

# **The Socio-Economic Impact of COVID-19 on Tagbilaran City Residents in the Philippines: Profile, Risks, and Policy Implications**

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## **Abstract**

The COVID 19 crisis that plagued the world has impacted severely not only the health condition of societies but also the economic structure of local economies. This research conducted in April to June 2020 sought to answer the question how the pandemic has impacted businesses, employees and formal workers, and the informal economy in Tagbilaran city, the capital province of Bohol, in the Philippines. The interest in the subnational space was conditioned by the fact that during that time, only national impact assessments were conducted and data is not available for local governments to base their policy and programmatic decisions on. The research revealed that the outright impact of the pandemic was a drastic decrease in revenues on the part business establishments, which consequently resulted to decreased consumption on one hand, and the lay-off of non-essential workers on the other. The ripple effects of border and business closure has further resulted to depressed consumption and eventually losses on the part of traders and producers of goods and services, and consequently, further decommissioning of workers.

The pandemic has highlighted the role of local governments in navigating a complex crisis. With the limited ability of the private sector to inject economic investments, businesses and households rely on local governments for temporary relief, and long-term measures to protect the local economy from collapsing.

Keywords: COVID-19, local governments, socio-economic impact, Philippines

## Introduction

The COVID 19 crisis that recently plagued the world was not just considered a health crisis but a crisis that was predicted to affect every sector and every individual globally (Adha-nom, 2020). The recently released United Nations report on the socio-economic impact of the crisis cautioned that this pandemic “risks reversing decades of progress in the fight against poverty and exacerbating already high levels of inequality between and within countries” (UN, 2020:8). In the Philippines, the National Economic Development Authority projects that the crisis will negatively impact economic growth, result in a fiscal deficit, and hit low- and middle-income classes the hardest (NEDA, 2020).

Subnational assessments of the impact, however, are hardly available. During the time that this research was undertaken, no subnational assessment has been conducted yet by any local government unit. Hence, the researcher in this case opted to act out of civic responsibility to conduct an impact assessment of the city where he lives – the city of Tagbilaran in the province of Bohol.

The City of Tagbilaran is located in the island province of Bohol, a province located in the central part of archipelagic Philippines. Bohol is composed of 47 municipalities and its only city, Tagbilaran, is the provincial economic and political capital. The island province is home to roughly 1.4 million people (NSO, 2019) with Tagbilaran cornering roughly 9% of this population. The primary economic driver of the city is tourism (Acejo, 2004), impacting largely the nature of businesses, the population’s employment profile, and the types of infrastructure investments coming out from public and private capital. With national borders and even provincial borders closed, the impact of COVID 19 was hypothesized to be severe right from the start.

The provincial government of Bohol declared a quarantine on 13 March 2020 for five days (Rappler, 2020) and extending it further to 21 April 2020. The measure led to the mandatory temporary closure of several businesses and the deliberate decision of some business owners to cease operations despite being exempted from temporary closure. Consequently, it led to the forced but unpaid leave of affected employees. No one really knows the extent of jobs lost, informal workers losing daily income, and the amount of losses suffered by businesses due to the closure.

The City Government of Tagbilaran, in response to the provincial directives, imposed the same preventive measures as well. Alongside these, different initiatives were implemented to cushion the impacts of the crisis, especially to the poor, e.g. distribution of relief goods, assistance to health workers, bringing city services closer to the people. But the primary question is, will the resources of the city government be enough if the preventive measures will continue beyond its targeted end-line? Back then, enhanced community quarantine measures, was hypothesized to flatten the curve and location-specific quarantine measures were recommended. But the capacity of residents to withstand a prolonged quarantine is not known, and the city government of Tagbilaran’s resources are limited.

This research, conducted in May to June 2020, during the time of significant restrictions to movement, aimed to understand the impact of the crisis on the residents of Tagbilaran City (See Figure 1).



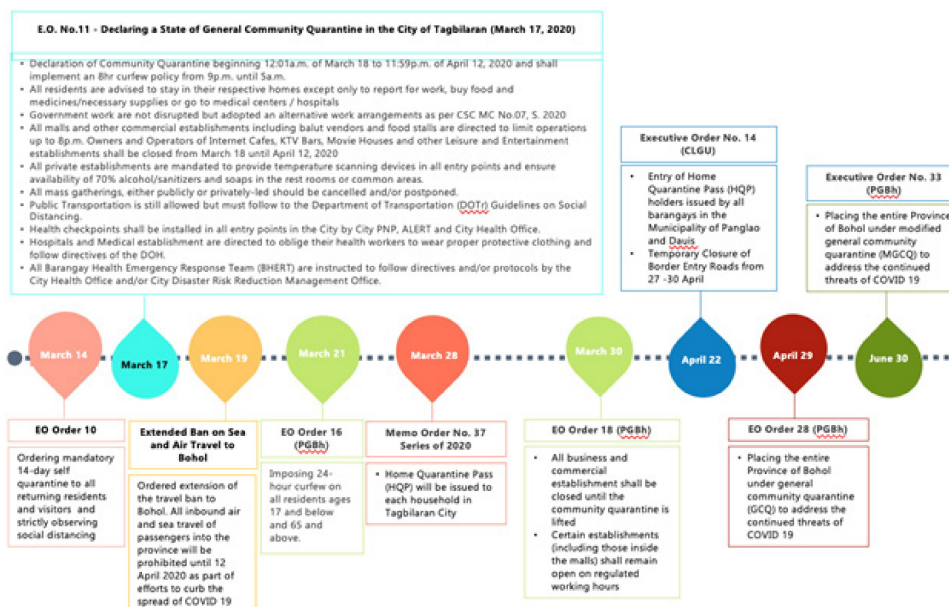


Figure 1. Timeline of COVID-19 Restrictions - Tagbilaran City

## Impact Transmission Channels

There are at least several impact transmission channels of these restrictions. First, non-essential businesses were closed, and this includes several tourism-related establishments. The 2020 registry of business establishments of the city shows that there are a total of 16,529 businesses. Fifty-three percent (53) of these businesses are engaged in trading while (42%) are into services. The remaining number is manufacturing establishments. Based on these estimates, at least 62% of the businesses are non-essential businesses and are thus ordered closed based on local government rules. Business closures impacts sales (Fabeil et al., 2020) and operating profits, expectedly.

Second, with businesses directed to be closed, employees and workers lost jobs temporarily (Fana et.al, 2020). With the restrictions, employers are not required to pay workers their salaries and thus creating income scarcity at the household level. Consequently, decrease in household income negatively impacted consumption, and thus lower sales on the part of businesses that remain open. With schools and businesses closed, the transportation sector was also severely hit – with fewer rides per day, and fewer passengers to carry because of social distancing measures. It was expected that economic activities will significantly be halted. However, employment impact will be hardest on marginal sectors and unsecured workers (Cortes et al, 2020).

Third, with border closures, tourism was badly affected. Room occupancy rates declined rapidly, and in May 2020, hotels were on zero occupancy rates. Tourism-related establishments as transport services, tour agencies, and restaurants were forced to close. Consequently, tourism

workers lost jobs and sources of income in an instant.

## Research Aims

But the severity of the economic impact of the crisis was not known. While businesses were closed and business income was surely impacted, there were no estimates available regarding the amount of revenue loss, the number of workers impacted, and the economic outlook of business owners. While workers surely lost jobs, there was no data to show how many workers were affected and how household consumption was impacted.

The following are the key research questions that the socio-economic assessment sought to answer:

1. What are the key socio-economic impacts of the COVID 19 pandemic more particularly on the following:
  - a. businesses;
  - b. employees; and
  - c. informal and on-account workers?
2. What is the level of economic vulnerability of the groups mentioned above to withstand a prolonged enhanced community quarantine?
3. What policy measures and programs are needed to be in place to protect the most vulnerable from the adverse economic impacts of the COVID crisis?

## Methodology

Given limited movement and resources to conduct the research, the researcher made use a mixture of different data collection methods to answer the research questions above. The table below lists the indicators, data needed, potential sources.

Research Interest	Data Needed	Data Sources
Socio-economic impact of the COVID crisis on employees	Number of employees affected by the data closure	Household surveys to be conducted by city government of Tagbilaran employees during distribution of household relief packages
Socio-economic impact of COVID crisis on informal workers	Revenue data on public markets from ambulant vendor registrations	Market administrator
	Status of tricycle and jeepney drivers' income	Tricycle and jeepney drivers' associations
	Barangay household data on lost work, and have not reported to informal work	Barangay captains, (can be surveyed by BHWs during

Research Interest	Data Needed	Data Sources
		PUM monitoring or through purok leaders)
Socio-economic impact of COVID crisis on SMEs	SME data on lost revenue imputed from reported annual sales	City treasurer's office
	Self-rated vulnerability assessment	Survey, will be done via Facebook and through online survey tools

**Table 1. Methodology**

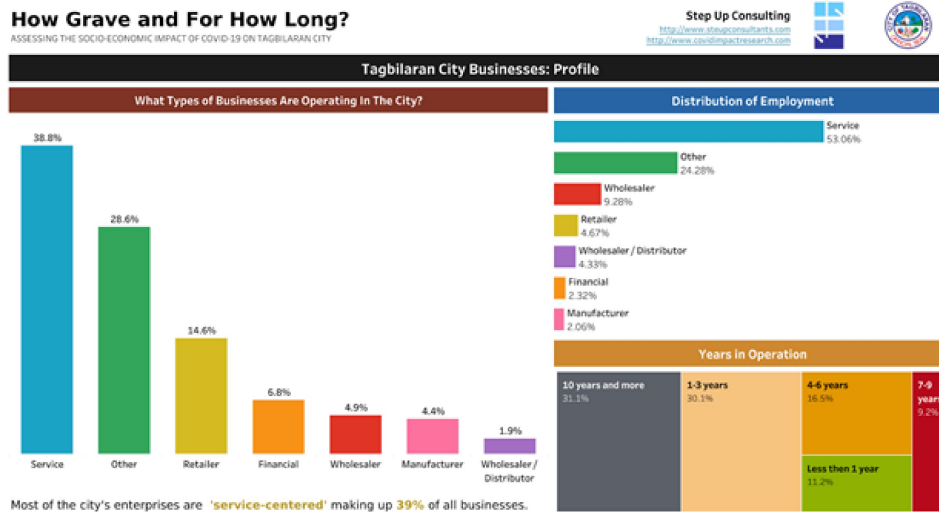
**Businesses.** The researchers conducted an online survey for businesses in the whole month of June 2020. Due to mobility restrictions, online surveys were the only efficient means to gather data. A total of 206 businesses responded to the survey. The results of the survey were complemented key informant interviews from among 20 pre-selected survey respondents coming from different business sectors.

**Employees and Formal Workers.** An online survey among employees and formal workers was also conducted in May to June 2020. A total of 302 employees from both public agencies and private companies responded to the survey. To dig deeper into survey results, 20 key informant interviews with employees and formal workers, 10 from public and 10 from private employment were selected. A rapid job loss impact survey was also conducted to complement the results of the online survey.

**Market and Ambulant Vendors.** To server as proxy for the informal economy, the researcher surveyed 200 market vendors from the three major markets of the city – Dao, Manga, and Cogon in partnership with the Office of the City Planning and Development of the City Government of Tagbilaran. The total number of respondents is equivalent to 10% of the total number of registered market vendors in the city. By stratification, we were able to apportion the number of respondents per market. The respondent selection was done randomly for each public market. The results of the survey was complemented with key informant interviews.

## Findings and Discussion

### Impact of the Pandemic on Businesses



**Figure 2. Survey Respondent Profile - Businesses**

The major limitation of the study was our inability to conduct targeted interviews that were randomly selected out of the total population to extract a representative sample. Nevertheless, the results of the online survey mirrored the overall composition of registered businesses in the city. Based on the results of the survey, almost 40 % belong to the service sector (39%), which also provides the highest employment among the businesses located in the city. Further, most businesses have existed for more than ten years and above (31%) or have recently been established (1-3 years). The following were the key findings:

#### **1. Almost all businesses were negatively affected by the pandemic.**

Almost all (96.12%) of the 206 businesses operating in Tagbilaran City that we surveyed reported a significant decrease in sales. The majority of them (57.58%) reported a decline in sales by 51-100%. This means that several businesses had no revenues especially during the enhanced community quarantine (ECQ), because of temporary business closure. This resulted in the temporary reduction of workers or employees. 91.26% of businesses surveyed reported a decrease in the number of workers by at least 25%.

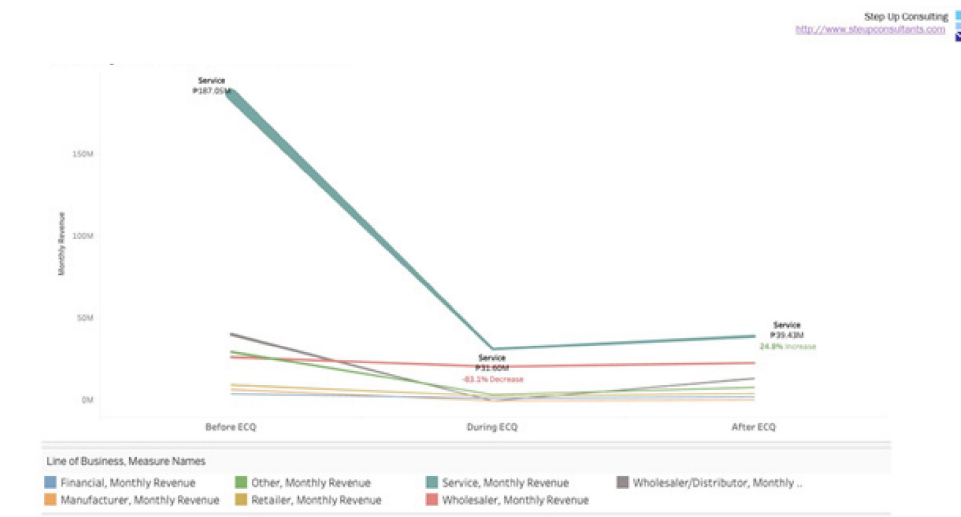
The closure of businesses, those that were considered non-essential based on the provincial government guidelines, significantly impacted revenues, especially considering that close to three quarters of registered businesses belong to this category. For at least two months, these businesses remain closed, resulting in increasing day-to-day losses. The only recourse that businesses had was to discontinue employment, even of its key personnel. This, in turn, significantly impacted the cash flow condition of businesses and decreased household consumption even of

basic needs.

Almost 90% of businesses surveyed reported cash flow problems during the pandemic, alongside difficulties in receiving supplies on time and shipping goods to customers. The top three causes of these problems are the closure of businesses during the quarantine, customers unable to pay their accounts, and reduced logistics services.

## 2. The service sector was hit the hardest.

Among businesses, the service sector reported the worst decline in sales. Before the enhanced community quarantine (ECQ), the sector reported total sales of Php187.05 million. During the ECQ, sales dropped to Php31.60 million. The sector had not recovered from the drastic slump, even when general community quarantine (GCQ) was declared in the city. Among those whose revenues are least affected are those that are from the trading and manufacturing sectors, especially those that are producing (e.g., tableya manufacturing) or selling (e.g., grocery stores) essential goods. They were also the ones able to bounce back faster after the quarantine restrictions were lifted.



**Figure 3. Monthly Revenue x Line of Business**

A closer analysis of the worst-hit businesses in the service sector would show that the majority of these are those that support the tourism sector. These include restaurants, hotels, coffee shops, ticketing offices, transport service providers, KTV bars, internet cafes, events organizers, photography and videography services, rental services, beauty care, dive center, shipping companies, travel and tours, and tour guides, among others.

The suspension of flights to and from the island has drastically reduced the number of tourists, from which these businesses primarily rely on revenues. Since March 2015, flights and boat trips have been suspended. Several accommodation establishments remain closed, and only a few restaurants have started to open beginning in June 2020. It is quite apparent that several of the businesses reliant on external market are the ones badly hit.



### **3. Businesses initiated changes in human resource arrangements, marketing strategies, and finance practices to cope.**

Businesses we surveyed made significant changes in work arrangements by temporarily reducing employees (3 out of 10 businesses) and laying-off some workers (1 out of 10 businesses). To protect liquidity, businesses also decreased or controlled expenses and negotiated payment terms with creditors. Interestingly, the pandemic pushed businesses to re-calibrate marketing strategies by increasing marketing efforts (25% of businesses) and developing new products or services (19%). Those with technical expertise resorted to online-selling during the lockdown.

Based on the analysis of results, we have seen at least three major strategies implemented by businesses anchored on three operational areas - human resources, marketing, and finance. But the objective remained the same - to ensure that the business will have sufficient financial resources to continue operations and protect it from further losses.

#### **a. Saving on human resource costs by implementing new work arrangements**

Businesses retained core personnel and released workers with non-essential skills. For those workers who were retained, owners entered into new work arrangements, including reduced reporting hours, reduced number of workdays, and implementing multi-tasking procedures (e.g., service crew at restaurants also act as cashiers). This process continued even when restrictions were lifted as most businesses are still operating for less than capacity. Workers were invariably affected (as take-home pay was significantly reduced), but this is a better option than losing work.

#### **b. Increasing sales through diversification and online selling**

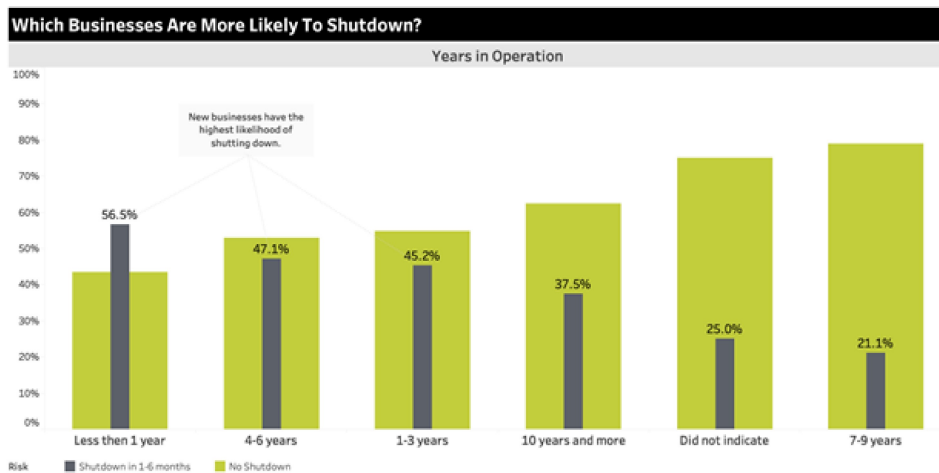
Several businesses resorted to formulating new product lines and intensifying marketing and promotions online. Restaurants developed new products for online selling, and hotels became quarantine facilities for returning residents. Medical clinics are offering online consultations, while beauty and wellness shops provide home services. Several strategies are intended to adapt revenue measures to the current restrictions brought about by the pandemic.

#### **c. Protecting cash position from further bleeding**

Finally, businesses are trying to take advantage of opportunities to reconfigure spending patterns to protect their liquidity. This included reconfiguring payment terms with suppliers and creditors and reducing expenses to the extent possible, without necessarily impacting on service and product quality.

### **4. Close to half of businesses were facing the risk of closure in the remaining months of 2020.**

Of the 206 businesses we surveyed, 4 out of 10 businesses said that they would likely close in the next six months or less because of economic hardships experienced. Those that are operating for less than five years are most vulnerable. The longer the business is operating, the higher the likelihood that they will survive this crisis.



**Figure 4. Businesses Facing the Risk of Shutdown**

More established businesses, those that are operating for more than ten years, are less likely to close because of better financial position, stable debt-to-equity ratios, and higher liquidity. This is not necessarily true for new businesses. Also, more established businesses enjoy better customer patronage conditions, are likely to be better known, and have recognizable brand names.

Our survey also revealed that businesses that are primarily reliant on customers based outside of Bohol (e.g., tourists, external domestic and foreign buyers) face the greatest risk of closure. As earlier mentioned, inbound and outbound travel restrictions and difficulties in transporting goods from the province to outside customers are among their most significant challenges, even when mobility restrictions are lifted.

As regards sector, we found out that service providers and retailers are those that will likely close in the next six months as a result of the pandemic. Half of the service establishments we surveyed said that they face the risk of closure in the next six months. On the other hand, 46.7% of retailers and 44.4% of manufacturers surveyed expressed the same. What is alarming is that 28.6% of retailers and 11.4% of service establishments surveyed said that if the current business climate continues, they will be forced to close in a month or less.

This finding reinforces our earlier point that most of the businesses in the service sector are dependent on the tourism industry for survival. On the other hand, with depressed consumption of households due to declining household income brought about by job and income loss on households, retailers will also be badly hit.

#### **5. Businesses received some form of assistance from the government during the crisis.**

The majority of the businesses received assistance from the government, particularly from the local government unit in the form of relief goods (69%). Other assistance that helped their liquidity position included the suspension in the payment of bills, i.e., utilities, etc (36%) and the

moratorium in paying off loans (17%). However, no direct assistance for business continuity has been received so far by the respondents we interviewed, as of July 15, 2020, the time we closed our data collection process.

#### **6. Majority of the businesses needed business development services to bounce back.**

When asked what types of assistance businesses needed from the government during the pandemic, the business mentioned the following:

- a. how to prevent infections while maintaining business operations;
- b. how to prepare a business continuity plan for their respective businesses;
- c. how to diversify products and sales channels;
- d. how to conduct business online;
- e. legal advice on applicable labor regulations during this pandemic; and
- f. advice on export and logistics restrictions during this crisis.

Based on interviews with key informants, preventing infections while maintaining business operations is their top priority. They are aware that any resurgence in cases will eventually lead to stricter measures that would hamper business operations. This is the top choice, especially for those with high customer contact operations, like in the case of service establishments, retailers, financial services providers. Across sectors, this concern is one of the top three priorities.

Across sectors, business continuity planning remains the second top priority (except for wholesalers where this is considered their top need). According to business owners we interviewed, this is essential because they are aware that based on projections, the pandemic and its impacts will be felt within the next two to three years. There is a need for businesses to reconfigure their business models to survive the health crisis and ensure continuity. This is also why one of their top three needs is to diversify products and sales channels, acknowledging that there is a need to adapt their operations to the changing consumption patterns and preferences brought about by the pandemic.

#### **7. Businesses prioritized health measures over and above other measures.**

Business establishments we surveyed said that they needed tax waivers, low-interest credit lines, or credit guarantees. They also said they need temporary unemployment programs to help displaced workers. However, when asked to choose from a list of health and financial measures, businesses value health measures more. This includes the supply of personal protective equipment (PPEs), information on the spread and transmission of the virus, and clarity in controlling the health crisis.

However, closer scrutiny of the data would show that while this result is consistent across the different sectors, when the age of the business is factored in, those businesses that are three years old or less prioritizes access to cash for short-term financial needs. This corroborates earlier finding that “younger” business establishments have difficulty sustaining current operations that their needs are focused on in the immediate term. On the other hand, those businesses that are older and more stable are aware that without controlling the pandemic, the ability of several of them to go back to business and operate under a new normal will be difficult.

The responses of the business owners to the survey are set within a context. During the survey and the subsequent interviews, Tagbilaran City had an increase in the number of

COVID-positive cases - from zero to eight in three days. The immediate measure was to lock-down certain areas where the cases are found. Business owners are aware that with an increase in the number of cases, the government's move would be to enforce stricter mobility restrictions.

## Impact of the Pandemic on Workers

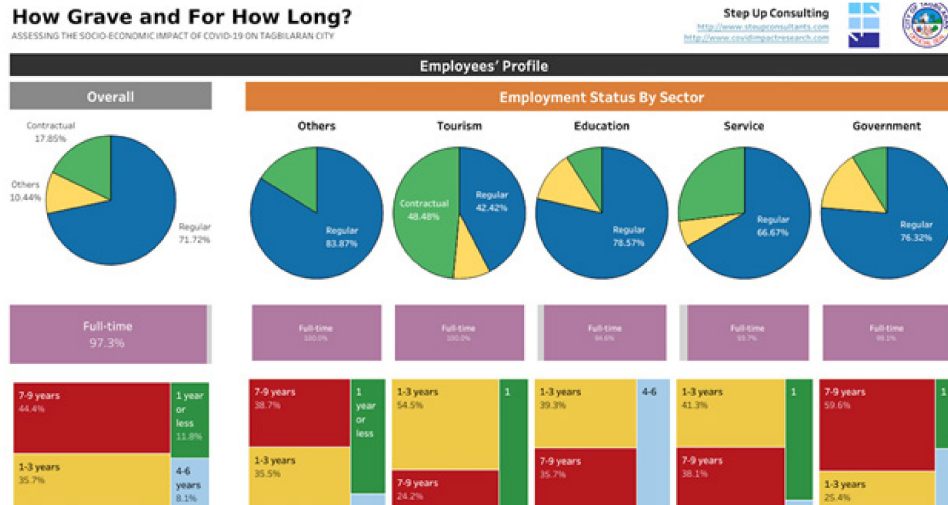


Figure 5. Survey Respondent Profile- Employees

Based on the survey results, almost 46 % are government employees employed by national government agencies, local government units, hospitals, and other related public agencies or enterprises. Nineteen percent (19%) come from the education sector, while the rest are employed in the service sector, particularly tourism establishments, banks, and administration services.

Based on the results of the surveys, we conducted key informant interviews via phone, with 20 respondents coming from different sectors. The purpose of this was to gather more insights and qualitative data using the survey results as a basis. The results of these interviews were used to analyze the different variables we tried to explore through the survey of workers. A presentation of the results was made to key representatives from the city to validate the findings.

At the same time, we conducted a rapid job loss survey among the households in Tagbilaran City. The survey was conducted with the help of the office of the Barangay Affairs and Constituency Unit. The survey intended to assess how many lost their jobs as a consequence of the closure of businesses. The following are the findings:

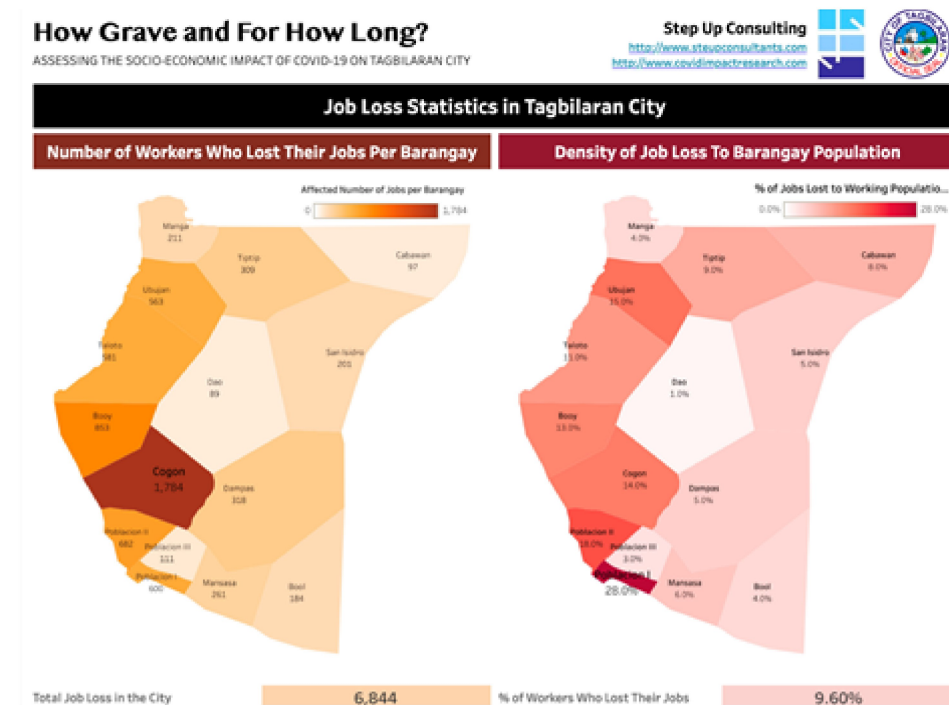
- 1. Ten percent (10%) of workers lost their jobs, either permanently or temporarily. Of these, 5,154 jobs from the service sector were temporarily or permanently lost due to COVID-19.**

At least 10 percent of the total working population of Tagbilaran City had their jobs temporarily or permanently affected. This is a direct consequence of the forced closure of

establishments when the city was placed under Enhanced Community Quarantine.

Barangay Cogon has the most number of workers (1,784) whose jobs were temporarily or permanently suspended, followed by Booy (853 workers) and Poblacion II (682 workers). Across Tagbilaran City's 15 barangays, those working in the service sector are the ones most affected by the pandemic. Five thousand one hundred fifty-four (5,154) jobs in the service sector are equivalent to 73% of total jobs lost when Enhanced Community Quarantine was imposed in the city.

Those working in the transport sector also lost jobs. At least 846 workers in the sector (from drivers of public utility vehicles to company drivers and tourist van operators) lost their primary source of income because of mobility restrictions. As expected, Barangay Cogon, the most densely populated barangay in the city, records the highest number of workers who lost their jobs.



**Figure 6. Job Loss Heat Map**

## **2. Workers in the tourism sector were hit the hardest, while government employees were the least affected.**

Four (4) out of ten (10) workers we surveyed experienced a significant decrease in income, while 2 out of 10 workers lost jobs temporarily or permanently. This is significant in terms of overall impact because, for every employee or worker who lost his/her job and source of income, at least three more people reliant on him/her support are also affected.

Among the sectors, 9 out of 10 workers in the tourism sector felt the negative impact of COVID 19 on their income, work, or source of livelihood. This is followed by those



working in the service sector where 5 out of 10 reported the same.

Only those working in the government were not affected by COVID-19, as most receive their salaries even with reduced working hours.

### 3. While negative impacts abound, workers also see positive effects of quarantine measures. However, the psychological impact is increasingly felt.

Employees and workers we surveyed felt that the top negative impacts of COVID-19 are a decrease in income (35.4%), difficulty in buying necessities (32.3%) and depression and anxiety (19.2%). Despite these, they also reported positive effects brought about by the pandemic. Because of limited movement, almost half (49.2%) reported that they now have more time for their families. Some (24.9) were able to pursue their hobbies like cooking, gardening, sewing, while others (22.6%) were able to find new ways of generating other sources of income

However, the pandemic also started to impact workers' psycho-social and emotional health. A few workers report feelings of anxiety (35%) and depression (19%), increased quarrels at home (5%), and having bad dreams (4%).

At least 29% of employees and workers expressed the likelihood of getting depressed, while 26% of employees and workers are worried they might contract the virus. In terms of outlook, at least 21% of employees and workers see the likelihood of losing their jobs in the next six months.

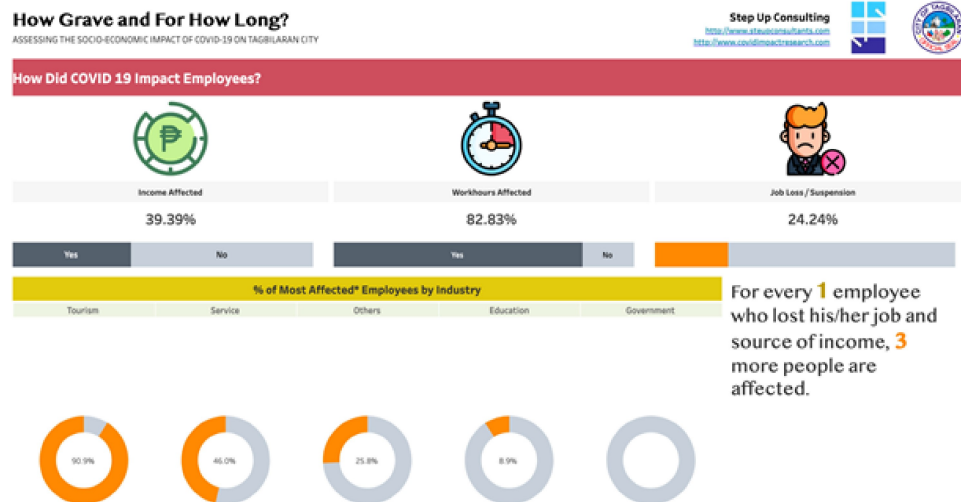


Figure 7. Impact of COVID 19 on Workers/Employees

**4. Most coping mechanisms of workers and employees were focused on finding ways to recover lost income or reduce household expenses.**

The pandemic has significantly drained worker's cash, and the expectation that community quarantines will last longer than expected prompted most of them to save resources and protect their liquidity. As such, to make up for lost income, the majority look for other income sources and set up temporary businesses like online selling and doing odd part-time jobs.

A majority also reduced their expenses, especially those related to recreation and entertainment, communication and utilities, and food. Quite a few (37%) resorted to borrowing money from friends and relatives (62%), cooperatives (16%), and even lending companies (14%).

**5. Workers demand measures that will further protect their liquidity.**

The top three assistance that workers and employees need are (1) payroll subsidy, (2) postponement of utility bills, and (3) low-interest loans. These measures can help them extend the amount of money they have and survive the pandemic.

Unfortunately, no one among the employees we surveyed received assistance through the Department of Labor and Employment's COVID-19 Adjustment Measures Program (DOLE-CAMP). However, almost everyone (90%) received assistance from the City Government of Tagbilaran. The remaining 10% are not qualified (e.g., they are not residents of the city).

DOLE CAMP has been reported to be grossly insufficient to meet the needs of qualified employees/workers. Based on DOLE's records, only 99 businesses out of the 16,529 registered businesses in Tagbilaran had workers who benefitted from the program.

**6. Workers are more concerned about their health and that of their loved ones.**

The top concern of employees and workers is contracting the virus that would lead to an increase in the number of COVID + people (3rd in rank) and, consequently, impacting the healthcare system's capacity to respond (5th in rank). Financial insecurity due to job loss is their second most pressing concern, while economic recession is ranked 4th.

Based on focus group discussions with employees and workers, their ability to work is dependent on their health, and thus they fear that they or their family members will test COVID-19 positive. However, they too feel that economic recession, which will lead to a significant loss in jobs, is something that they dreaded happening.

**7. Workers want the city government to focus on containing the spread of the virus.**

When asked what the focus of the City Government of Tagbilaran should be, workers and employees surveyed prioritized the following:

- a. containing the spread of the virus;
- b. supporting residents stranded in other locations; and
- c. promoting mental health.

During the survey, the number of cases in Tagbilaran City was still low, but total cases in Bohol province have been steadily increasing despite limited testing capacity. Also, it was evident in the discussions among medical experts that the healthcare system's capacity is very limited to respond to a surge in cases. This finding is also very well related to item (6) above, where their top priority concern is contracting the virus.

**8. Employees and workers expressed the likelihood of getting depressed, contracting the virus, or losing their jobs.**

Outlook for employees is quite bleak. A significant number of employees and workers expressed the likelihood of getting depressed (29%), are worried they might contract the virus (26%), or that they will lose their jobs in the next six months (21%). These call for really concrete measures in combating mental health, containing the spread of the virus, and protecting jobs.

Based on interviews, the inability to go out (e.g., one household, one quarantine pass), the closure of places that were their sources of comfort (e.g., the church, beach), and the restrictions in meeting friends and relatives contributed to a certain sense of alienation, causing sadness and depression.

**Impact on Market Vendors**

Dao market vendors constitute approximately half of the total respondents. Dao Public Market is the biggest wet market in the City of Tagbilaran. More than half of the market population have been selling for more than 15 years and are engaged in selling food items, fruits, and vegetables. In terms of size, Dao Public Market is also the largest.

Among the three public markets, Manga Public Market shows the highest number of vendors selling meat, fish, and other seafood items. The market is also widely known as the primary source of fresh seafood in the city

Based on the results of the surveys, we conducted key informant interviews via phone. This was to gather more insights and qualitative data using the survey results as bases. The results of these interviews were used to analyze the different variables we tried to explore through the survey of workers. A presentation of the results was made to key representatives from the city to validate the findings.

**1. Almost all vendors experienced a significant decrease in revenue.**

Almost all vendors (94.6%) experienced a significant decrease in revenue though only a few (16.3%) implemented a temporary closure of their stalls. Close to half (45.7%) experienced difficulties managing their business brought about by a decrease in customers and the slow delivery of goods from their supplier.

Among vendors, those who were engaged in the sale of sari-sari or dry goods implemented temporary closure.

## How Grave and For How Long?

ASSESSING THE SOCIO-ECONOMIC IMPACT OF COVID-19 ON TAGBILARAN CITY

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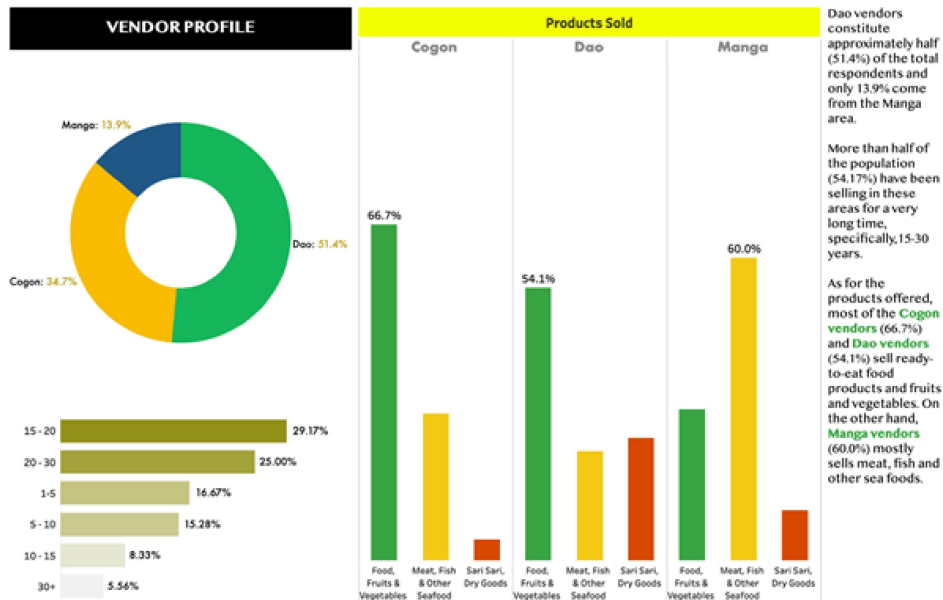


Figure 8. Profile of Market Vendors

### 2. Vendors selling meat, fish, and seafood experienced the sharpest decline in sales.

Among those still operating, a majority have lost their income for at least 60% during the community quarantine. Those selling fresh items – food, fruits and vegetables and meat, fish and other seafood – experienced the sharpest decline.

Sales of market vendors declined because of several reasons. First, the community quarantine limited movement of buyers and entry to public markets is restricted to control the number of people inside. Second, because of the loss of jobs and income of workers, households resorted to cheaper food options. Third, supply was also limited because of the closure of borders. Most of the fruits and vegetables, for example, come from the nearby island of Mindanao.

In the related survey of employees and workers, controlling expenses, including food, is one of the households' coping mechanisms. Meat and seafood are expensive options, so households resorted to substitutes, like noodles and canned goods.

Market vendors who have been operating for longer than ten years experienced the highest decrease in revenues. This is because they have already established their regular customers. The closure of other businesses, especially restaurants and other food-related businesses, has drastically reduced the number and amount of orders from regular customers. After the community quarantine, although there was an increase in sales, no establishment was able to recover fully in terms of revenue.

**3. Vendors implemented several measures to protect their cash position and preserve liquidity.**

Because of the decreasing amount of revenue and number of customers, market vendors resorted to several measures to protect their cash position. This included closing their shops earlier than usual, decreasing orders from their suppliers, and decreasing the items on display. They also negotiated with suppliers regarding terms of payments and even asked for the suspension of payment for their loans from lending companies.

A few vendors resort to borrowing money (22%) from lending companies, cooperatives, or family and friends. A few others (29%) look for other sources of income besides selling at the market. This included selling potted plants, cooking food or baking goodies for sale.

The objective of these measures is to increase revenue sources, reduce their expenses, protect their liquidity, and ensure that they can continue doing businesses despite a significant decrease in revenues.

**4. Vendors received assistance from the government in the form of goods or cash. However, what they ask for are measures to prevent cash drain.**

During the lockdown, most of the vendors received assistance from the government, particularly from the Tagbilaran City Government in terms of grocery items (81.5%) and from the Department of Social Welfare and Development's cash assistance program (56.8%). Only very few (8.6%) received goods from private sector donors.

Consistent with the findings above, market vendors want to protect their cash position and requests measures that would help them extend their liquidity. For example, a majority wants the government to defer payment to governmental impositions as market stall rent, taxes and licenses or defer the payment of utility bills.

Market vendors also have expressed that the city government should strengthen its protective measures against the virus to prevent the economy from collapsing.

**5. There is a high risk for vendors new to the business to close shop within the next six months.**

Approximately one-third of market vendors are considering closing their business in the next six months, while the same percentage also said they are not affected. A third of the total respondents opted not to answer this question. It is important to note that the length of time the vendors have stayed in the trading business has a significant effect on the likelihood of shutting down. Those market vendors who started trading only in the last 15 years have a higher risk of closure (between 41-50%). On the other hand, those who are selling dry goods and groceries have an increased risk of closure (54.5%) as compared with others.

More than the threat of the virus, market vendors are worried about economic collapse. Based on key informants, loss of jobs and income will result in hunger in several households. According to them, hunger and deprivation will result in looting, theft, and other dangers to the safety of lives and property. Some of their workers, for example, are oblivious to the strict



implementation of health protocols, saying that they would likely die more of hunger than the virus.

## How Grave and For How Long?

ASSESSING THE SOCIO-ECONOMIC IMPACT OF COVID-19 ON TAGBILARAN CITY

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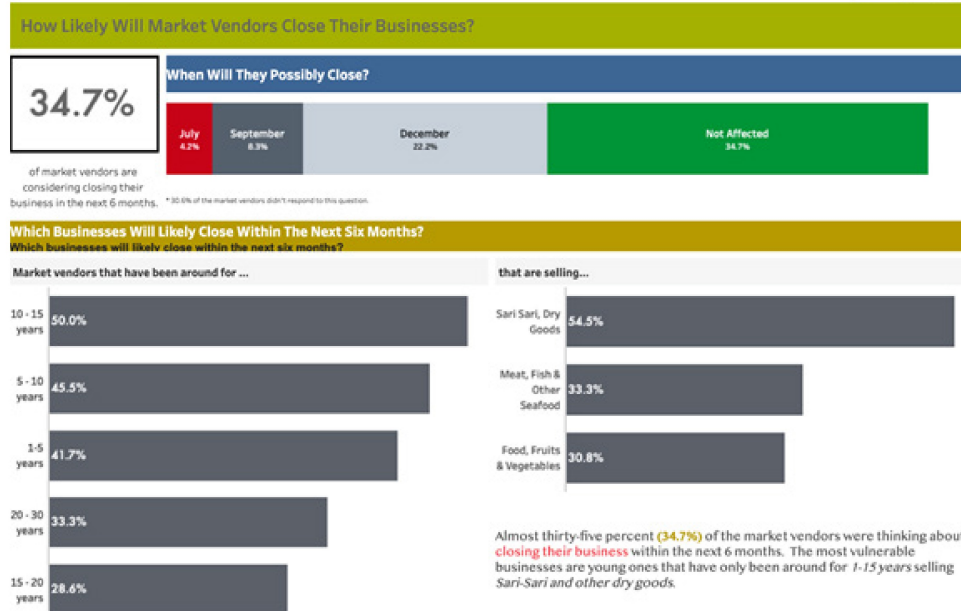


Figure 9. Risks of Closure - Market Vendors

## Policy Implications

Based on the results of the research, there are at least five policy and programmatic implications put forward to the City Government of Tagbilaran. We discuss these briefly below:

### a. Economic Programs

- Initiate measures to protect the most vulnerable sectors, businesses, and households.**  
 The research has shown that while the economic impacts of COVID-19 are felt by majority of the businesses, it impacts different businesses differently. The tourism sector is most affected. Younger businesses are badly hit. There has to be programmatic measures aimed at protecting the liquidity of those severely affected and helping them recover from the crisis. Business recovery programs need to consider helping those that are worst hit.

On the part of workers, contractual workers are badly hit. The city government needs to implement measures to protect workers from job loss, provide financial support, especially to more vulnerable households, and assist the most economically vulnerable, more particularly the children, indigents, and those with physical disabilities.

Finally, the research has shown that while most market vendors feel the economic impacts of COVID-19, it impacts them differently depending on the number of years they have been engaged in trading and the kinds of goods they sell. In most cases, their businesses are their regular sources of cash flows for the families. With their businesses performing poorly, this impacted their ability to provide for their families. Providing support to the most vulnerable families will significantly help these micro-entrepreneurs weather through the economic crisis brought about by the pandemic.

- **Gradually reactivate the local economy while being mindful of health restrictions.** There have been several initiatives to promote local consumption. This has to be coupled with efforts to transition to a low-touch economy, where transactions of buying and selling are done with minimal person-to-person interaction. One store in Tagbilaran, for example makes use of a contact tracing app to avoid the use of pen and paper and prevent transmission of the virus by using the same set of equipments. A city-wide (if not a province-wide) system that would prevent local transmission needs to be in place.
- **Stimulate investment that can create local jobs.** In several countries, the construction sector has been used to strengthen employment as well as domestic consumption. Public investments in building roads, bridges, public buildings, road maintenance, among others, do not only create jobs but also stimulate the local economy through forward and backward linkages.
- **Devise proactive support to small and micro-entrepreneurs to maintain liquidity.** Small and micro-entrepreneurs, as the market vendors in this study, are most concerned about their liquidity during the pandemic. Although what they are selling are basic necessities, they experienced a significant decline in income, not only because of mobility restrictions but also because of the negative outlook on consumers, saving even on essential purchases, including food. Without targeted support, it is very likely that several market vendors will close shop and lose their source of livelihood. If this happens to market vendors selling basic necessities and not ordered closed during the pandemic, the impact to non-essential businesses is expected to be worse. This can be in the form of deferred or flexible payment arrangement of governmental dues, additional liquidity capital, or targeted local consumption advocacies.
- **Craft a local economic development program that empowers small and micro-entrepreneurs using creative and technology-enabled processes.** The pandemic has shown the vulnerable nature of the local economy to shocks. It became apparent that strategic and proactive support to local players is absent. Local Economic Development and Investment Promotions Office (LEDIPO) is a mandated function of LGUs, and one of its tasks is the promotion and development of entrepreneurs. It may craft a strategic program intended for small and vulnerable economic players. Providing the necessary support to strengthen the human, social, physical, natural, and financial capital of micro-entrepreneurs is important, especially in responding to shocks, seasonality, and critical trends as the pandemic. Developing strategies to help them needs to involve the government and the private sector players to contribute to food security, income, and well-being.

## **b. Health Care and Other Social Services**

- **Strengthen the health care system.** This will require at least three things - beefing up testing capacity, strengthening treatment capacity, and strengthening ability of frontliners to respond. The strategy to test, trace, isolate and treat will only work if testing capacity is increased and capacity of frontliners and health facilities will be improved. Capacity of health institutions in the city is found inadequate to respond to a surge even in dengue cases as experienced in the past four years. While this is not a problem of the city alone, there needs to be comprehensive planning process to deal with certain scenarios.
- **Actively pursue mental health programs.** The inability of workers and all family members to go out and be confined only to their homes for an excessive period has negative repercussions on mental health. With churches closed, recreation activities temporarily suspended (e.g., beaches, parks, malls), and visiting friends and relatives forbidden, a programmatic approach to strengthen social systems and promote mental health is necessary.

## **c. Transparency and Accountability**

- **Uphold transparent communications.** This means that government is honest and accurate in reporting on the virus more particularly on the number of people who were infected, the status of response efforts, and the strict implementation of health and economic measures. Transparency communications also fosters accountability of public officials assigned to every task of pandemic response.

## **Concluding Remarks**

The results of the study confirm what other scholars have identified in terms of how the pandemic can have short-term and long-term impacts to the economy. According to UNDP, if non-pharmaceutical interventions (e.g. lockdowns and border controls) persist, a significant drop in gross domestic product and a corresponding transitory fall in household income will result to unemployment, debt restructuring, and tax deferments (Hevia and Neumayer, 2020).

There are several ways by which the pandemic can negatively impact the local economy, but the primary economic driver of a city is a significant contributor to the overall process. For example, cities like Tagbilaran, whose primary growth driver is dependent on external demand, and by external, we mean consumers residing outside city or provincial borders, the impact will be severe, especially when external demand cannot be replaced by local consumption. As earlier mentioned, Tagbilaran rely on tourism to fuel the growth of the local economy; the tourism industry is severely impacted by travel restrictions and lockdowns implemented by the Philippines and tourist-sending countries.

As shown in the foregoing, the outright impact was a drastic decrease in revenues on the part of tourism-related establishments, which consequently resulted to decreased consumption on one hand, and the lay-off of non-essential workers on the other. After June 2020, the period when this study was conducted, the ripple effects of border and business closure has further resulted to depressed consumption and eventually losses on the part of traders and producers of goods and services, and consequently, further decommissioning of workers.

The pandemic has highlighted the role of local governments in navigating a complex crisis. With the limited ability of the private sector to inject economic investments, businesses and households rely on local governments for temporary relief, and long-term measures to protect the local economy from collapsing (Andrews, 2021). Organization for Economic Cooperation and Development (OECD) (2020) argues that governments need to install “audacious policy action to maintain functioning healthcare systems, guarantee the continuity of education, preserve businesses and jobs” (OECD,2020).

But the capacity of local governments to respond are dwarfed by its resources. Fortunately, the city of Tagbilaran was able to effectively manage its resources to respond to the crisis indicated by the high satisfaction rating that residents and businesses gave the city in the management of the pandemic, aided of course by transfers from the national government that the city government was able to avail. But still, there were several areas mentioned by the respondents that weaknesses in pandemic response exist, as indicated by several of the measures they proposed in the areas of health, economic, and social protection services.

Since it has already been already over a year that this research was conducted, there is now the need to reassess whether the impacts mentioned above continued or were abated, and whether some of the measures suggested which were eventually adopted by the city government lessened the negative impacts of the pandemic on businesses, employees and workers, and informal sector workers.

## Notes

<sup>1</sup> All business establishments are ordered closed except public markets, slaughterhouses, supermarkets and grocery stores, hospitals and health facilities, pharmacies and drug stores, water-refilling stations, banks and financial institutions, public utilities, gasoline stations, funeral parlors, restaurants, media establishments, freight and cargo companies, agricultural supply stores, food manufacturing plants, hardware and construction supplies, BPOs, textile industry, laundry shops, and automotive/vehicular repair shops.

<sup>2</sup> Several of the suggested measures here were implemented by the city government, after the researchers presented the results of the research to the executive and legislative branches in August 2020. This included stimulating investments for local jobs, proactive support to small and micro-entrepreneurs, pursuing mental health programs, and improving pandemic communication to the public.

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