Integrating Disaster Response in Business Operations to Reduce Impacts on Employees

Kevin Que, Master's Program in Disaster Risk and Resilience
Coastal Cities at Risk Project, Ateneo de Manila University

INTRODUCTION

The Philippines is a developing country, but with a GDP growth rate of 6.1% in 2018, the country has been undergoing major development and has been considered one of the fastest growing economies in Asia in this decade. However, it is marred by persistent poverty and an increasing inequality gap between the rich and poor. Further, being pummeled by an average of twenty typhoons and heavy rainfall hazards annually, climate disaster has become a factor and a magnifier of issues to tackle for sustained development in the nation. Any major shocks to industries and the economic structure of the Philippines can put this rapid economic development to a halt, because the time and capital investments that would go in to recovering from a major shock would be a large opportunity cost. This scenario may lead to the deceleration of the economic growth trend experienced in the Philippines, but the economic agents that take on the most risk are the marginalized individuals in the workforce.

In order to address the increasing impacts of natural hazard phenomenon in the Philippines, the nation established the National Disaster Risk Reduction Management Council (NDRRMC), formerly known as the National Disaster Coordination Council (NDCC), under the Republic Act 10121 in 2010 as a reaction to the Typhoon Ondoy, which devastated a significant area in Metro Manila and Luzon, and caused tremendous economic "damages" to the region. The economic value of total "damages" or direct impacts have been estimated to amount to P 68.2 billion, while the value of "losses" or indirect impacts have been estimated at P 137.8 billion (Muto, Moroshita and Syson, 2010; World Bank, 2011). Around half of the damages are in terms of residential property losses; significant amounts also reflect damages (in terms of loss output and property damage) in the commercial and industrial sector, and also devastated infrastructure nationwide. On the other hand, more than half of the losses are economic output loss in terms of the commerce/ service sector and a fifth represented the loss of agricultural output

This NDRRMC is comprised of private and civil institutions along with member agencies that fulfill different parts of the four thematic areas of DRRM, which include the following:

1. Disaster Prevention and Mitigation
2. Disaster Preparedness
3. Disaster Response
4. Disaster Rehabilitation and Recovery

As disaster Risk being a broad practice and includes vastly different aspects of society, the NDRRMC has difficulties in effectively addressing all its aspects. Even though the Philippines has placed laws for mitigating and preparing for disasters, most action for disaster risk reduction and management (DRRM) is still largely reactive. This is seen in situational reports issued by the NDRRMC that largely deal with direct impacts but do not include long-term effect, which translates to the absence of concrete DRRM plans in the economic plans of the country. Therefore,

it is important to assess DRRM in the lens of its potential economic effect to preempt the actions and trends the economy would take so that the system can protect the marginalized individuals in the workforce who take on most of the risk, but do not have the financial capacity to absorb these risks on their own.

DISASTERS AND EFFECTS ON WORKERS

The Philippines expects heavy rainfall annually during the rainy seasons, and it has been found that during events of heavy rainfall the amount of hours a worker renders increases. This was found especially true in sectors which provide basic goods and services such as electricity, water, and consumer good supply chains. In the study made by Que (2020), an increase of up to 8% in hours worked was seen for every 100mm increase in weekly rainfall for these sectors. It is possible to attribute these increases to the natural economic disaster mitigating mechanisms that industries make during increased rainfall for business continuity. However, this comes at the cost of increased risks to the workers who are exposed to increased rainfall without rendering an increase in real benefits for taking these risks.

Unfortunately, there are very few companies who take disaster risks of their human resources into consideration. Thus, it is up to the public sector to internalize these externalities to safeguard and increase the capacity of the vulnerable population against these hazards. Critical areas for intervention in this area would be ensuring that local government units implement their comprehensive land use plans, undertake risk mitigation and preparation programs, and work with the private sector to private hazard pay for their workers; for the private sector, undertaking business continuity plans, strengthening investments for resiliency and working for the formalization of their businesses are important to reduce the risk for their workers.

POLICY RESPONSES

Public Sector

Comprehensive Land Use Plans

In Executive Order No. 72, Executive Order No. 124, and Memorandum Order No. 54, the Philippines has established laws to ensure that land is used for sustainable development through the Comprehensive Land Use Plan (CLUP). The CLUP is then the basis of issuing building permits, planning for public infrastructure, and mapping out social and economic activities. One major components and building blocks of the CLUP is the Climate Disaster Risk Assessment (CDRA), which provides information on the hazards that take place in the region and the possible risks they pose. Sadly the CDRA is sometimes cut short in order to save money or simply because of the scarcity of professionals to conduct this assessment. Without a proper CDRA the CLUP becomes flawed and would not be a proper basis for planning, thus it is important for all Local Government Units (LGUs) to properly conduct these.

Furthermore, there are some cases where firms lobby for exemptions to practices that are not permitted by the CLUP. Despite this, they are able to build unsuitable infrastructure in certain areas. It is pertinent that the LGUs strictly enforce the CLUP to keep disaster risk at a minimum in their respective constituencies.

Disaster Risk Mitigation and Preparedness Infrastructure

When an LGU conducts a CDRA and CLUP, it gives them an idea of the hazards that a community or a region may face. With this information the LGU can effectively plan for mitigating and prepare projects for these hazards. To minimize the effect of heavy rainfall to avoid flooding and other indirect impacts on health and economy, water drainage and waste facilities infrastructure can be planned. This minimizes the impacts on the commuting public and encourages business continuity. The LGU must be proactive in taking the information from the CLUP and building infrastructure for reduce risks.

Hazard Pay

Finally, it is important for the public sector to realistically make the disaster risk externality more tangible for the private sector. So to discourage exposing workers to risk or at least minimize their risk, a hazard pay system can be adopted. Similar to an overtime pay, when there is a call to suspend work due to a hazard signal the private sector can opt to let their people come in for a premium. On top of the companies having to make more critical decisions to lessen the exposure of their human resources to hazard risks, if the private entity chooses to have their employees come in for work, the hazard pay could augment increases in hazard exposure by increasing the financial capacity of their employees so that they can shoulder the increase in risk.

Private Sector

Business Continuity Plans

The private sector are profit maximizing entities and in the face of hazards and disaster, a company must do its best to maintain operations and functions. However, because very few companies actually plan for this, many do not realize that they may be taking on larger costs in manpower and maintenance than necessary. A business continuity plan can make contingencies for certain risks and determine the minimum costs and the operational strategies to keep the business from failure. Similarly, this can better inform decision makers to possible investments and systems to ensure the safety of their assets. This will play a part in minimizing the added costs to labor and maintenance, and will have greater potential in lessening the exposure of the company's human assets to hazards.

Investments for Resiliency

It is recommended that more private corporations begin to internalize the costs and risks to their workforce. In most companies, risks are not offset by increases in income, but it would be in their best interest to ensure the security of their human capital by making the investments for resilience in the employees' stead. This has been done by large conglomerates like the Ayala Corporation and SM Group of Companies with their dedicated DRRM organizations, and the Philippines Disaster Risk Foundation, which is the corporate foundation dedicated to disaster risk reduction and the National Resiliency Council (NRC) which focuses on the disaster mitigation response of different institutions, including firms. These have been done through added employee health benefits, logistics and strategies to minimize employee's commuting time, or even company-wide emergency response teams in the face of disaster risk.

Formalizing Business

In the case of micro and small enterprises, making large investments on DRRM may not be feasible. However, one realistic and immediate step that some of these small businesses can make is to simply formalize their operations. Allowing the employees to participate in the Social Security System and the Philippine Health Insurance Corporaton becomes a huge help for them in times of disaster and is a resource that many informal businesses do not take advantage of.

SUMMARY

This short policy note provided a brief overview of the impacts of flooding on businesses, especially workers. It was observed that as a response to a flooding event, there is a tendency for workers to increase their working hours. This has been cited as a coping mechanism for workers which increases their burden of employment. While this effect is strong in certain industries, more in services industries rather than manufacturing (except for the public sector), nevertheless it is a phenomenon which employers should recognize. Some of the mechanisms to mitigate the effects also were provided.

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