

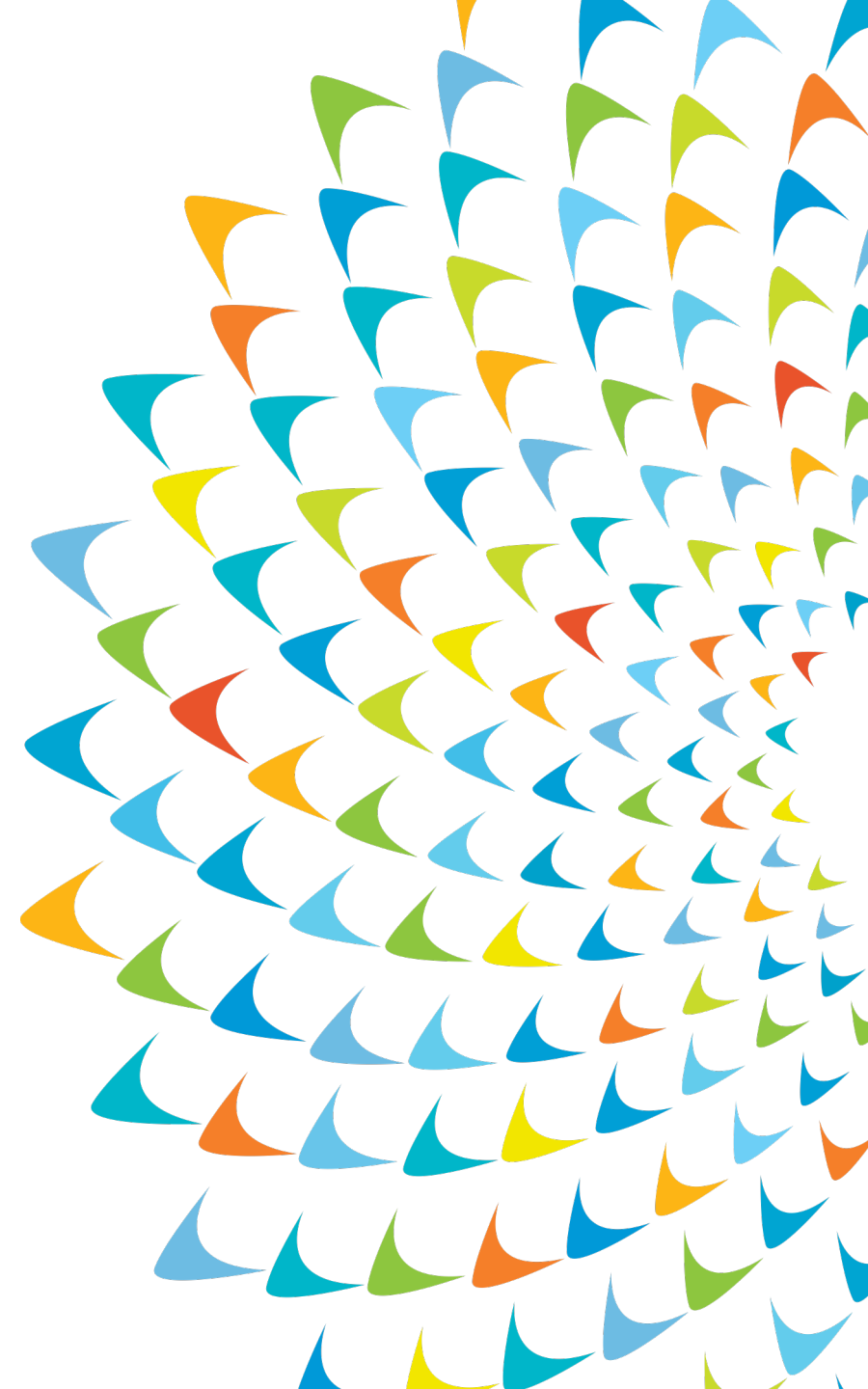
COVID-19, Technology and Jobs

Impact on labor markets in Cambodia and the Philippines

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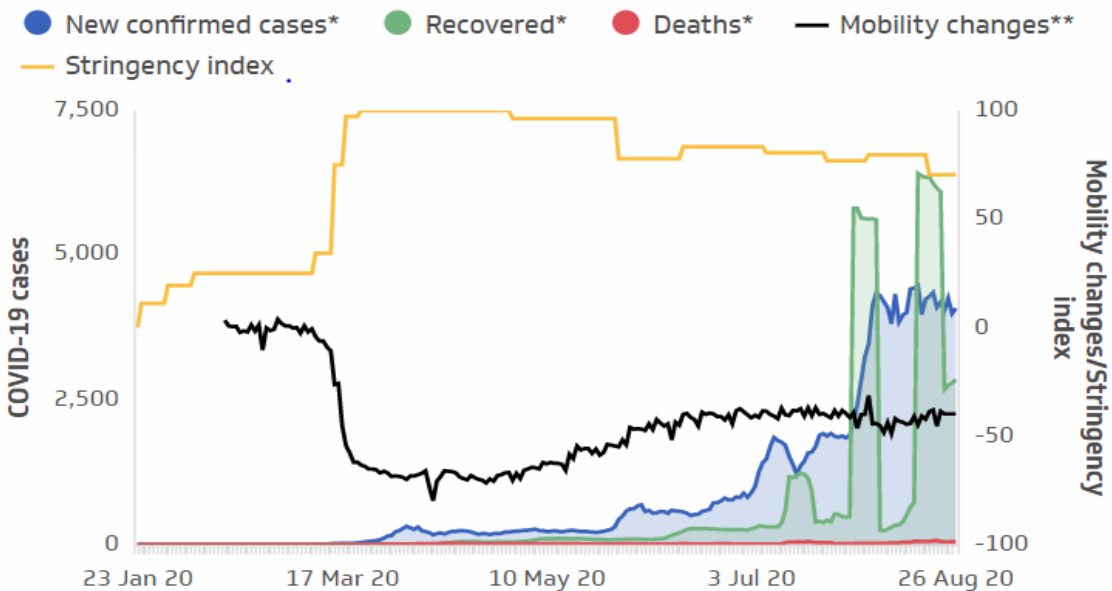
Asian Development Bank

08 September, 2020



Vastly different COVID-19 situation in terms of number cases, mobility changes, and stringency of government response

Philippines

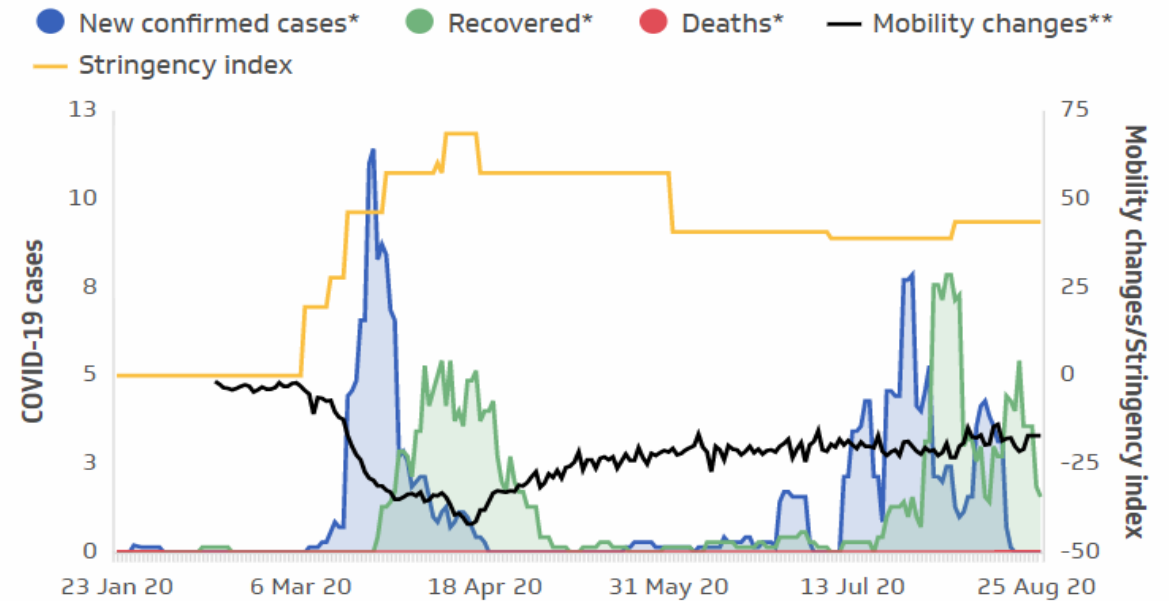


*Daily cases, 7-day rolling average, **Mobility outside residence, percent change from the baseline.

Data as of 26 August 2020

202,361	3,137	133,460	-39.8	70.4
Total confirmed cases	Total deaths	Total recoveries	Mobility changes	Stringency Index

Cambodia



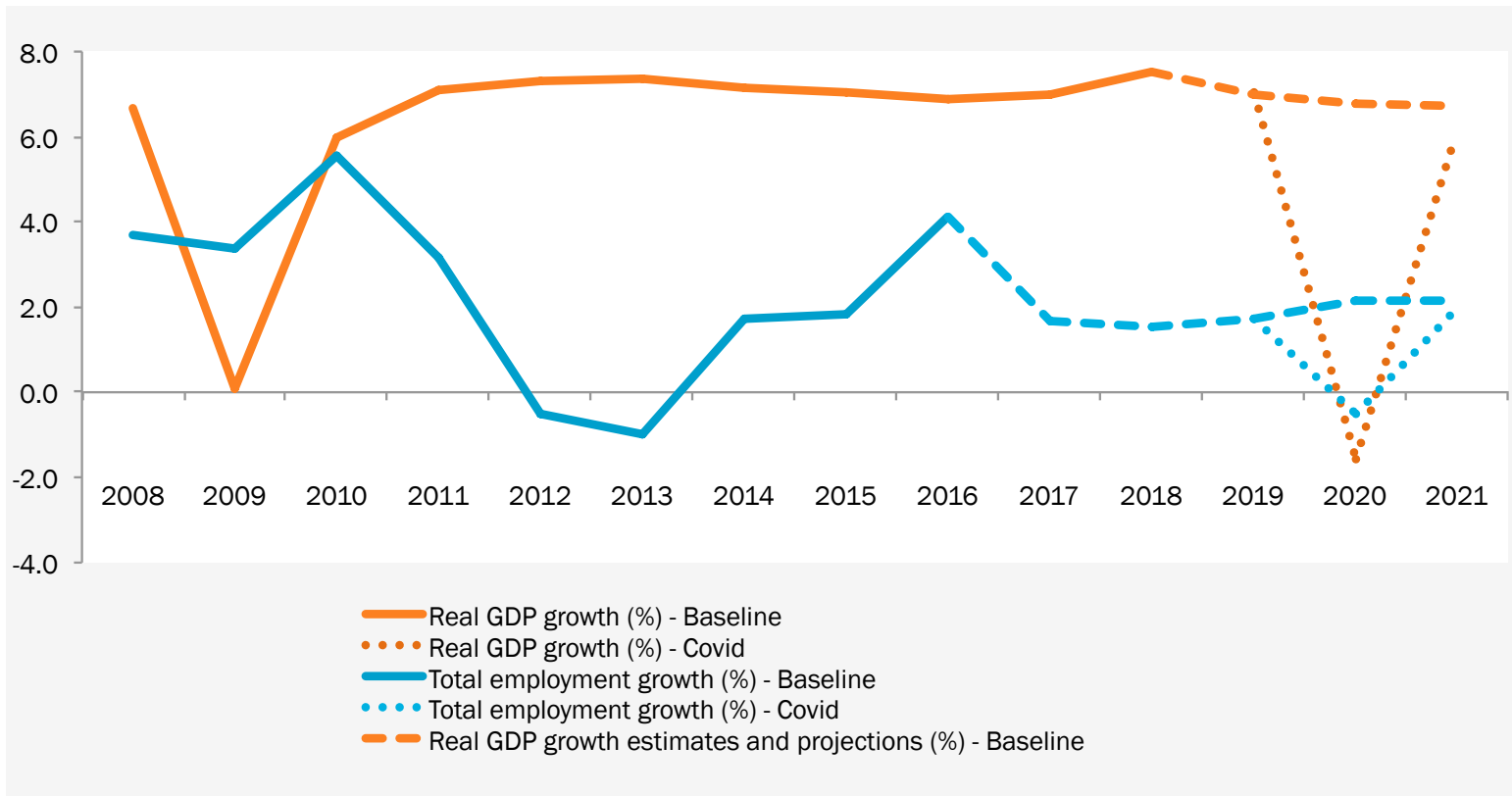
*Daily cases, 7-day rolling average, **Mobility outside residence, percent change from the baseline.

Data as of 26 August 2020

273	0	264	-17.0	43.5
Total confirmed cases	Total deaths	Total recoveries	Mobility changes	Stringency Index

COVID-19 impact on employment far worse than during Great Recession for Cambodia...

Real GDP growth rate and employment growth rate, 2008-2021

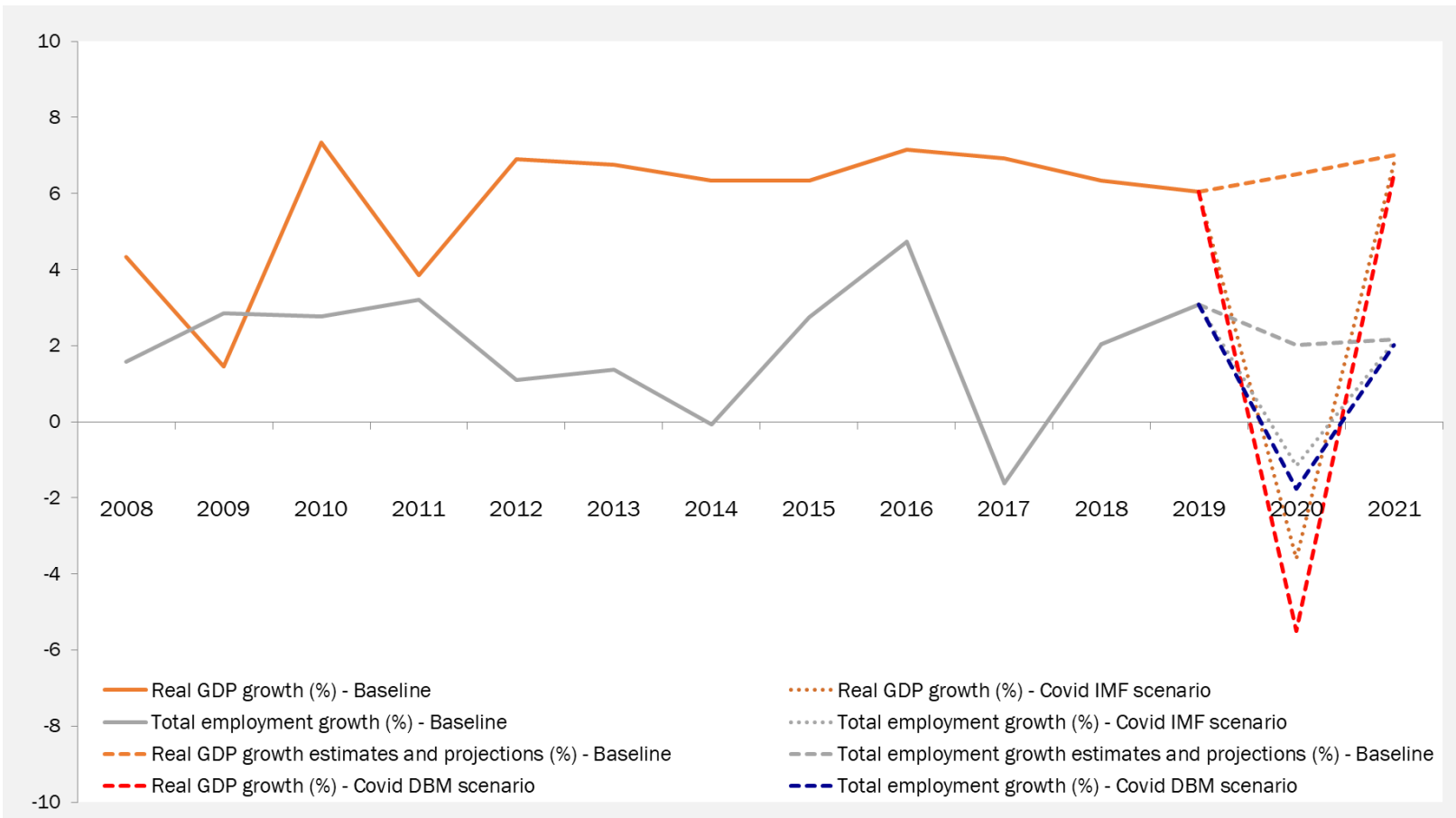


- IMF estimates show negative real GDP growth (-1.6%) in 2020
- ADB estimates show a 0.5% decline in employment in 2020 compared to 2019

Source: ADB staff estimates for employment using IMF's WEO Data (April 2020) for GDP growth.

... and even more so for the Philippines...

Real GDP growth rate and employment growth rate, 2008-2021

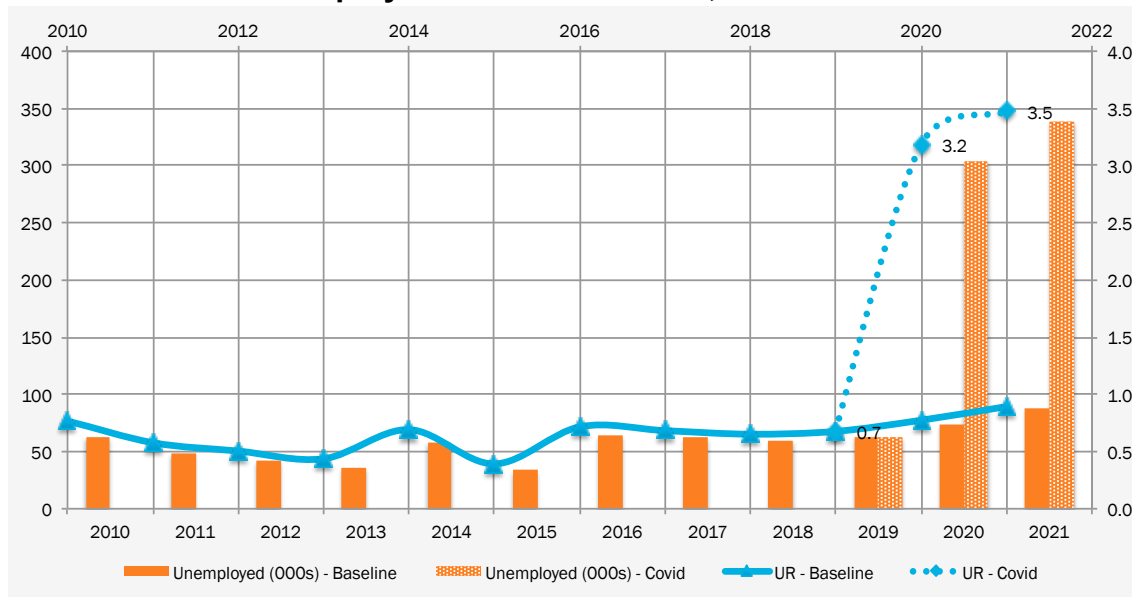


- Negative real GDP growth projections for 2020 ranging from -3.6% (IMF) to -5.5% (Government)
- ADB estimates show a 1.2% - 1.8% decline in employment in 2020

COVID-19 hit Southeast Asian labor markets hard, resulting in an unprecedented rise in unemployment...

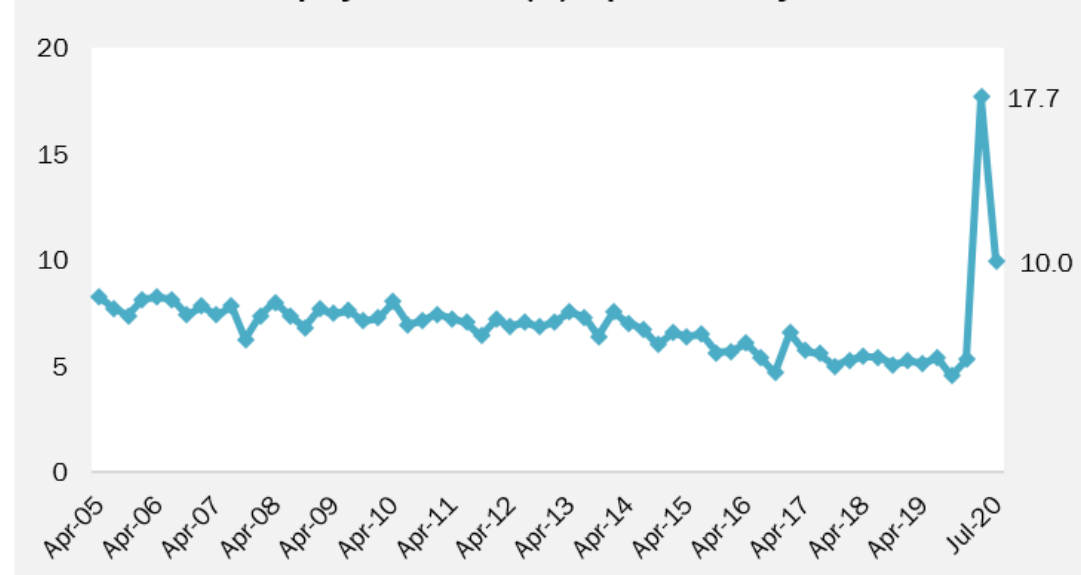
Cambodia

Unemployment levels and rate, 2010-2021



Philippines

Unemployment Rate (%), Apr 2005-July 2020



- Estimated increase in unemployment rate for Cambodia: 2.4 p.p. (from 0.7% in 2019 to 3.2% in 2020)
- In Philippines, unemployment rate soared to 17.7% in April 2020, which translates to around 5 million additional unemployed workers

Impact of COVID-19 varies by sector in Cambodia...

Employment Impact of COVID-19 in Cambodia in 2020 compared to baseline scenario, by Sector

	Best case	Worst case
Construction	-194	-287
Manufacturing	-63	-90
Real estate, renting and business activities	-54	-78
Hotels and restaurants	-26	-37
Transport, storage and communications	-24	-35
Financial intermediation	-19	-27
Public administration and defence; compulsory social security	-10	-14
Mining and quarrying	-1	-2
Electricity, gas and water supply	3	5
Education; health and social work; other community, social and personal services	4	7
Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and household goods	9	15
Agriculture, hunting, forestry; fishing	126	174

- Most affected sectors in Cambodia in terms of projected employment losses are construction, manufacturing, hotels and restaurants, transport, storage and communications, as well as real estate and business services and financial intermediation
- These sectors accounted for approximately 60% of value added and nearly 45% of employment in Cambodia in 2019

Sources: ADB Staff Estimates using National Accounts (UNSD) and ILO modelled estimates of sectoral employment.

And also in the Philippines... But actual impact even greater than projected

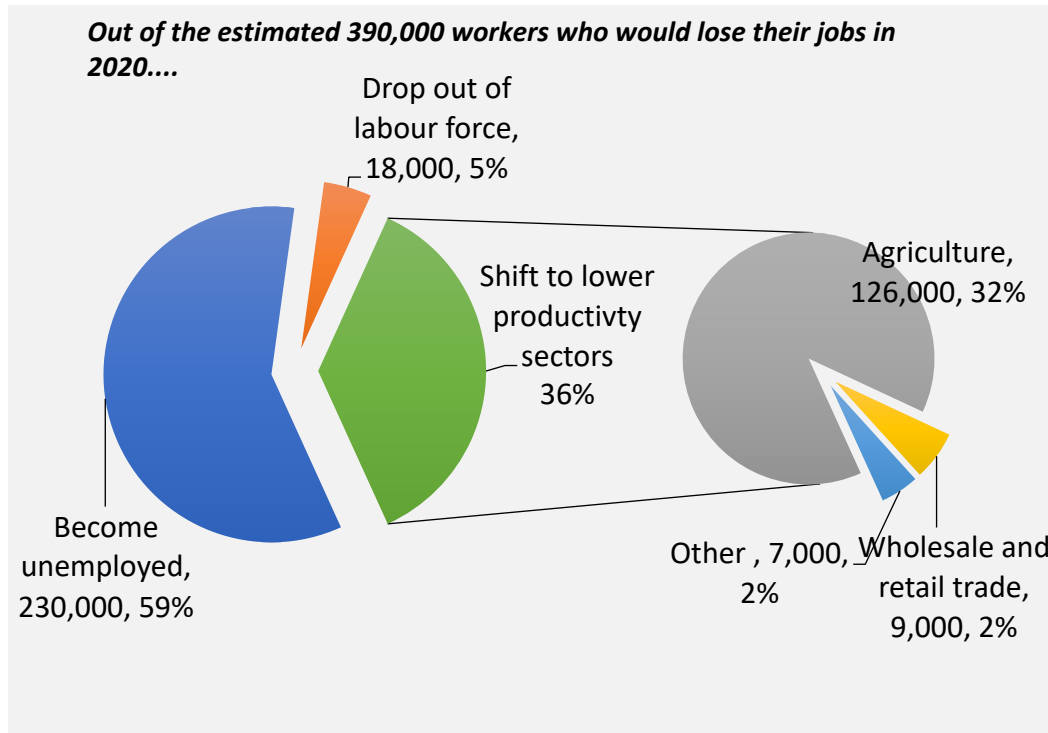
Employment Impact of COVID-19 in the Philippines in 2020 compared to baseline scenario, by Sector

	Best case	Worst case	Actual (av Q1-Q3)
Public administration and defence; compulsory social security	-395	-473	-423
Construction	-368	-439	-783
Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and household goods	-324	-389	-678
Hotels and restaurants	-159	-190	-514
Transport, storage and communications	-136	-163	-665
Education; health and social work; other community, social and personal services	-82	-99	-531
Real estate, renting and business activities	-64	-76	-220
Manufacturing	-61	-73	-421
Financial intermediation	-44	-53	-69
Mining and quarrying	-3	-4	7
Electricity, gas and water supply	3	4	-15
Agriculture, hunting, forestry; fishing	294	352	235

- In the Philippines, most affected sectors are also construction; hotels & restaurants; transportation, storage & communication; manufacturing; real estate and business services; but also in wholesale & retail trade; education, health and other services; public administration.
- Actual figures (initial Q1-Q3 results) show that impact is underestimated using our approach: truly unprecedented impact of the pandemic

Although some workers who lose their jobs become unemployed, others shift to lower productivity sectors, and others drop out of the labor force altogether...

Job losses and labor reallocation in Cambodia, 2020

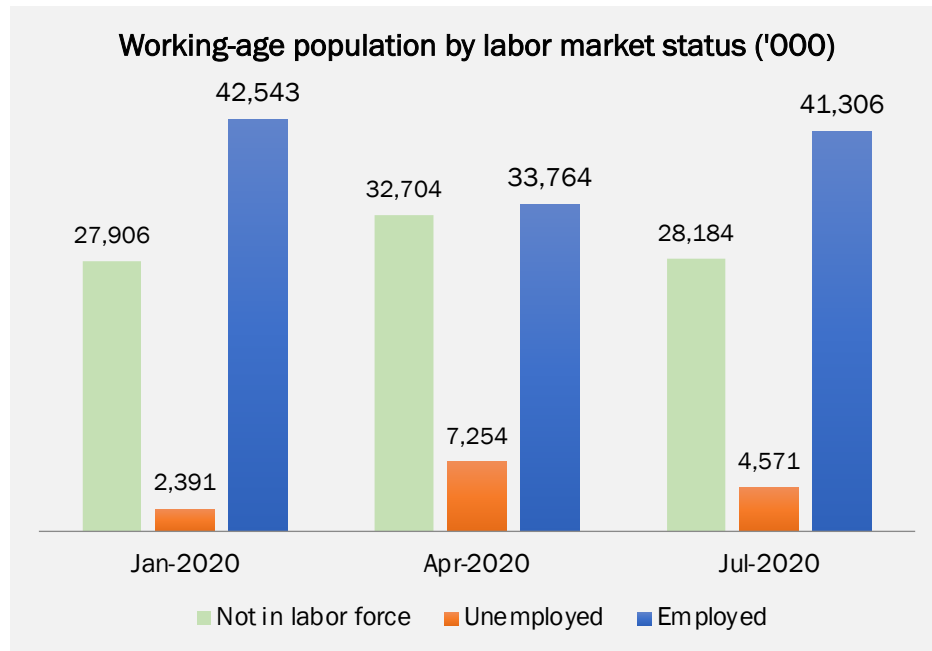


Sources: ADB estimates using National Accounts (UNSD) and ILO modelled estimates of labor market aggregates and indicators

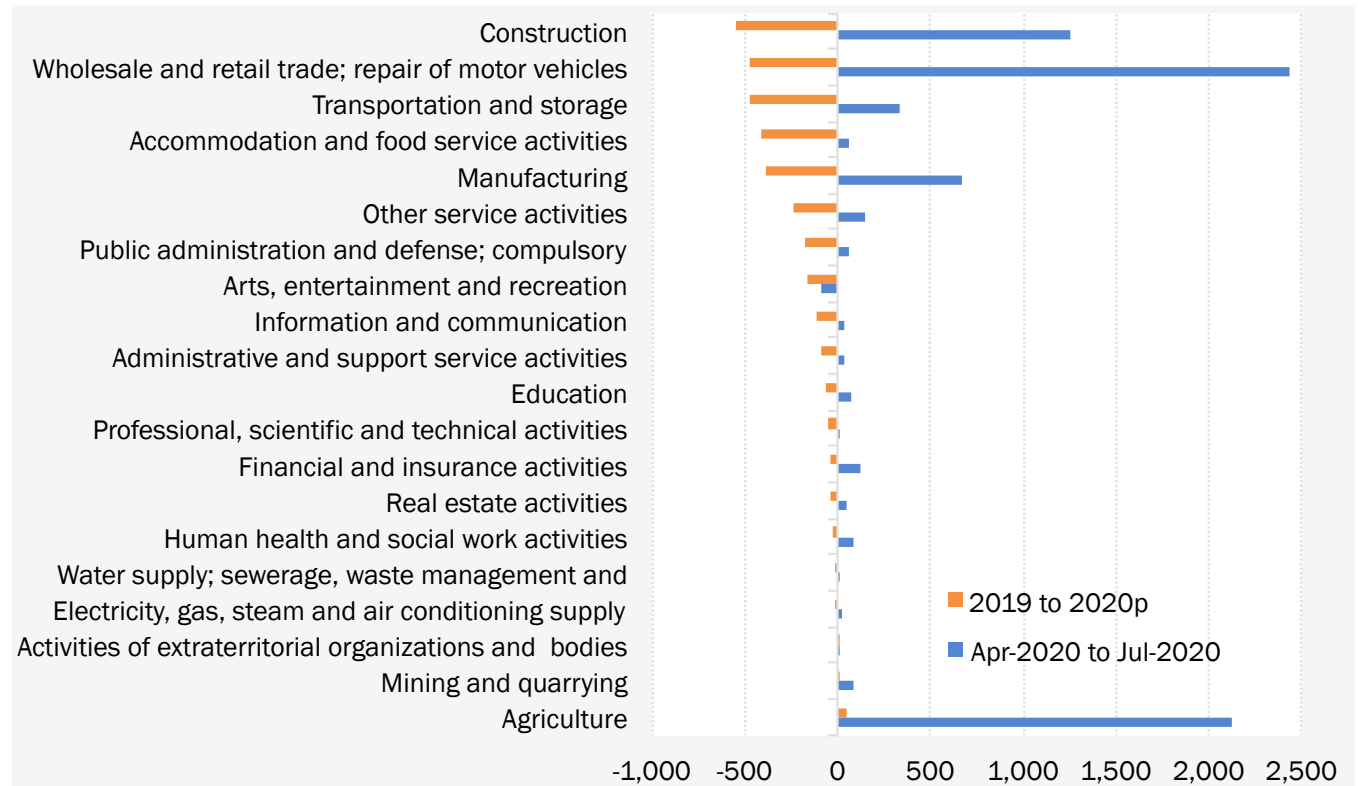
	Cambodia		Philippines			
	Projections		Projections*		Actual (Q1-Q3)	
	(000s)	(%)	(000s)	(%)	(000s)	(%)
Workers who would lose their job in 2020...	390		1,959		3,282	
And become unemployed	230	59	1,266	65	2,475	75
Drop out of the labor force	18	5	355	18	749	23
Shift to low productivity sectors	142	36	337	17	58	2

*Worst case scenario presented here, because of insights from actual figures

Indeed, actual figures for Philippines over 2020 Q1-Q3 confirm a significant drop in labor force participation, and labor reallocation towards agriculture



Change in employment by sector ('000)

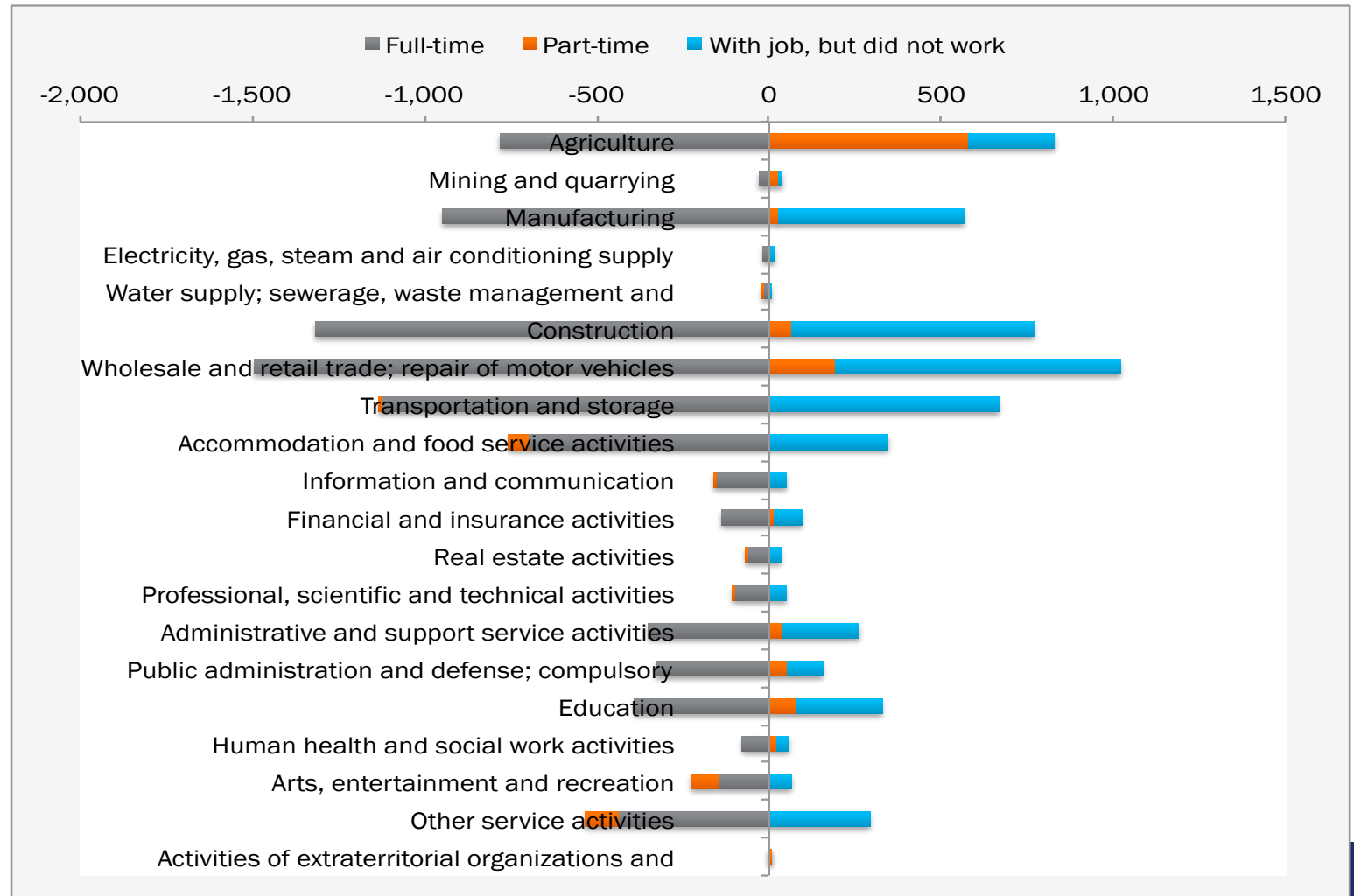


Labor market has started to improve as indicated by the July 2020 numbers: 2.7 million jobs returning as quarantine restrictions eased; 4.9 million workers rejoining the labor force. Overall, around 7.5 million jobs were restored

The pandemic had a significant impact on hours worked, significant increase in part-time work and in the numbers of those employed, but who did not work...

- While many workers lost their jobs, others shifted to part-time work, and a larger number were still employed but did not work, particularly in the most affected sectors

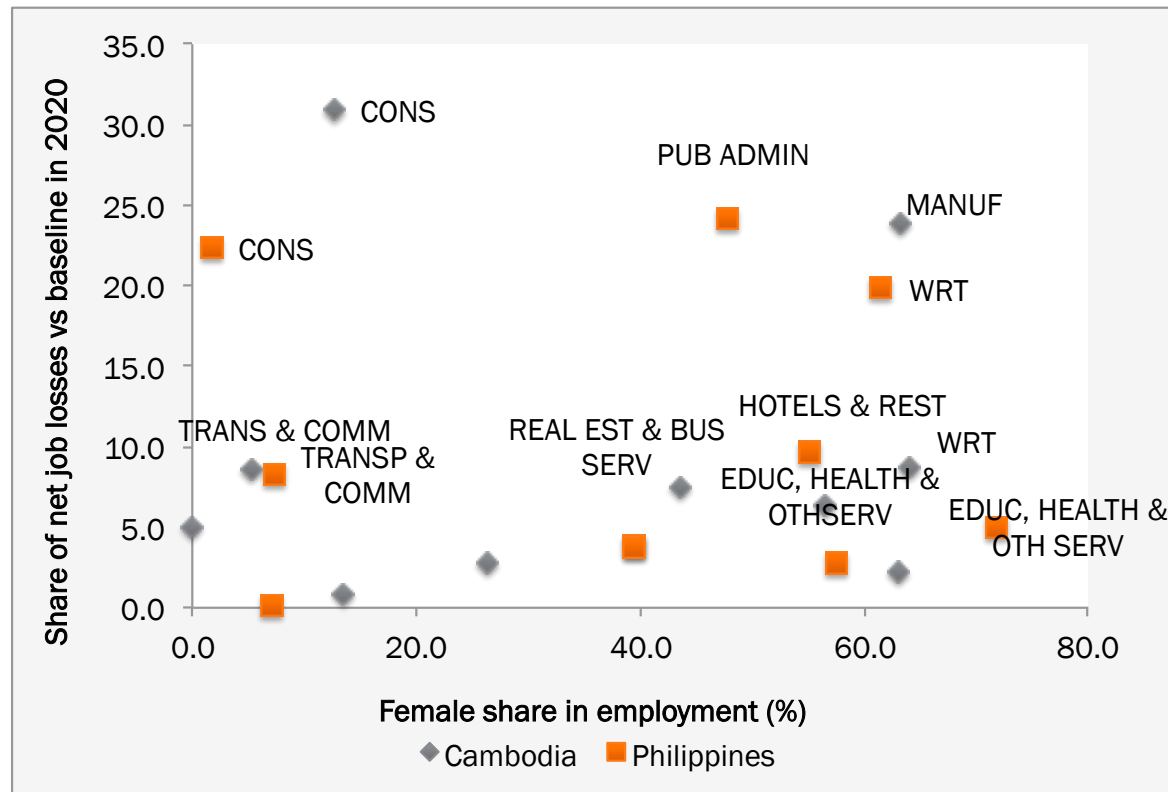
Change in employment (000s) by working time and sector



Sources: PSA. Preliminary. Based on the average of the January, April, and July LFS rounds.

Sectors most at risk include those where women account for the largest share of employment, particularly among low-skilled vulnerable workers

Female share in employment and projected share of net job losses by sector



Sources: ADB Estimates

- Significant impact on women in: hotels and restaurants and wholesale and retail trade
 - High vulnerable employment rates and informality, lower pay, and a disproportionate representation of women among low skilled workers, who face a greater risk of losing their jobs.
 - Other affected sectors with high female representation are education and other services, and in Cambodia, manufacturing.
- Men more affected in: construction, transport, storage and communications, finance, and real estate and business activities.

In conclusion, two main takeaways

1. **COVID-19 pandemic has had an unprecedented impact** on Southeast Asian labor markets, including major increase in UNR, decline in LFPR and drop in hours worked across a wide range of sectors. Most affected sectors include those employing large shares of low skilled workers.
2. Although some displaced workers shifted to agriculture, across the board **lockdown measures prevented large scale labor reallocation**, particularly in the Philippines, where more stringent measures severely constrained mobility. The informal sector could therefore not absorb lost jobs in formal sector to the same extent