

Overworked, Underemployed, and Underpaid: unraveling the challenges of Filipino workers during the pandemic*

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*tentative working title

Labor markets and COVID-19

- Most vulnerable to job losses or fewer working hours – youth, women, those with informal or casual jobs, low-skilled jobs, self-employed (ADB, 2021; ILO, 2020; 2021)
- In the Philippines, roughly 1 in 5 moved out of employment (Khatiwada, et al., 2021)
- For today's event: stylized facts on underemployment during the pandemic, preliminary insights and bits of labor policy agenda

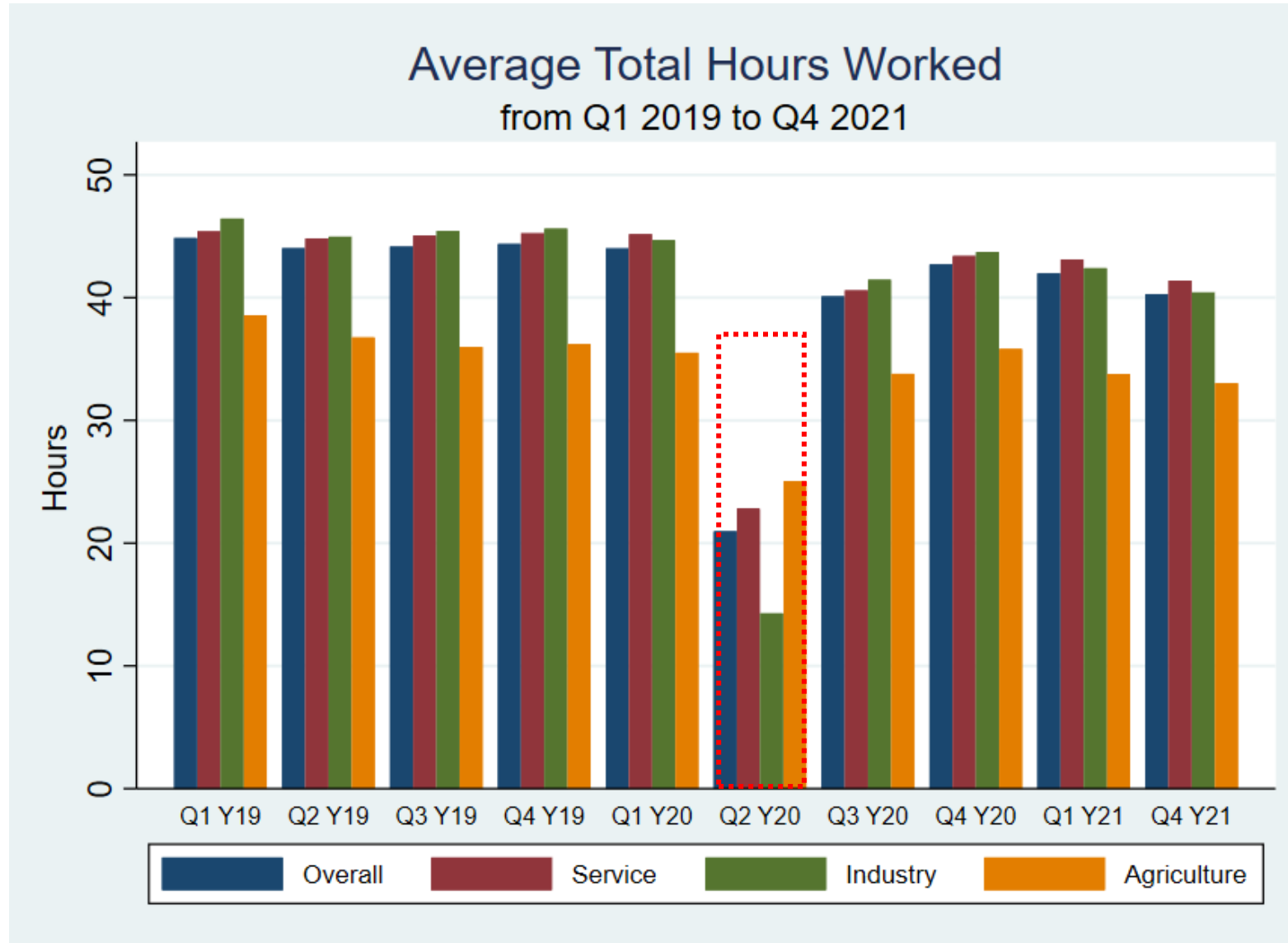
Broad aim of the project

- The goal is to present timely statistics on labor market dynamics in the Philippines through a series of papers
- Thematic papers on labor supply, wage returns human capital and educational investments, etc.

For this study

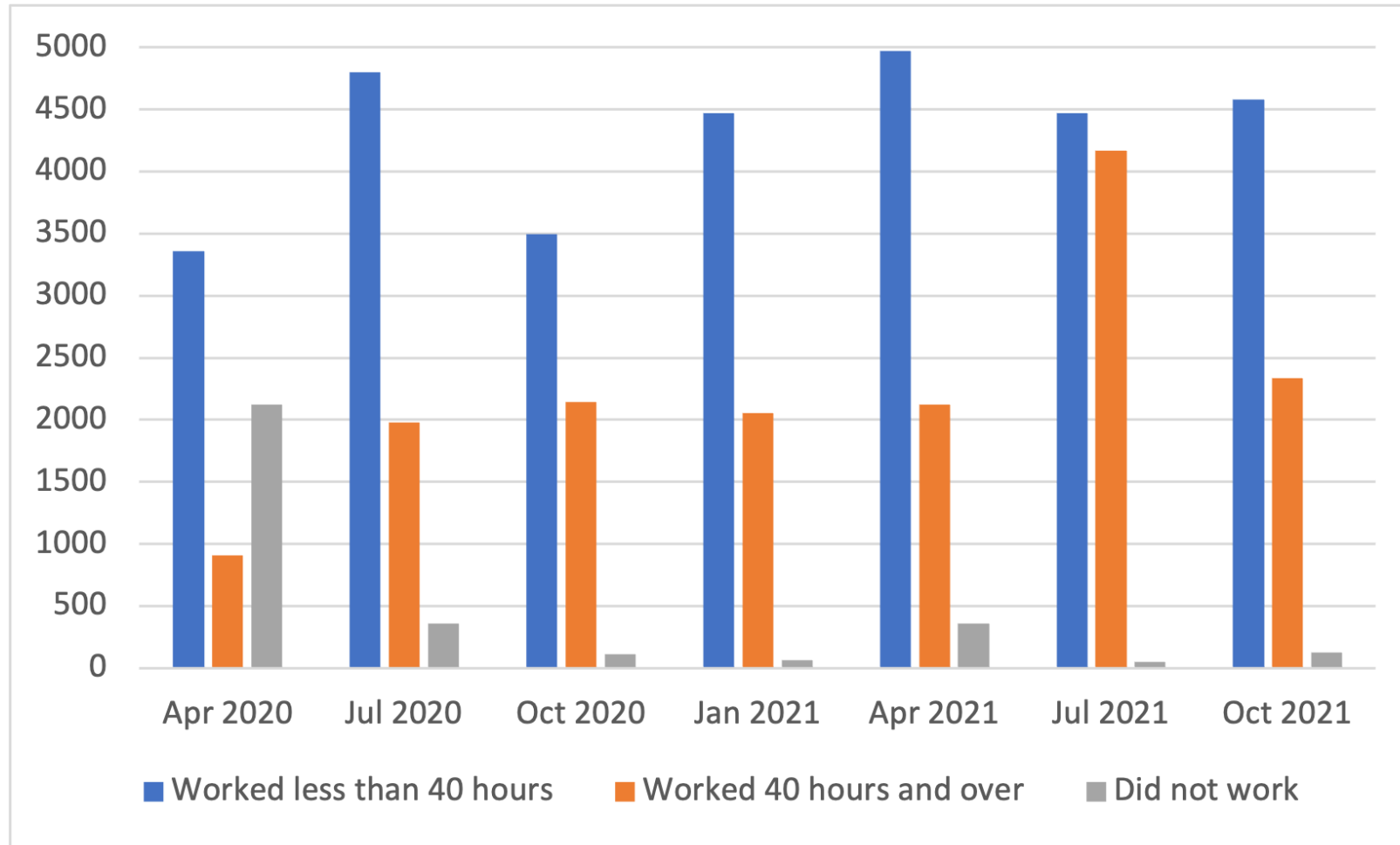
- We focus on the questions in the Labor Force Surveys that ask individuals if they are looking for additional hours of work and if they are looking for another job throughout the pandemic
 - **Underemployed persons or employed persons** who expressed desire to have additional hours of work in their present job or to have an additional job, or to have a new job with longer hours of work (PSA).
 - **Visible underemployment** rate or the proportion of underemployed persons working less than 40 hours in a week
- Underemployment, labor market underutilization, and labor supply at the intensive margin (Faberman, 2022; Lin, 2003; von Gaudecker, 2020; Zabel, 1993; Zimpelmann, 2021; Bradley et al 2021)
- Elasticities, income and substitution effects, work-time preference (Ashenfelter and Heckman, 1974; Menezes and Wang, 2005;)
- Differences in terms of gender (Knize, 2022; Angrist and Evans, 1998); household production (Chiappori, 1998; van Soest, 1995); sector, age, educational attainment.

What we know: decrease in mean hours worked across industries, pre-covid vs covid.



What we know: extent of the underemployed

Number of Underemployed, by Hours of Work, April 2020 to October 2021 (in millions)



Lockdown Periods:

1st wave – March/April 2020

2nd wave – March/April 2021

3rd wave – August 2021

4th wave – January/February 2022

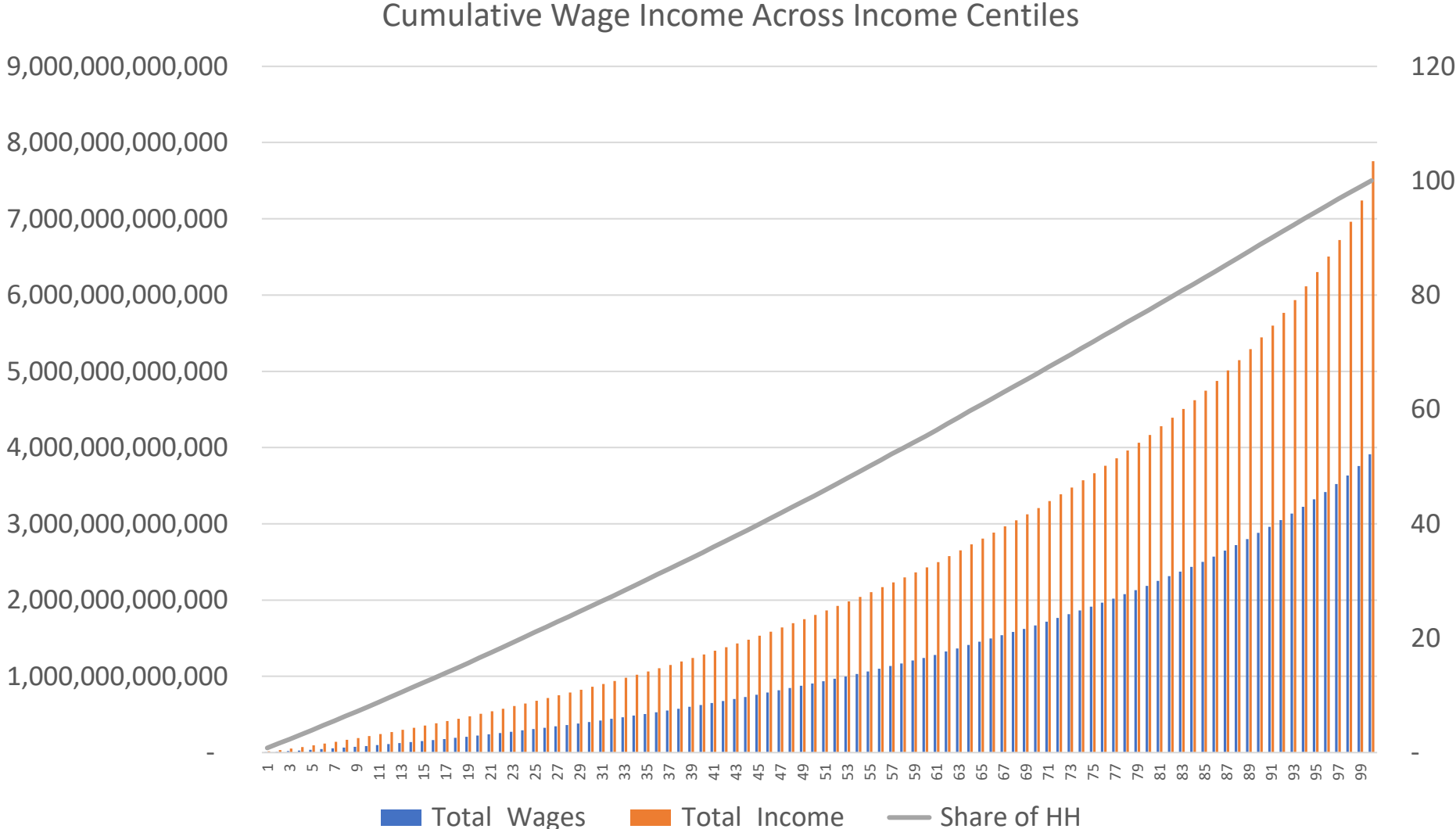
Contribution to the labor policy discussions in the Philippines

- Empirical literature on the underemployed and labor supply during the pandemic in developing country setting
- Discussion on pay and wages with social protection among workers in the PHL are seemingly disparate issues; exogenous shocks → vulnerability
- Precarity and vulnerability of workers during the pandemic + lack of broad-based social protection

Data and Methods

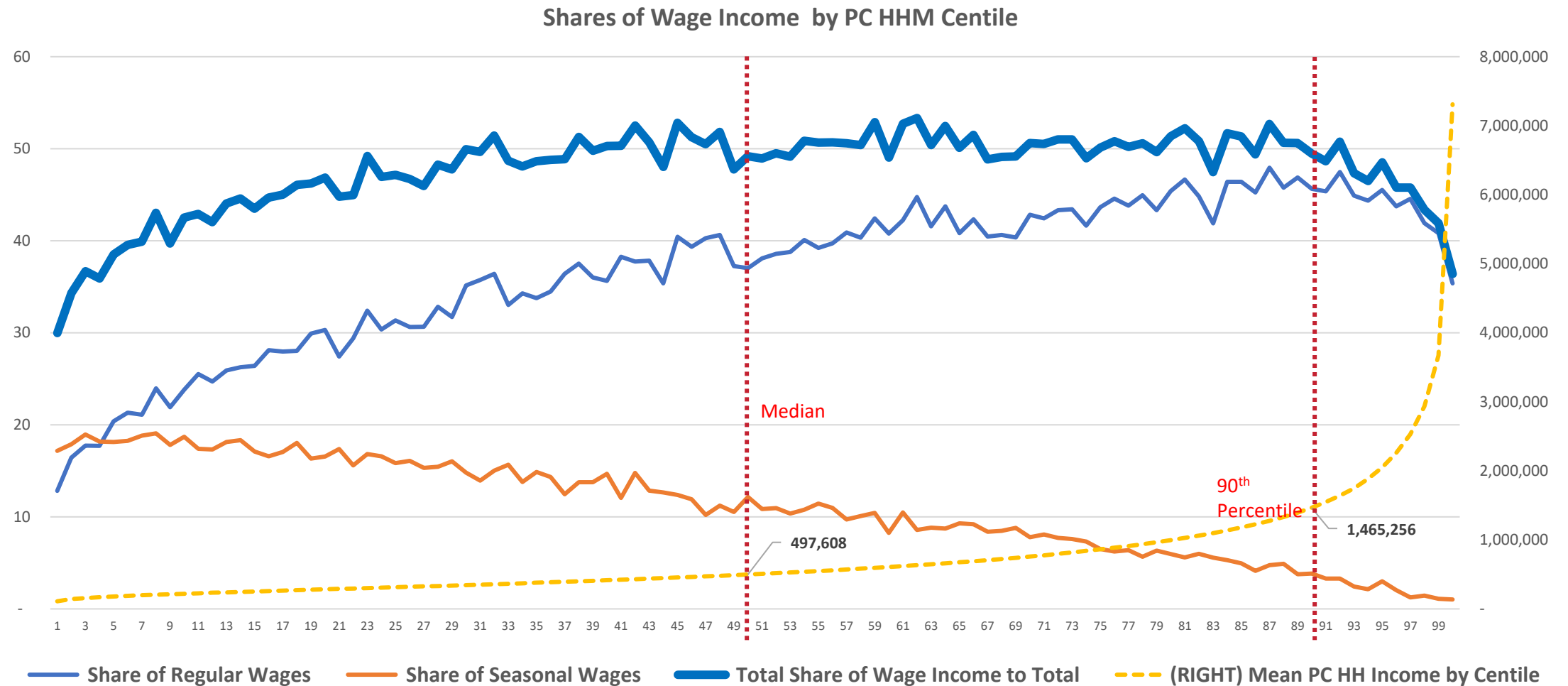
- Household Level Analyses: Family Income and Expenditure Survey (FIES 2018)
- Worker-level analyses: Multiple waves of the Labor Force Survey (LFS), pooled 1M observations
- The project is currently under progress and further refinement

Distribution of Wage Income, FIES 2018



What does the FIES 2018 data show?

Wage shares data by income quintile/centiles



FIES 2018: Distributional Statistics of Wage Income across households: Persistent Inequality

- Share of total wage income is much higher among higher income groups
 - Top 10% of Filipino HHs hold almost 30% of the total wage income
 - The top 25% of households have half of the total HH wages
 - Bottom 10% has only about 3%

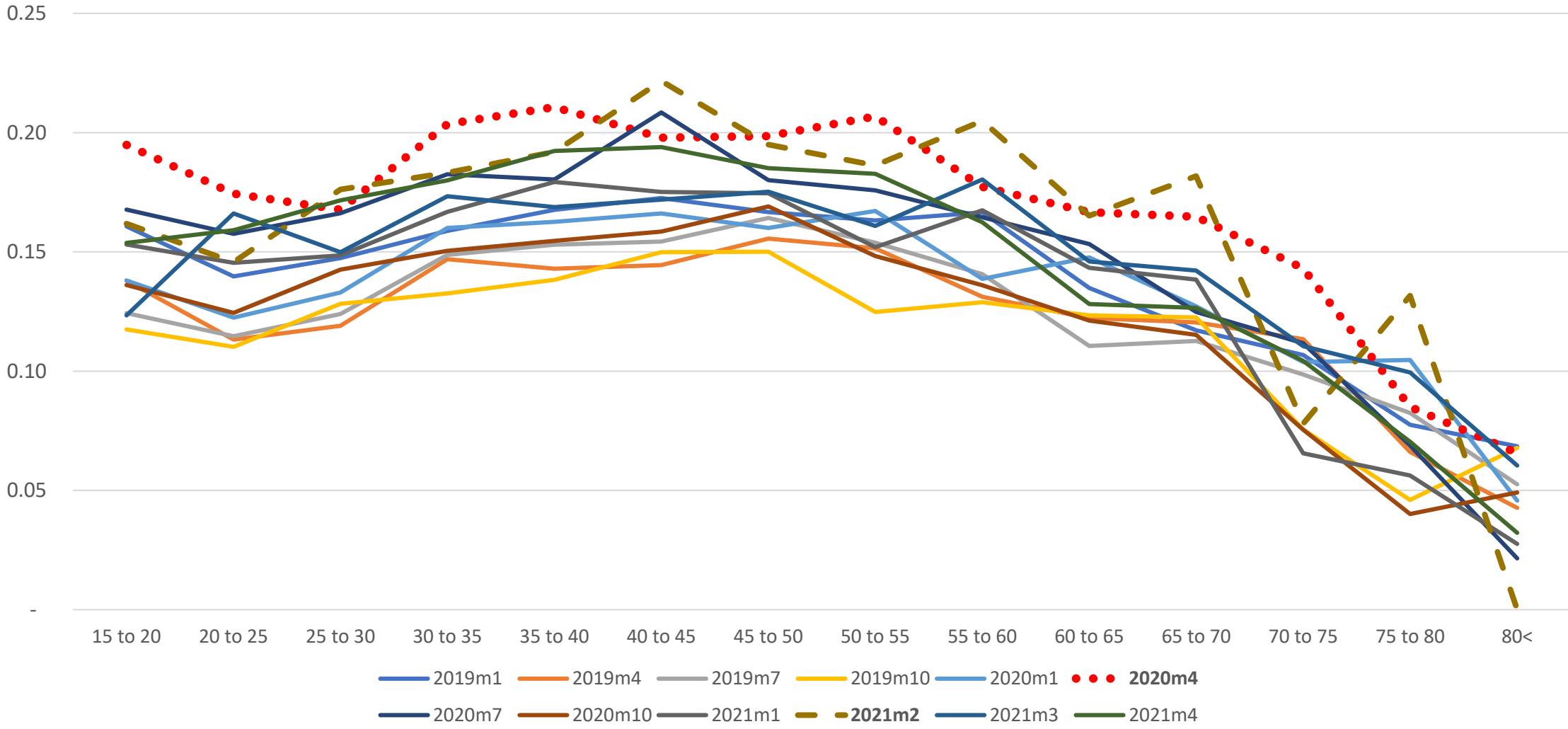
	Share of Total HH Income	Share of Total Wage Income	Share of Entrepreneurial Income
Top 1%	3.95	6.62	11.82
Top 5%	15.13	18.73	23.13
Top 10%	26.37	29.78	31.81
Top 25%	51.06	52.75	51.27
Middle 10%	7.83	7.35	7.53
Bottom 25%	7.89	8.77	11.13
Bottom 10%	2.21	2.79	4.00
Bottom 5%	0.89	1.23	1.90
Bottom 1%	0.12	0.20	0.34

Pre-covid unemployment and underemployment among HHs (PSA)

- LFPR hovers at 60.5 percent in 2021-2022.
- Unemployment rate eased from 8.8 percent in Jan 2021 to 6.4 percent in Jan 2022 (PSA).
- Males are more likely to be underemployed than females.
- Almost a third of those underemployed are college graduates; together with JHS graduates they account for more than 60 percent of those underemployed.

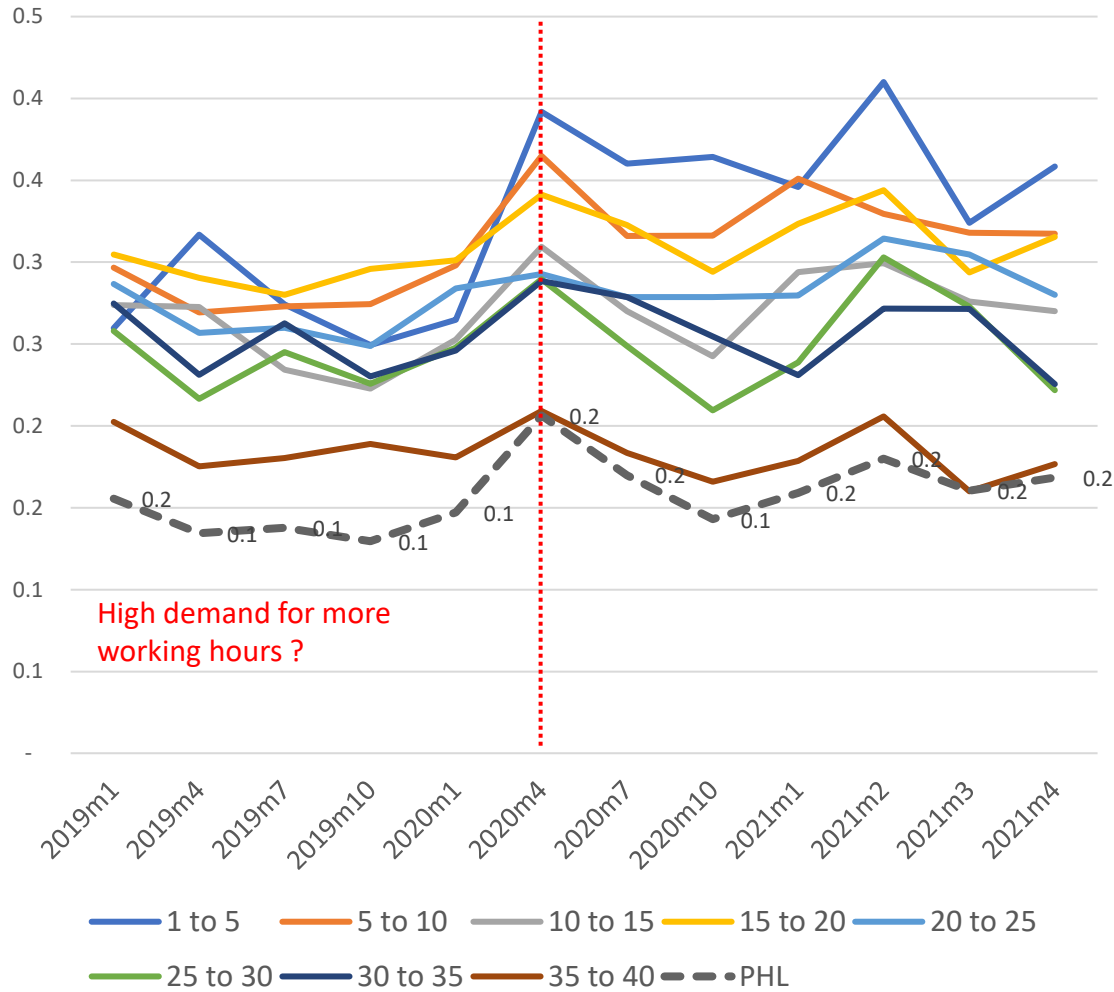
LFS: The desire for more work across most age groups is pervasive even before the pandemic

Desire for more work hours, by Age Group

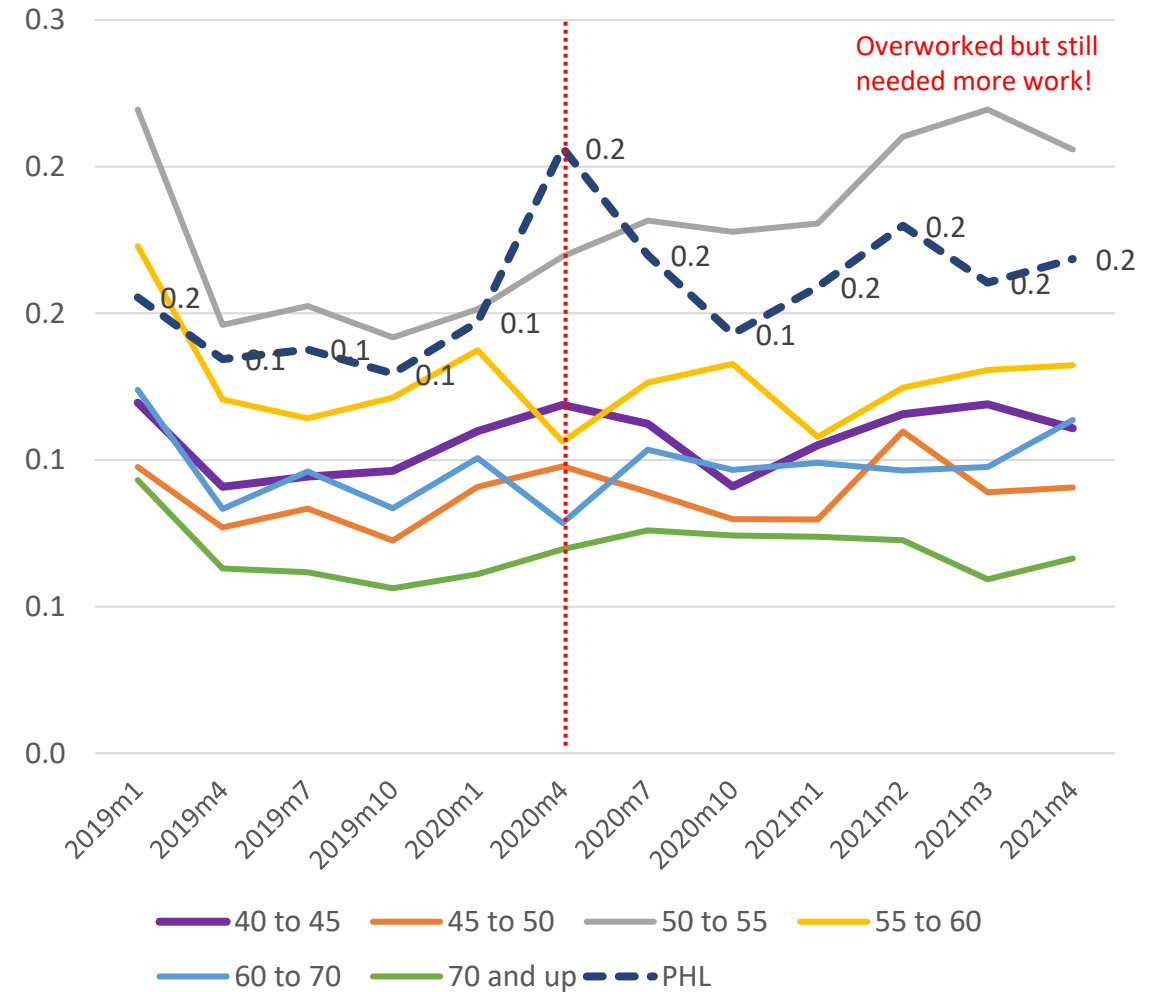


How does the desire for more working hours vary according to working hours rendered?

Wanting more work hours among the visibly underemployed (working less than 40 hours)



Wanting more work hours among those already working 40+ hours



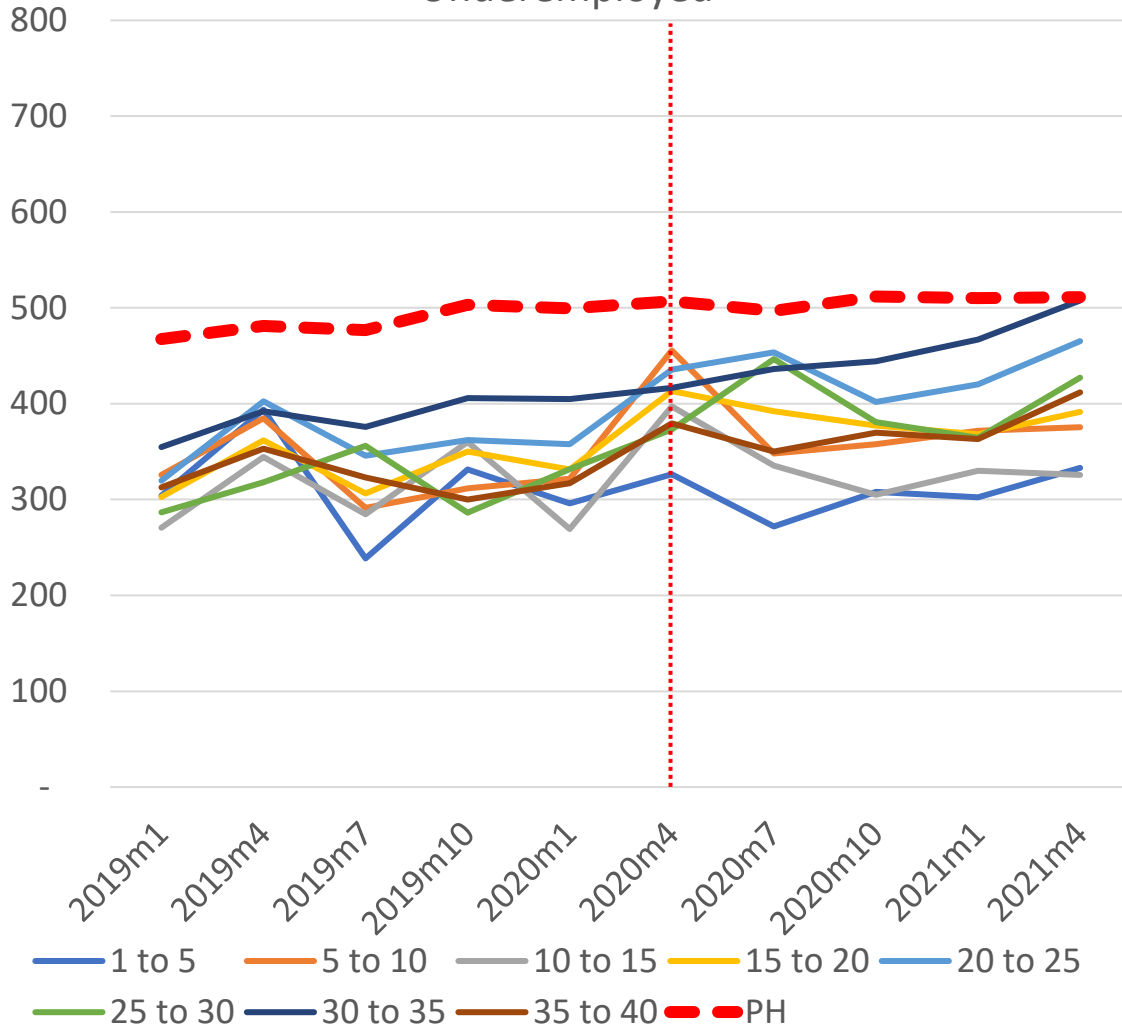
The pandemic have worsened underemployment and reduced the consumption of overtime hours among workers.

- From 26.1% in Jan 2019, percentage of workers who rendered less than 40 hours increased to 51.28% in April 2020 and decreased to 40.4% in April 2021.
- In 2019 almost one in three render between 45 to 50 hours; it is lower in April 2020 and 2021

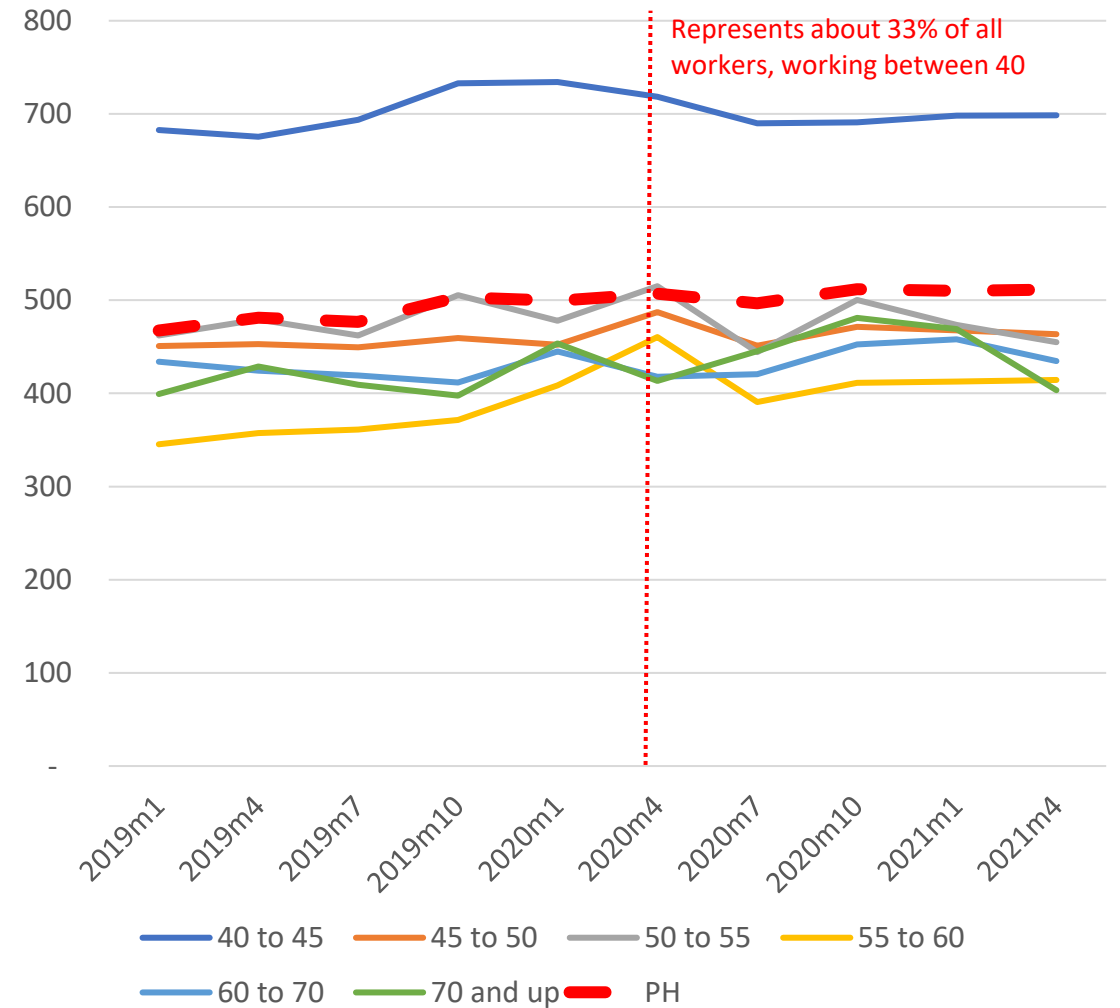
	2019m1	2020m4	2021m4
1 to 5	1.1	2.1	1.5
5 to 10	3.2	6.6	4.5
10 to 15	2.9	6.6	4.4
15 to 20	3.3	7.6	5.3
20 to 25	5.3	11.9	9.7
25 to 30	2.6	3.9	3.2
30 to 35	4.0	6.9	6.9
35 to 40	3.8	5.9	5.0
40 to 45	16.8	16.6	18.9
45 to 50	33.5	15.7	22.7
50 to 55	3.0	1.5	2.2
55 to 60	6.0	4.6	5.6
60 to 70	5.1	3.4	3.5
70 and up	9.6	6.9	6.7
PHL	100.00	100.00	100.00

Average daily wages for the visibly underemployed is severely below the minimum wage AND the cost of living; Wages are practically stagnant for those who work more than 45 hours

Average Daily Pay among the Visibly Underemployed



Average Daily Pay Among those Working more than 40 hours



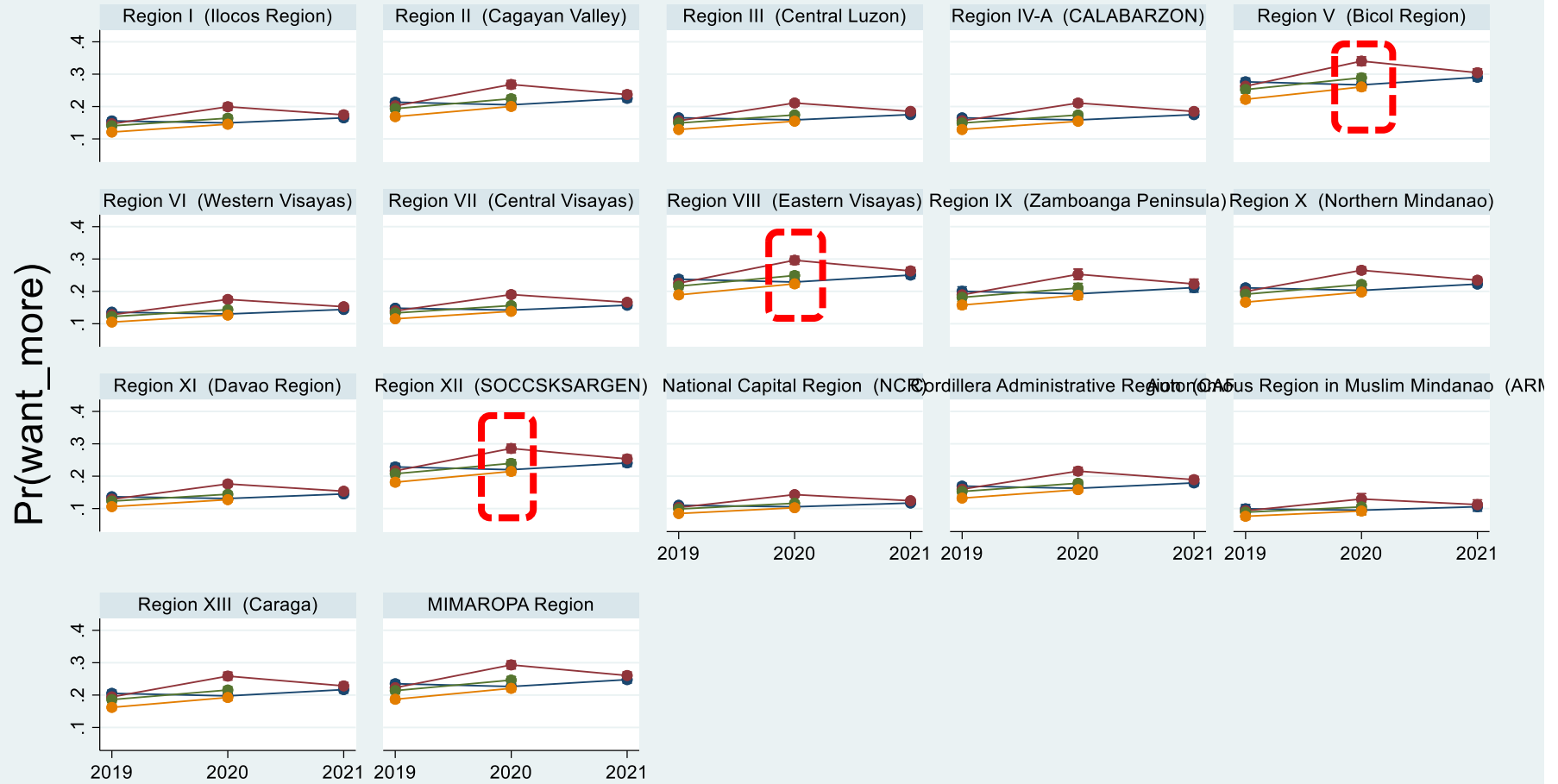
Logistic Regression Analysis: What characterizes why workers wanted more hours during the pandemic?

- Preliminary results of a logistic regression analysis (0-No, 1-Yes). We segment the analyses according the working hours rendered during the past week, controlling for survey periods.

Findings below are for those earning daily:

- Key Finding #1. April 2020 triggered decrease in working hours, hence the demand increased.
- Key Finding #2. Region-fixed effects have impacts on the desire for more work hours than worker characteristics, reflecting structural differences in regional economies.
- Key Finding #3. Workers on irregular wage payment schemes have higher odds of asking for more work hours, indicating precarity or irregularity of job security.
- Key Finding #4. Women are less likely to ask for more working hours, by 14% on average.

Predictive Margins by Region and Survey Period



Survey Year



Discussion (1/2)

- **Cui bono? Who benefits?**

- The pandemic underscored the vulnerability of a significant share of Filipino workers; the extent of underemployment reflects the scope quality of work available, and the capacity to provide living wages.
- Understand the desire for more work among those already working more than 40 hours a week—which could be signals of
 1. Persistent differentials between the actual cost of living and real wages received. Minimum wages have not been adjusted significantly.
 2. Job contracts which do not provide stable cash flow among HHs, e.g. regular vs seasonal wages.
 3. Education, job, and skill mismatch: across age groups, educational backgrounds, and time

Discussion (2/2)

- The Philippines in the 2020s will become a highly unequal society → underemployment may likely persist in an age of scaled-up automation.
- Temporally, underemployment indicates foregone economic opportunities and the depreciation of human capital (underemployed workers receive less on the job training)
- We should think of policies for Filipino workers while living in an endemic Covid scenario
 - **Hybrid and flexible work** may not be for everyone BUT **work-life balance** should be!
 - We underscore the need for **inclusive labor policies** which are **worker-centered**: upskilling and reskilling those at the fringes while also protecting them from displacement and exclusion.
 - Aside from the consistency of policies from training/schooling to labor market transition, **entrepreneurial orientation** and **21st century skills** must be reinforced.