



RESET AND REBUILD FOR A BETTER PHILIPPINES IN THE POST- PANDEMIC WORLD

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RESETTING CAPITALISM



“ The Great Reset ”

The **GREAT RESET** is a proposal by the World Economic Forum to rebuild the economy sustainably following the COVID-19 pandemic

- ☑ Build new foundations for the world's economic and social systems
- ☑ Steer the market towards fairer outcomes
- ☑ Investments advance shared goals, such as equality and sustainability

2021 APPC AND DPRM THEME

Resetting Capitalism

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graph TD; A[Resetting Capitalism] --- B[Ethical Business]; A --- C[Green and Inclusive Recovery]; A --- D[Robust and Healthy Workforce]
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Ethical Business

Green and Inclusive Recovery

Robust and Healthy Workforce



MAKING **BUSINESS** MORE **ETHICAL** THROUGH **STAKEHOLDER CAPITALISM**

Types of Capitalism	Shareholder Capitalism	State Capitalism	Stakeholder Capitalism
Key stakeholder	Company shareholders	Government	All stakeholders matter equally
Key feature	The social responsibility of business is to increase its profits	Government steers the economy, can intervene when necessary	Considers society's goals
Implication for corporations	Profit maximization	Business interests are subsidiary to state interests	Long-term value creation and ESG measures

Source: Based on Schwab and Vanham (2021)

MAKING BUSINESS MORE ETHICAL THROUGH STAKEHOLDER CAPITALISM



Shareholder capitalism

- **Pros:** simplicity; clear accountability; efficient decision-making; strong incentive structure (also fosters innovation)
- **Cons:** shareholder theory only works under certain conditions (e.g., well-functioning and complete markets, complete contracts, economic agents only care about money, well-functioning governments)

Stakeholder capitalism

- **Pros:** now seen as an “ethical good”; believed to lead to better governance, revenue growth, cost reduction (better resource management), lower turnover of employees; source of competitive advantage
- **Cons:** lack of a well-defined goal, may invite self-interested behavior, may be construed as expropriation (“taxation without representation”)



HOPEFUL SIGNS OF BUSINESSES “DOING WELL BY DOING GOOD”

- *Bayanihan* spirit alive and well during the COVID-19 pandemic
- **Covenant for prosperity** – signed by the Philippine Business Group in November 2020
- Corporate governance reforms in the Philippines (seeds are there)
 - Stakeholder concept already in the corporate governance code (2002 and 2014)
 - Corporate governance codes for publicly listed companies, and public companies and registered issuers include a section on “duties to stakeholders” (2016 and 2019 respectively)
 - Publicly listed companies are now required to disclose sustainability issues (2019)
 - However, regulator has adopted a “comply or explain” approach (market-driven)
 - Still quite far from instituting stakeholder capitalism, rightly or wrongly (not in Revised Corporation Code of 2019)

MAKING BUSINESS MORE **ETHICAL** THROUGH **STAKEHOLDER CAPITALISM**



Other ways to pursue inclusive and sustainable growth

- Inclusive business models or IBMs (Poblador 2017, Briones 2016)
 - Farmer entrepreneurship programs (Jollibee Foods Corp.)
 - Skills training programs (Accenture)
 - Crop-grower programs (Kennemer Foods International)
- Social enterprises (Ballesteros and Llanto 2017, Ito and Shanaz 2019)

WHY NOT A HYBRID?

(AGHION ET AL. 2020, ACEMOGLU ET AL. 2013, SOSKICE & HALL 2001)

- **Cut-throat capitalism** (liberal market economies) – best example is the US; better incentives for tech advancement but likely to have higher inequality
- **Cuddly capitalism** (coordinated market economies) – best example are Germany and Nordic countries in Europe; stronger mechanisms for income distribution and wider social safety net, but weaker incentives for innovation

ETHICAL BUSINESS: BROAD TAKEAWAYS

- Success in this area, in achieving good capitalism, will depend on the willingness of companies to renew their corporate purpose.
 - Signal: willingness to adopt stakeholder metrics (for an equitable and sustainable economy)
 - Caveat: ESG metrics should be re-evaluated, perhaps tailored for developing economies; regulators must be sensitive to each firm's capacity to adopt these measures
- Corporate governance reforms and other efforts to encourage and broaden market participation and widen corporate ownership should continue.
- The country's competition framework should be further strengthened to create an equal environment for different businesses in similar industries.
- Continued reforms in the more traditional areas of employment/labor, education/training, and taxation.

IMPLEMENTING A GREEN AND BLUE ECONOMY



Green Economy



One that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.

Low carbon, resource efficient and socially inclusive. ””

-United Nations Environment Programme 2011



Sustainable use of ocean resources for economic growth, improved livelihoods and jobs, and ocean ecosystem health. ””

-World Bank 2017

In a sense, the blue economy is part of the green economy.

IMPLEMENTING A GREEN AND BLUE ECONOMY

Building resilience entails conservation of green and blue ecosystems as well as climate change adaptation and mitigation.

The conservation strategies of the Philippines are somewhat inadequate if juxtaposed with the targets.

PH progress on SDGs pre-pandemic:

SDG 14 (life below water)
Stagnating

SDG 15 (life on land)
Decreasing

-Sachs et al. 2020

Climate targets and well-being targets should be seen as complementary.



Food security



Energy development and use



Waste management



Conservation of green and blue ecosystems



Preparing for climate change-related diseases and addressing health inequities

GREEN AND BLUE INVESTMENT OPPORTUNITIES

- Climate-smart infrastructure – promising area for public-private partnerships (PPPs)
 - Climate change mitigation projects – energy efficiency projects and GHG emissions reduction technology adoption, etc.
 - Climate change adaptation projects – design-build-operate projects that anticipate climate uncertainty (e.g., hydropower projects that consider extreme water flows or shortages)
 - Resilience-building infrastructure projects (disaster prevention/preparation/readiness) – beach mangrove forest restoration, flood spillways, canals, seawalls, etc.

SHAPING THE **PHILIPPINES' SUSTAINABLE RECOVERY** THROUGH **GREEN INITIATIVES**



- Make space for “greening” of stimulus packages
- Identify and invest in green growth opportunities (e.g., tapping the ASEAN Catalytic Green Finance Facility, Green Climate Fund)
- Participate more vigorously in debates on “global commons” and climate actions
- Understand the tradeoffs and find alternatives (e.g., the issues surrounding carbon taxes)



DEVELOPING A **ROBUST** AND **HEALTHY** WORKFORCE

COVID-19 highlighted existing health inequities faced by low-compensation workers as they are more likely to encounter poor work-related conditions.

They are more likely to:

- live in crowded conditions or in areas with high levels of pollution
- take congested public transportation
- lack the financial resources to afford adequate protection even while away from the workplace
- feel compelled to go to work even on sick days as the opportunity cost of not working is just too high
- have pre-existing health conditions given the environment they are in and the stresses they encounter

DEVELOPING A **ROBUST** AND **HEALTHY** WORKFORCE

While digitalization and the Fourth Industrial Revolution have facilitated the transition to remote work and distance learning, *differences in the ability to access* these technologies have exacerbated existing inequalities among households and across countries.



Rethinking social protection systems for the workforce



Focusing on health at work



Reimagining schooling and future-proofing education



Mobilizing a reskilling revolution



Closing the gaps (digital divide, gender gap, youth unemployment)

ACCELERATION OF EMPLOYMENT TRENDS DURING THE COVID-19 PANDEMIC



- Adoption of e-commerce by businesses
- Transition of displaced workers to different jobs highlighting need for upskilling and reskilling
- Rise of the gig economy
- Acceptance of a work-from-home setup by companies

DEVELOPING A **ROBUST** AND **HEALTHY** WORKFORCE: LESSONS FOR THE **PHILIPPINES**



- Invest heavily in reskilling and upskilling programs
- Revamp the social protection system to cover the growing employment in the gig economy and strengthen health support programs
- Improve digital readiness and address the digital divide
- Invest in the future workforce

**A WHOLE NEW
WORLD**

MARTY, WHATEVER HAPPENS



DONT EVER GO TO 2020!



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