

An aerial, high-angle view of a dense urban skyline, likely New York City, featuring numerous skyscrapers and buildings. The image is faded and serves as a background for the text.

Economy Moving Forward as One: Protect Workers through Business Continuity

#FlattenTheCurveNotTheEconomy

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1. Labor retention and payroll maintenance are key goals

41 million workers, of which the following will be unaffected by COVID-19:

Government Workers	3,762,323
Employees in ECQ Essential Businesses	3,407,963
Workers in Private Households	1,920,228
Total	9,090,514

29 million workers can be affected by COVID-19, in varying degrees

- If the effect on a business is severe, layoffs can happen
- If the effect is moderate, there may not be layoffs, but compensation is reduced (e.g., no bonuses, reduced work hours)



2. Business continuity is needed to avoid layoffs

Directly and immediately hit by the COVID-19 outbreak

- affected early on - operations rely on the movement of people, goods, and services



► Tourism

- 6.5 M private workers
- 30% of entire work force in tourism and related sectors

► Trade

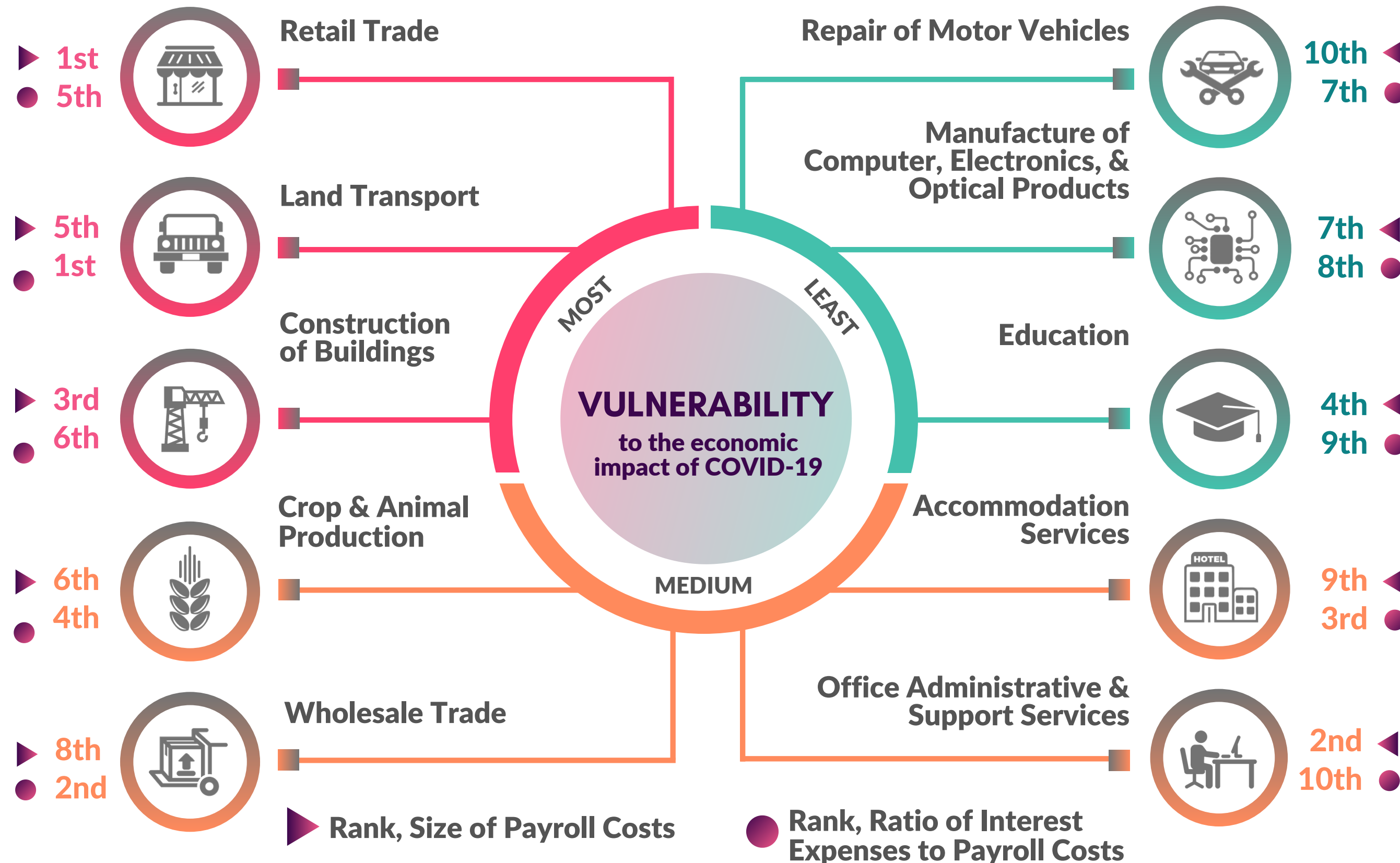
- 494,679 workers in exporting and/or importing firms

2. Business continuity is needed to avoid layoffs

In addition to trade and tourism, others most affected by the ECQ:

ECQ non-essential businesses "no sales, but with payroll costs, with loans payments"

Number of workers, employers, and small business owners: **22.94 million**



2. Business continuity is needed to avoid layoffs

MSMEs will have the greatest difficulty coping with shocks

Region	No. of formal MSMEs in the economic sectors most affected by COVID-19	Estimated no. of informal MSMEs in sectors most affected by COVID-19
NCR	149,805	525,309
CAR	12,296	62,091
I	38,431	221,498
II	23,723	15,741
III	89,268	657,044
IV-A	110,695	766,799
IV-B	18,279	115,909
V	31,530	296,216
VI	45,230	182,723
VII	50,296	252,285
VIII	23,664	192,732
IX	25,314	141,984
X	27,952	225,103
XI	43,077	212,753
XII	33,595	275,335
BARMM	6,909	162,341
CARAGA	14,916	132,031
TOTAL	746,980	4,573,895

3. How do we ensure business continuity?

- Government can help businesses help themselves in the post-COVID era
- Businesses can be helped by offering:
 - **compensation** for payroll costs during the ECQ ("no sales, with payroll costs")
 - **capacity building** to ensure businesses recover, cope with the "new normal," and better respond to shocks in the future
 - **zero interest loans** to boost liquidity
 - **"proportional" assistance:** rational scale of assistance



4. How much does government need to spend?

Econometric model and simulations

	Scenario 1: Do nothing	Scenario 2: Increase government spending (Bayanihan to Heal as One Act)	Scenario 3: Increase government spending (BHOA) + 270B Fiscal Stimulus Package	Scenario 4: Increase government spending (BHOA) + 370B Fiscal Stimulus Package	Scenario 5: Do nothing Lockdown extended to May 15
GDP growth	0.89 %	3.16%	4.49%	6.25%	-0.67%
Increased gov't spending for health and social amelioration	0	330 B	330 B	330 B	0
Increased gov't spending for fiscal stimulus	0	0	270 B	370 B	0
Gross capital formation	-8%	-5%	1%	5%	-13%
Change in household consumption	-15%	0%	5.5%	5.5%	-15%

4. How much does government need to spend?

➤ HOW MUCH IS THE POTENTIAL LOSS IN GDP DUE TO COVID-19?

- Going from target 6+ percent growth to close to zero percent growth
~ **1.08 trillion pesos**

➤ HOW MUCH FISCAL STIMULUS DO WE NEED?

- Government needs to spend **less than 1.08 trillion pesos.**
 - Multiplier effects: one peso spent by government will spur business activity and raise GDP by more than one peso.
- If the fiscal multiplier is roughly 1.53, government needs to spend **700 billion pesos.**
 - 330 billion - spending under the Bayanihan to Heal as One Act
 - **370 billion** - amount for fiscal stimulus package geared towards **labor retention via business continuity**

5. Implementation: expand select government programs

Type of assistance	Implementing Agencies	Small firms	Big firms	Amount	Basis
Wage subsidies 25% to 75% of payroll costs during ECQ if "non-essential"	DOLE	✓	✓	110 B	3 B per day payroll costs of ECQ non-essential firms (LFS)
Interest-free loans	SBC	✓		20 B	90 B annual interest expenses of ECQ non-essential businesses (ASPBI) 747 K MSMEs in most affected sectors (PSA) ~ 80 K each
	ACPC	✓		10 B	
	LBP/DBP	✓	✓	100 B	
Loan guarantees	PGC	✓	✓	10 B	
Grants to support activities to improve business resilience (e.g. education, training, advising, specific activities like website development)	DTI	✓	✓	10 B	
	DOT	✓	✓	43 B	DOT report on loss of tourism
	BOI	✓	✓	66 B	Jandoc, Adriano, Quimbo (2020) 33 B loss per month of exporters/importers
Compensation for paid sick leaves for COVID patients	SSS/GSIS	✓	✓	1 B	No. of COVID-19 cases (various reports)
TOTAL				370 B	

COVID-19: Wake-up call for government to act on economic resilience

- **Economic resilience**

- ability of the economy to withstand and recover from shocks
- shocks include pandemics, natural disasters, and financial crises

- Long run plan for economic resilience, led by NEDA

- assess our economic resilience
- propose **structural reforms** to increase economic resilience, including:
 - building the capacity of the health sector
 - enhanced Build, Build, Build
 - improving the database of government (especially for purposes of providing social protection)

- Funding: beyond FY 2020





Government



Workers

Business



**MOVING FORWARD
AS ONE**

THANK YOU.

...How else can we mitigate losses to the economy moving forward?

- Each additional day of lockdown results in further losses for the economy
- Plan on how to re-open the economy: gradual, cautious, and informed approach
- Risk assessment of each locality:



Risk of virus spread

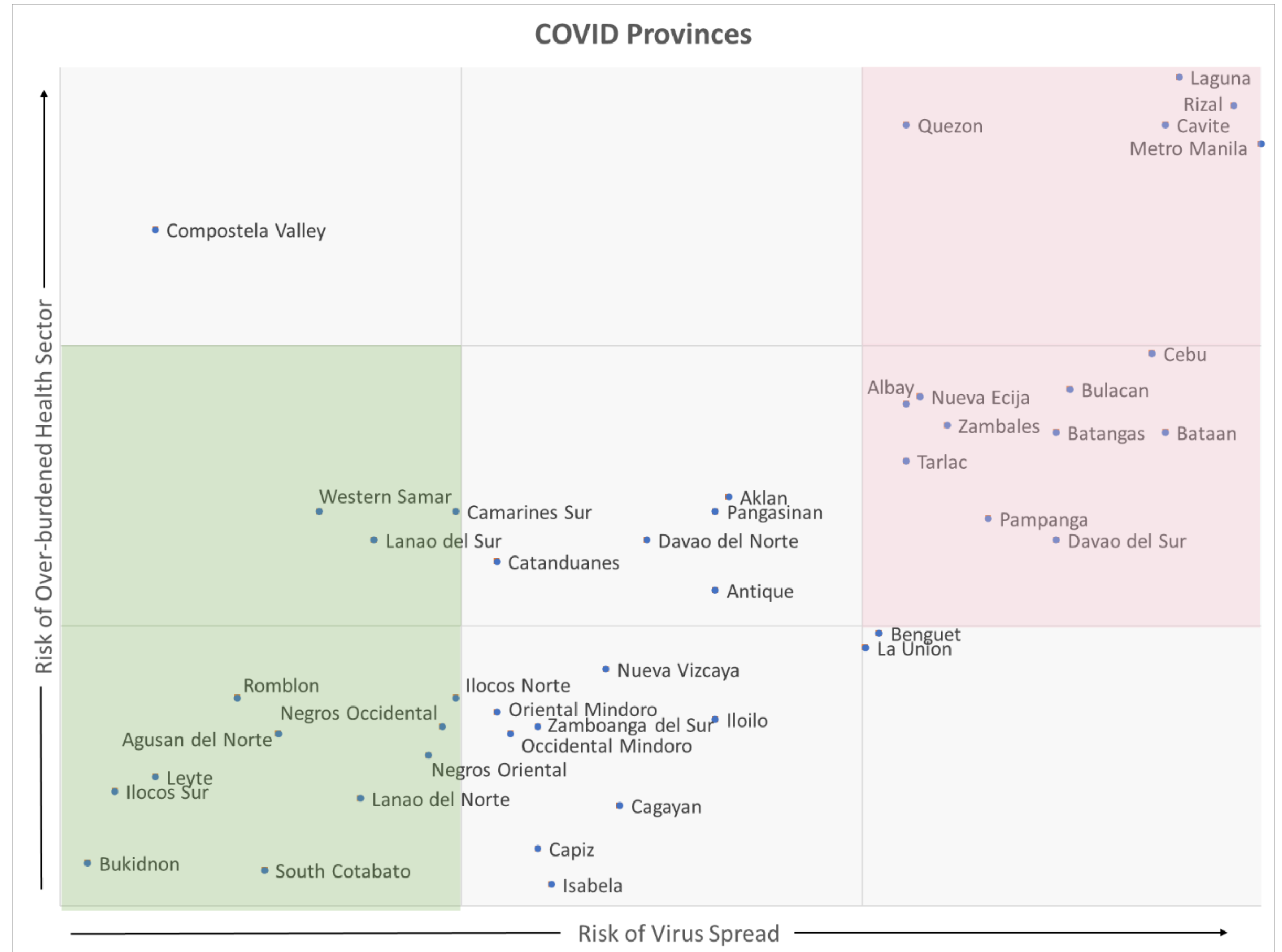


Risk of over-burdening health system

RECOMMENDATION

- ✓ Three schemes for modified lockdown measures, based on risk classification
 1. ECQ; Allow work in workplaces which are certified COVID-free, for select sectors
 2. GCQ; Allow work in all workplaces for select sectors
 3. Allow work in all workplaces for all sectors
- ✓ Implement all modified measures in weekly phases, allowing for adjustments
- ✓ In addition to border control and social distancing, **disease surveillance** is key to success
 - Contact tracing: begins with knowing place of residence and work of all confirmed cases (latest: 952 unknown cases)
 - Area-based mass testing
 - Work-based mass testing

Risk Classification of COVID provinces



Policy Recommendations

FOR COVID PROVINCES ➤

FOR COVID-FREE PROVINCES

- Allow all work in all sectors
- 2 phases

FOR ALL AREAS

- ✓ Continued border control
- ✓ Social distancing measures
- ✓ Contact tracing and targeted quarantine
- ✓ Area-based mass testing
- ✓ Work-based mass testing

