-58	53
Real estate activities	16	20	64	44	55	0	-28	-36	64
Professional, scientific and technical activities	13	27	60	13	87	0	0	-59	59
Administrative and support service activities	9	50	41	5	94	1	4	-44	40
Public administration and defense; compulsory social security	28	60	13	25	74	1	3	-14	11
Education	20	16	64	19	74	6	1	-58	58

	Employment shares (%) April 2020			Employment shares (%) April 2019			Percentage point change (Apr. 2019 to Apr. 2020)		
	Part-time	Full-time	With a job, not at work	Part-time	Full-time	With a job, not at work	Part-time	Full-time	With a job, not at work
Human health and social work activities	19	60	21	12	88	0	7	-28	21
Arts, entertainment and recreation	4	6	90	40	60	0	-36	-54	90
Other service activities	28	34	38	37	62	1	-9	-28	37
Activities of extraterritorial organizations and bodies	0	0	100	100	0	0	-100	0	100

Source: PSA, April 2020 Labour Force Survey.

► **Appendix Table 3: Estimated impact of COVID-19 on employment and selected key indicators by sector**

	Expected impact of COVID-19 crisis on employment, 2020	Change in GVA (Q1 2020)	Share of men in employment (% , Q4 2019)	Employment ('000, Q4 2019)	Change in employment (% , Apr. 2019 to Apr. 2020)
Agriculture, forestry and fishing	Low	-0.4	76.4	10 121	-3.5
Mining and quarrying	Low	-22.3	93.7	168	-4.3
Manufacturing	High	-3.6	59.1	3 611	-23.8
Electricity, gas, steam and air conditioning supply	Medium	5.3	91.1	83	-43.1
Water supply; sewerage, waste management and remediation activities	Medium	5.3	86.1	56	-28.3
Construction	Medium	-1.8	97.7	4 222	-33.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	Medium	1.1	38.3	8 546	-23.9
Transportation and storage	High	-10.7	96.5	3 501	-27.0
Accommodation and food service activities	High	-15.3	45.6	1 999	-35.8
Information and communication	Medium	5.7	65.0	424	-40.6

	Expected impact of COVID-19 crisis on employment, 2020	Change in GVA (Q1 2020)	Share of men in employment (% , Q4 2019)	Employment ('000, Q4 2019)	Change in employment (% , Apr. 2019 to Apr. 2020)
Financial and insurance activities	Medium	9.6	43.5	641	-21.0
Real estate activities	Medium	2.2	45.7	233	-13.3
Professional, scientific and technical activities	Medium	0.7	51.6	305	-23.1
Administrative and support service activities	Medium	0.7	62.2	1 658	-14.3
Public administration and defence; compulsory social security	Low	5.2	51.1	2 815	-9.2
Education	Low	0.9	26.3	1 407	-2.7
Human health and social work activities	Low	9.2	33.2	591	-18.5
Arts, entertainment and recreation	High	-7.6	58.7	342	-54.0
Other service activities	Medium	-7.6	22.2	2 421	-15.8
Activities of extraterritorial organizations and bodies	High	-7.6	0.0	1	-57.4

Source: National Accounts; ILO estimates based on October 2019 Labour Force Survey; April 2020 Labour Force Survey, preliminary estimates.

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