Last 07 May 2020, the National Economic and Development Authority (NEDA) announced that the Gross Domestic Product (GDP) growth of the country contracted by 0.2%. They cited the effects of the Taal volcano eruption, the COVID-19 pandemic and the decline in tourism and trade that ensued, as well as the need to implement the enhanced community quarantine (ECQ) in Luzon and other parts of the country as “significant socio-economic risks and shocks during the first quarter of 2020” (Chua, 2020). The negative growth of the economy was the first time since 1998 when the Asian Financial Crisis and extreme El Niño hit the Philippine economy.
The economic outlook for the 2nd quarter remains gloomy with the extension of ECQ in key regions that significantly contribute to the economy. With an expected contraction again in the economy, the Philippines will fall into a “recession”.

In this issue of the Labor Market Trends, the Bureau of Local Employment of the Department of Labor and Employment describes what recession means for the labor market and the interventions made by other countries to stave off its impacts, particularly on employment.

The Coronavirus Disease 2019 (COVID-19) outbreak, which began in Wuhan, China in December 2019, has since disrupted lives, economies and societies. Declared a global pandemic by the World Health Organization on 11 March 2020 with the spike in the number of cases in more than 100 countries, COVID-19’s impact in the Philippines was significantly felt when President Rodrigo Roa Duterte issued Proclamation No. 929 which placed the entire country under a State of Calamity on 16 March 2020.

PRE-COVID EMPLOYMENT SITUATION

In January 2020, the country’s employment expanded by 4.0 percent or 1.624 million additional jobs compared to January 2019. The continuous employment growth in the Services (+969,000 jobs) and Agriculture (+817,000 jobs) sectors was enough to offset the slight decline in the Industry sector (-163,000 jobs).

The January 2020 estimates show that unemployment rate remained at 5.3 percent year-on-year – still the lowest recorded unemployment rate for all the January survey rounds since 2011. However, the unemployment level in January 2020 slightly increased by 9,000 resulting to 2.390 million unemployed workers from 2.283 million in January 2019.

The youth unemployment rate declined to 13.6 percent in January 2020 from 14.2 percent over the same period in the previous year.

A decline of 0.14 percent (-9,000) in underemployment level is observed in January 2020 reporting a total of 6.317 million underemployed workers. Similarly, the underemployment rate decreased by 0.6 percentage points recording a 15.4 percent underemployment rate in January 2019 compared to 14.8 percent in January 2020.

IMPACT OF COVID-19 ON EMPLOYMENT

According to the Asian Development Bank (ADB) as cited in the publication entitled “The Economic Impact of the COVID-19 Outbreak on Developing Asia”, the Philippine economy could shed between $669 million and $1.939 billion and erase between 87,000 and 252,000 jobs due to the COVID-19 outbreak.

In the 19 March 2020 report of NEDA entitled, “Addressing the Social and Economic Impact of the COVID-19 Pandemic,” maximum employment impact is 1.8 million, assuming that the pandemic is felt until June 2020.

The Establishment Reports as of 08 May 2020 submitted to DOLE accounted about 93,621 establishments covering about 2.5 million workers nationwide who have implemented flexible work arrangements (FWAs) and temporary closure (TC). About 78% or 73,065 establishments (with 1,668,082 workers) implemented temporary closure while the remaining 22% or 20,556 establishments (with 830,359 employees) adopted flexible work arrangements.

Majority of the reporting establishments were micro enterprises with 55% share (49,225) covering 261,347 workers. This is followed by small enterprises (40% or 35,639) with 950,926 affected workers.
By major industry group, majority of the reporting establishments were under wholesale and retail trade (23% or 20,457), and accommodation and food service activities (20% or 17,395). Other major industries affected are manufacturing, construction, education, financial and insurance activities, and administrative and support service activities.

RECESSION AND UNEMPLOYMENT

Recession is typically recognized when there are “two consecutive quarters of economic decline as reflected by GDP in conjunction with monthly indicators such as a rise in unemployment” (Barnier, 2020). The last time the Philippines fell into a recession was in 1998 when GDP growth decelerated beginning Q2 (-1.4%) to its steepest decline in Q4 (-2.4%) (Alburo, 2002). Recessions are usually characterized by “a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales” (National Bureau of Economic Research, 2008).

The last time the Philippines fell into a recession was in 1998

With economic activities on a decline, employment is likewise affected because of the imbalance between the supply of workers and the demand of businesses: “In a recession, because many businesses across many different industries and markets are failing all at once, the number of unemployed workers looking for new jobs goes up rapidly. The available supply of labor available for immediate hire goes up, but the demand to hire new workers by businesses goes down” (Chappelow, 2020).

During the 1998 recession in the Philippines, unemployment¹ rose to 10.3% which, if applied to the current labor market, will be equivalent to more than 4.6 million unemployed workers in the labor force. We have yet to see the impact of the economic contraction to the labor force; but per DOLE administrative data on Job Displacement, there are 2,622,564 workers who were already displaced as of 12 May 2020.

¹ Note that definition of unemployment was changed in 2005 due to the adoption of a new official definition, in conformance with the international standard definition.
With a looming recession in the Philippines due to the COVID-19 pandemic, below are some country-specific programs and policies implemented by other countries during the 2009 recession — the last time the world economy has fallen into a global recession (Kose, Sugawara, & Terrones, 2020):

**PEOPLE’S REPUBLIC OF CHINA**

China has implemented an economic stimulus plan worth USD 586 billion which was distributed for programs that spur economic activities, to wit: public infrastructure development, social welfare plan (housing and social safety net projects), rural development and technology advancement programs, upgrade of industrial sector, environmental engineering projects, and educational, cultural and family planning purposes (Economic Observer, 2009).

As part of its safety net project, the government provided a one-time cash transfer, including rural residents, and is emphasizing active labor market policies to limit the increase in unemployment (The World Bank, 2009). Various labor market policies to reduce unemployment were implemented, such as: increasing vocational training; expanding recruitment in the countryside, while also imposing limits to jobs for graduates within the locality; return-to-home (urban to rural) for jobless migrant workers to start a business or work in farms; and investment in labor-intensive industries and small and medium enterprises (Cai & Wing, 2009).

**TAIWAN (REPUBLIC OF CHINA)**

Taiwan has rolled out a stimulus package amounting to USD 15 billion to cover measures such as “shopping vouchers, infrastructure projects, and incentives to boost private investment and encourage upgrading of industries, with the whole package to be carried out over the next four years” (Zeldin, 2008).

The shopping vouchers entitle citizens of Taiwan to receive about US$115 to purchase just about any item in Taiwan; however, there were a few notable restrictions. They could not be used to buy lottery tickets or stored-value merchandise, such as prepaid cards.

**MALAYSIA**

Malaysia introduced its economic stimulus package worth USD 16.3 billion to bolster companies and consumers affected by the recession. Job creation has been one of the main goals of the package by funding infrastructure projects. Also, a portion of the budget was spent for “skills training and employment creation, with the aim of creating 163,000 apprentice and permanent positions in the public and private sectors. Employers who hire workers that have been made redundant will be eligible for tax breaks. Finally, the package aims to support household disposable income through tax relief on interest payments on mortgages, up to 10,000 ringgit per annum over three years, while farmers and fishermen will be eligible for subsided loans” (IHS Global, 2009).

**Employers who hire workers that have been made redundant will be eligible for tax breaks**
Understanding Recession and Unemployment

**INDONESIA**

Indonesia unveiled its stimulus package worth USD 6.4 billion to be spent for “income tax cuts, tax and import duty waivers, and subsidies and government expenditures” (Breuer, Guajardo, & Kinda, 2018).

As pointed out by the International Labour Organization (ILO), “the stimulus spending focused on cutting personal income taxes in an effort to boost domestic consumption which ended up having strong spillover effects in related sectors. In fact, preliminary estimates show that more than 30 per cent of the jobs created between February 2009 and August 2010 were due to the stimulus package – 1.2 million out of 3.7 million jobs” (ILO, 2011).

**BRAZIL**

Brazil injected USD 20.4 billion as part of its economic stimulus package for the Great Recession “aimed at boosting aggregate demand and mitigating the negative impact of the crisis on the labor market and on the economic activity through three major channels, namely, additional government spending, tax cuts and subsidies” (Cuncha, Prates, & Ferrai-Filho, 2011).

The ILO mentioned “the extension of unemployment insurance benefits by two months for redundant workers employed in sectors most affected by the crisis” has mitigated the effects of the crisis. Likewise, “the reduction in the industrial production tax (IPI) gave an important boost to job creation due to the strong employment content – both forward and backward linkages – of the automobile industry. The initiative is estimated to have saved up to 60,000 jobs and the Instituto de Pesquisa Econômica Aplicada (IPEA) estimates that each R$1.00 spent on cars has a multiplier effect of R$3.76 on aggregate output” (International Labour Organization, 2011).

**CANADA**

Canada pumped a total of USD 35 billion as part of its economic stimulus package to cover for “tax breaks and home renovations to revive Canada’s ailing economy” (Whittington & Campion-Smith, 2009).

The ILO noted Canada’s Work-Sharing Programme as one measure “to keep workers tied to the labor market” (International Labour Organization, 2011). From the website of the Government of Canada, the program “is an adjustment program designed to help employers and employees avoid layoffs when there is a temporary reduction in the normal level of business activity that is beyond the control of the employer. The measure provides income support to employees eligible for Employment Insurance benefits who work a temporarily reduced work week while their employer recovers”.

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**TEXT & LAYOUT**

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The policies and programs enumerated above highlights the importance of active labor market interventions of the government to temper the impacts of recession on employment. With a cash-strapped private sector, the government should stimulate the economy through spending on programs and projects that will create jobs.

However, more than quantity of employment, the government should also endeavor to ensure that quality employment will be provided to workers despite a recession. As noted by the then Bureau of Labor and Employment Statistics (2010), expansion in part-time work can be observed during economic downturns, particularly in 1998, 2001, 2008 and 2009. They concluded that “it is the quality of employment that actually suffers because people will continue to work or accept part-time jobs with lower pay to cope with the difficult situation” (Bureau of Labor and Employment Statistics, 2010).

BIBLIOGRAPHY


