



Unemployment Insurance: A De-Securitization Strategy to Address Social Unrest Due to Cyclical Unemployment During an Economic Recession “Lessons From The Quezon City Wage Subsidy Program”

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Abstract. The COVID-19 pandemic lockdowns of 2020 have wreaked havoc on a global scale no one ever prepared for. Not only in the medical realm, but with it comes intense economic shock worldwide. As global economies abruptly halted, countries had no recourse but to declare an economic recession. The Philippine economy suffered a deep recession in 2020 due to the impact of the COVID-19 pandemic, with GDP contracting by 9.6% year-on-year. This was the most significant annual decline ever recorded by the National Economic Development Authority (NEDA). This massive decline in economic activity immensely strains the business sector, causing cyclical unemployment. As this pandemic-related unemployment coupled with COVID-19 fatalities intensifies, negative emotional stress is created, leading to a deterioration of economic confidence among individuals. Even as the world adapts to the financial effects of the pandemic, a global consensus is that overall economic activity will not rapidly return to levels achieved before the pandemic. This situation results in the prevalence of negative emotional stress, particularly in economically strained and politically polarized environments. It is also associated with political protests, which could lead to social unrest. This research paper aims to delve into the institutionalization of a National Unemployment Insurance (NUI) program derived from the lessons of the Quezon City Wage Subsidy Program (QCWSP). The NUI will be a human intervention to de-securitize the effects of a human security threat, with the Local Government Unit (LGU) as the implementing agency. The study revealed results of the Logit Regression model, validated by Goodness of fit tests McFadden R² and Count R² is that the selected variables have been statistically significant with 97% overall model accuracy. However, WSP programs particularly at the LGU level need to overcome communication barriers in a pandemic or similar situations. To strengthen the predictive power of the statistical model. It is recommended that similar longitudinal studies per industry may be undertaken in this regard.

Keywords: *Unemployment; Wage Subsidy; Quezon City; Wage Insurance; National Unemployment Insurance, Economic Intervention*





INTRODUCTION

As lockdowns massively disrupted business supply chains, leading to massive cyclical unemployment across industries during the COVID-19 pandemic 2020. (Rodríguez-Caballero & Vera-Valdés, 2020). Capitalist countries worldwide embarked on various fiscal and non-fiscal programs to address the negative economic impact of the pandemic while assuring the implementation of peace and order in their respective spheres. A study by the Institute of Labor Economics in 2021 suggests that the social and psychological consequences of the Covid-19 pandemic were associated with increased social unrest. It states the link between increased aggression levels during the pandemic-related lockdown brought about by increasing depression rates and a deterioration of mental health leading to social unrest (Lackner et al., 2021). These conditions necessitate a study focusing on the critical role of Local Government Units in mitigating Peace and order-impacting threats to human security. Economic measures are needed to address the economic costs of human security threats, specifically cyclical unemployment.

As the biggest city in the National Capital Region (NCR), Quezon City (QC) is also the most populated city in the country. Business closures due to COVID-19 lockdowns created massive unemployment. The highest unemployment rate was registered at 17.6% in April 2020, during the first implementation of Enhanced Community Quarantine (PSA,2020). QC then implemented the Wage Subsidy Program (WSP) to anticipate social unrest. The KQCN is a one-time WSP. A grant distributed in two tranches to 250 qualified MSEs or Micro and Small Enterprises, benefitting 12,000 employees. The Human Development Report 1994 termed human security “the safety from chronic threats and protection from sudden hurtful disruptions in the patterns of daily life.”

A pre-condition for the second tranche is that the MSE must maintain the number of their employees within three months. “Successful” are MSEs that received two tranches, and those receiving only one tranche are considered “failed.” In this case, the main challenge for the LGU was understanding the present situation regarding socio-political dynamics and initiating the appropriate actions that promised to de-escalate the situation (Dominguez, 2022). As lockdowns massively disrupted business supply chains, leading to massive cyclical unemployment across industries during the Covid-19 pandemic of 2020. (Rodríguez-Caballero & Vera-Valdés, 2020). Capitalist countries worldwide embarked on various fiscal and non-fiscal programs to address the negative economic impact of the pandemic while assuring the implementation of peace and order in their respective spheres.





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The study posited that the country's peace and order situation would stabilize during cyclical unemployment by institutionalizing a National Unemployment Insurance (NUI) derived from lessons of the QCWSP as it is implemented through the Local Government Units (LCU). This is in the context of the Covid-19 pandemic, where unemployment has led to an increased prevalence of negative emotional stress, anxiety, and aggression, as well as to increasingly negative perceptions of the state and the economy (Lackner et al., 2021).

Overall, this research aims to show the securitization—de-securitization link applied to a human intervention policy by looking into the experiences of ASEAN and developed countries that instituted Wage Subsidy Programs (WSP) similar to the KQCN and why it is recommended that a National Unemployment Insurance (NUI) program be institutionalized in the Philippines.

METHODOLOGY

Research Design

This is an action research study, and the program has proven its utility with growing recognition of its breadth as a field of research practice and its depth as a discourse of theoretical insight. A mixed research method is also employed following the validation of quantitative (logit regression) and qualitative methods (focus group discussions). The study will be contextualized using the Quezon City Wage Subsidy experience during the pandemic.

Following Saunders, Lewis, and Thornhill (2020), the researcher conducted a statistical analysis using secondary data. This mixed method is consistent with the pragmatism tradition of research. The Descriptive-Evaluative aspect will dwell on the identification of the factors cited in the preceding paragraphs:

- (1) size of the firm based on asset size
- (2) number of years in business
- (3) number of employees per respondent firm
- (4) the wage subsidy extended by the government





Logistic or Logit regression was deemed the appropriate statistical technique to analyze the “success or failure” of the QCWSP beneficiaries, which reflects the program. The dependent variable is categorical (nominal or nonmetric), and the independent variables are metric or nonmetric (Hair et al., 2010).

$$Y = \ln \left(\frac{p}{1-p} \right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n$$

RESULTS

Logistic Regression Model Results

To analyze the “success” or “failure” of an MSE in the context of the QCWSP and how a set of factors or predictor variables conditions it. To deal with this, logistic regression would be a more efficient method of estimating the parameters of the causal model. The results are shown in Table 2 below.

Table 2: Multivariate Logistic Regression Model

Predictors	Coefficient	OR	95% CI	p value	Conclusion
Asset Size	0.0000000025	.000	1.000 to 1.000	832	Not significant
Years of Operation	0.082	.085	0.979 to 1.203	120	Not significant
Number of Employees	-0.313	.731	0.610 to 0.877	0001	Significant
Wage Subsidy	0.00008	.000	1.000 to 1.0001	0003	Significant
Constant	-12.258				

In Table 2, three predictors (Asset size, Years of Operation, and Wage Subsidy) are positive (coefficients). Therefore, as the predictor increases in value, the probability of belonging to the Successful MSEs group is also expected to increase. However, the negative number of employees will have the opposite effect. Moreover, we note that only two predictors significantly influence the probability of success. These are the Number of Employees and Wage Subsidy.





Suppose we wish to assess the impact of the predictors. In that case, we use the Odds Ratio (OR), defined as the probability of belonging to the target group, successful MSEs, vis a vis the probability of belonging to the group of failed SMEs. When this value equals 1, it means that, with the given predictor, the probability of success is the same as that of failing. When OR is greater than 1, the probability of being in the target group is higher. The opposite is true if the odds ratio is less than 1. For example, OR of Asset Size being one is interpreted as irrespective of the size of assets, the probability of being a Successful MSE is the same as the probability of being a Failed MSE. To illustrate an OR more significant ($>$) than 1, suppose $OR = 2$, which means that with increasing asset size, it is twice as likely that an MSE will be successful.

On the other hand, we recall that the sign of the Number of Employees is negative and implies that as it increases, the MSE is less likely to be successful. Now, the value of its OR is 0.731. Interpretation is more straightforward if we shift our focus to Failed MSEs. We divide $1/0.731 = 1.37$, shifting the focus to the odds of failure. Hence, as the number of employees increases, the probability of being a failed MSE is 1.37 times more.

Focus Group Discussion (FGD) Summary

All participants in this group applied for the Quezon City local government program entitled Kalingang QC. According to the participants, the program provides financial or monetary assistance to businesses during the pandemic. The primary purpose is to augment the payroll and salaries of the employees. To qualify, participants were requested to submit business papers, a list of employees, and government contributions (i.e., SSS, Philhealth), to name a few. It was easy to comply with the requirements since they are available, considering these are the primary documents necessary to operate their respective businesses. While the participants noted that the review and process of documents were lengthy, they felt this is an essential stage of the program because it involves releasing a large amount of money “given for free.”

Similarly, the participants agreed that the review and processing of documents and site visits (or inspections) before and in between tranches were essential to ensure the legitimacy and operation of the businesses. Generally, the transactions (fund releases) between tranches one and two are considered “fast” with only a few months apart. Some participants consider the amount received sufficient, but one feels it could be higher (i.e., PHP500,000). All welcome higher amounts of financial assistance as long as they are qualified.





All participants considered the program successful. One of the factors that contributed to its success is the support and assistance provided by QC. The responsiveness, quick to reply to queries and clarifications, ability to assist in providing a list of requirements and where to source them, and being proactive – calling and sending out emails to inform participants of any lacking documents or requirements. The participants felt that QC made the transactions easier. Compared to other cities in Metro Manila, the participants know this program exists and is provided only by the Quezon City Local Government. They feel proud to be part of Quezon City – proud of the program, the Mayor, and those behind it – Quezon City in general. They are grateful for the financial assistance, especially during the pandemic. They never expected the support and financial assistance they received. They believe the program aided them during the financial crisis.

In terms of improvement, one of the participants felt the program could be extended for 3 to 6 months, especially for non-food or non-essential businesses, until they can recover. One mentioned extending the program directly to the employees (or individuals) with less employer intervention.

DISCUSSION

The Role of National Unemployment Insurance in De-securitizing Economic Recessions

The COVID-19 pandemic starkly exposed the vulnerabilities of economies globally, and the Philippines was no exception. The economic shock led to significant cyclical unemployment, creating a fertile ground for social unrest—a non-traditional human security threat. As highlighted in the research journal, the linkage between economic recessions and social unrest necessitates adopting de-securitization strategies to restore normalcy and stability. One such strategy is instituting a National Unemployment Insurance (NUI) program.

The Quezon City Wage Subsidy Program (QCWSP) serves as a microcosm of how local interventions can mitigate the adverse effects of cyclical unemployment. However, while the QCWSP provided temporary relief, the program's limited scope and duration highlighted the need for a more sustainable and comprehensive approach. The NUI program proposed in the journal is envisioned as a critical tool in de-securitizing the economic threats posed by recessions, ensuring that unemployment does not translate into widespread social unrest.





The NUI would function as a safety net, offering financial assistance to those who lose their jobs during economic downturns. This approach aligns with Keynesian economic principles, which advocate for government intervention to stabilize aggregate demand during recessions (Keynes, J. M., 2018). By providing unemployment benefits, the NUI would help maintain consumer spending, thereby supporting economic stability and reducing the potential for unrest.

Moreover, the journal emphasizes the importance of tailoring the NUI program to the specific needs of different economic sectors. For instance, industries with higher vulnerability to economic shocks, such as tourism and retail, may require more robust support mechanisms. The proposed program also suggests a tripartite partnership involving local government units (LGUs), the private sector, and national agencies to ensure its sustainability and effectiveness.

The QCWSP is a “qualified” success.

Although FGD results show that the beneficiaries were grateful that the LGU had extended its financial support to QC businesses, the program's budget amounting to Php500M needed to be fully utilized. In addition, the no. of employees and wage subsidy amount showed significant results, as stated in Table 2. The primary purpose of the QCWSP is to prevent massive layoffs and business closures if it had more reach. Based on the analysis of the results of the empirical model employed in this study, wage subsidy was found to exert a positive albeit negligible or marginal effect on the odds or likelihood of success of an MSE that received a subsidy. While it is statistically significant and consistent with what the model predicts, its practical significance may be doubted because of the marginal impact (0.00008) as revealed by the numerical model. A different outcome could have been realized had the entire amount budgeted for the program been prolonged and released to more beneficiaries.

The wage subsidy program implemented by the QC Government may have lacked accessibility because people are more concerned with understanding the current situation in a crisis. In this case, it was a pandemic coupled with global lockdowns no one has ever experienced (International Labour Organization, 2020; Lord, 2020). De-securitization literature points out that to strengthen its role as a diffusing agent, LGUs must strengthen its institutions and protect businesses affected by the pandemic, specifically the small business sector. Specific wage subsidy support policy options that may be recommended are NUI programs in partnership with the national government and the business sector to augment the NUI provided by the LGU and the implementation of the National ID System for ease in validation and distribution.





As seen in the ASEAN Wage Subsidy experience (ASEAN, 2022), the facilitation of NUI programs is simpler, documentary requirements are fewer, and business activity monitoring is more efficient due to the institutionalization of National ID Systems of related ASEAN countries. Given these findings, it is recommended that a sustainable National Unemployment Insurance program be crafted, following proper guidelines depending on LGU administrative and legislative processes and actuarial science algorithms.

Finally, given the gaps identified in the study and the related literature, it is recommended that future research and policy proposals look into the role of national agencies and programs for other economic sectors, specifically NUI programs for micro, medium, and large businesses and self-employed professionals. It is also noteworthy to dissect the impact of economic recession by industry to effectively design a NUI program that caters to the specific needs of each industry.

Institutionalizing a National Unemployment Insurance program is not merely an economic policy but a de-securitization strategy crucial for maintaining social order during economic crises. By learning from the experiences of QCWSP and other global models, the Philippines can develop a resilient NUI framework that mitigates the socio-economic impacts of future recessions (Biswas, R., 2021).

CONCLUSION

In conclusion, the discussion highlights the critical role of a National Unemployment Insurance (NUI) program in addressing the socio-economic vulnerabilities exposed by economic recessions, such as those seen during the COVID-19 pandemic (Almeida, R., Orr, L., & Robalino, D., 2014). The Quezon City Wage Subsidy Program (QCWSP) was a temporary intervention. However, its limited scope underscored the need for a more sustainable, long-term solution (Schmieder, J. F., & von Wachter, 2016). The NUI program emerges as a vital de-securitization tool, ensuring that cyclical unemployment does not lead to social unrest (Eroukhmanoff, C., 2018). The study suggests tailoring the NUI program to various economic sectors and leveraging partnerships between LGUs, national agencies, and the private sector. A robust NUI framework, informed by the successes and limitations of QCWSP and global models, will safeguard the Philippines' socio-economic stability during future economic crises (Dominguez, 2022).

The results of the empirical analysis of KQCN clearly show it to be a success, though “qualified,” as shown in the “wage subsidy” received by the beneficiaries. It shows promise but lacks sustainability and depth. Therefore, institutionalizing and developing





LGU-led unemployment insurance in partnership with the private sector is recommended. Insurance schemes may be developed using the institutions of the LGU, such as occupational permits, to entice the LGU workforce to register and have unemployment insurance in the process. This tripartite partnership between the LGU, the employee, and the private sector will provide sustainability and depth to the NUI following a national law (Republic Act). However, the 1987 Constitution and the Local Government code expressly grant autonomy to local government units to provide and budget such programs with the concurrence of the city council.

Recommendations for Policy Implementation

1. Implementation of National Unemployment Insurance (NUI) extended for 3 to 6 months with higher amounts to at least 70% to 80% of employee salaries (Medina, 2020; ASEAN Briefing, 2021; International Labour Organization, 2020).
2. Enactment of a National Law to Institutionalize the National Unemployment Insurance Program

Recommendations for Future Studies/ Researchers

1. Development of an algorithm capable of computing the business enterprise's total assets, cash flow, and liquidity, vis a vis the number of employees and the amount of wage subsidy to be distributed to rationalize the insurance subsidy amount. At the same time, it is essential to understand the peculiarities and structure of the local government units (LGU).
2. Implement the NUI through the Head of the Local Government Unit (LGU) office—the occupational permit to avail wage insurance in partnership with the private sector. Business enterprises that want to use the program will register their employees by securing an occupational permit. Once registered, a registered employee will be entitled to at least 3 to 6 months of wage unemployment insurance for their employees in times of economic recession or calamity. Business enterprises can partner with the city government and insurance companies to make premium insurance payments. A percent-sharing scheme may be developed between the parties.
3. The new NUI program may be used by all businesses (Small, Medium, and large enterprises) that want to avail themselves of it, provided that they are in good standing and have no pending case(s) with the Department of Labor and Employment (DOLE) and the Bureau of Internal Revenue (BIR).





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