

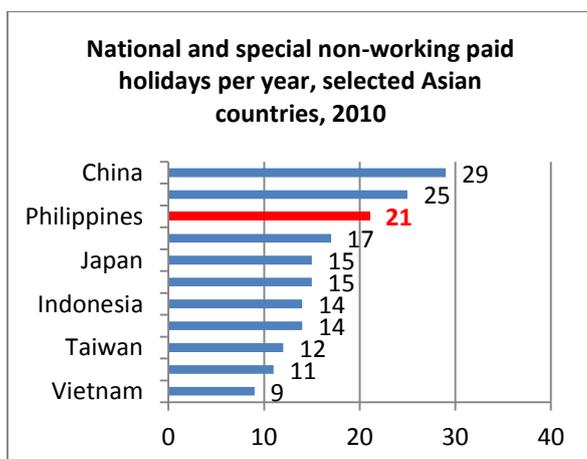
POLICY BRIEF

Translating research evidence and advancing new frameworks
to inform policy and practice

Implementation of holidays in the Philippines

What is the issue?

There has been a clamor from the business sector to review the policy on holidays in the Philippines for purposes of improving productivity and competitiveness especially for sunrise industries such as the BPO industry. The number of non-working holidays in the Philippines is deemed excessive compared to the competition or other countries in the region and even worldwide. There is also the practice of the declaration of special non-working holidays on short notice and without consultation with stakeholders, disrupting business schedules and predictability of operation costs. Despite the disadvantages of having a high number of holidays for the business sector and country competitiveness and productivity, more legislative proposals were filed in the 15th Congress for the declaration of non-working holidays, mostly of local scope in cities, municipalities and provinces¹. The abovementioned costs of more holidays should be compared to its potential or purported benefits, such as on work-life balance and worker productivity, and domestic tourism and economic growth. More important than merely increasing the quantity of holidays or time-off work, its enjoyment as opportunities for rest and recreation should be ensured especially for non-regular workers who are usually not entitled to these benefits.



Source: AmCham 2010

Why is the issue important?

Declaring holidays has implications on productivity and competitiveness and is associated with issues on rights at work. Reviewing the implementation of holidays is necessary to contribute to the Philippine development goal of inclusive growth, through decent and productive work.

What are the existing policy issuances on holidays?

- *DOLE Memorandum Circular No. 01, Series of 2004* lays down the guidelines for the private sector for the observance of declared holidays including holiday declarations from Presidential Proclamations and enactments of Congress.

Source: BWC

Minimum statutory premium pay rates and illustration of cost (using daily basic rate in NCR for non-agricultural workers, at PhP404.00):

1. For work performed on rest days or on special days: Plus 30% of the daily basic rate of 100% or a total of 130%.

$$\begin{aligned}
 &= P404.00 + (30\% \text{ of } P404.00) \\
 &= P404.00 + P121.20 \\
 &= \mathbf{P525.20} \text{ or } 130\% \text{ of } P404.00
 \end{aligned}$$

2. For work performed on a rest day which is also a special day: Plus 50% of the daily basic rate of 100% or a total of 150%.

$$\begin{aligned}
 &= P404.00 + (50\% \text{ of } P404.00) \\
 &= P404.00 + P202.00 \\
 &= \mathbf{P606.00} \text{ or } 150\% \text{ of } P404.00
 \end{aligned}$$

3. For work performed on a regular holiday which is also the employee's rest day (not applicable to employees who are not covered by the holiday-pay rule). Plus 30% of the regular holiday rate of 200% based on his/her daily basic wage rate or a total of 260%.

$$\begin{aligned}
 &= (200\% \text{ of } P404.00) + 30\% (200\% \text{ of } P404.00) \\
 &= P808.00 + (.3 \times P808.00) \\
 &= P808.00 + P242.40 \\
 &= \mathbf{P1050.40} \text{ or } 130\% \text{ of } 200\% \text{ of } P404.00
 \end{aligned}$$

- *DOLE Advisory No. 02, Series of 2009* (adoption of Flexible Work Arrangements) One of the flexible work arrangements that employers can implement, after consultation with employees, is a **flexi-holidays schedule**. Under the scheme,

employees agree to avail the holidays at some other days provided there is no diminution of existing benefits as a result of such arrangement.

- *Republic Act No. 9492 An Act Rationalizing the Celebration of National Holidays*
The Act provides for moving the date of holidays that falls on the middle of the workweek to Fridays or Mondays to have longer weekends. This is part of the strategy on holiday economics of the Arroyo administration to spur domestic tourism and consumption.
- In 2009, the government granted exemptions to the BPO and electronics industry from a declared non-working holiday (September 7, national day of mourning for a deceased religious leader). The request was granted from the recommendation of the Department of Trade and Industry where the industry stakeholders petitioned their exemption from the holiday.

Data from the BWC reveal that there are 184 local holidays in the country, declared through Presidential Proclamation or enactment of the legislature. Out of the total 184 local holidays, there is one regional holiday, 41 holidays at the provincial level, and 142 are city or municipal holidays. Most local holidays are to commemorate the founding anniversary of the locality, while some are also in celebration of religious and cultural feasts. Therefore, localities usually have 2 additional holidays on top of the declared national holidays. Furthermore, the BWC estimates an average of 4 workdays lost due to weather disturbances in a year.

What does the existing research tell us?

Holidays have both economic and sociological benefits. It promotes or stimulates domestic consumption and for people to undertake recreational activities and cultural activities. There is an increase in travel, traffic, hotel occupancies and earnings from tourism. Increase in travel or tourism also means higher demand for transport services (especially public modes). Commerce or the retail industry also benefits from holidays, with more sales income in malls/department stores, supermarkets and convenience stores².

It can be observed that there is higher degree of social activity on public holidays compared to non-holidays. People spend their time away from work on unifying social activities or rituals, like ceremonies, parades and family gatherings, to celebrate "events with common symbolic meaning". Public holidays fulfill a social function in facilitating co-ordination of leisure time because it is easier for people to arrange social activities so that they are more able to achieve an optimum consumption of their leisure time. This

contribute to building social cohesion and social capital, which has benefits in outcomes like faster economic growth, better health and lower social costs³.

Other cited benefits of holiday entitlements include: reduced staff turnover, improved staff morale and productivity, reduced absenteeism and better work-life balance for workers, and also possibly improved recruitment and retention from having competitive holiday entitlements⁴.

What are considerations for further strengthening the policy and program agenda relative to the issue?

Will it help increase employment levels?

Non-working holidays affect the capability of firms and workers in coordinating a mutually desired equilibrium of wages and labor hours. For firms, they can be "constrained in their usage of capital stock", making lower capital utilization a cost of public holidays. Some firms would limit their operation hours within normal working hours to pay standard working rates, and firms that need to operate beyond normal working hours must pay holiday premiums in addition to the worker's wages for the day. Each holiday worked means an increase in the annual wage bills of firms⁵.

The increase in labor cost is both artificial and inefficient because it is not accompanied by increase in productivity.

Some sectors might be more affected by the variability in the number and scheduling of holidays.

As the clients or customers of the IT-BPO industry in other countries observe different holidays, the industry needs to maintain its operations even during holidays in the Philippines, entailing higher wage bills in the form of premium pay for work during holidays. Higher labor costs decrease national competitiveness especially for the BPO industry that competes with other countries that not only have less number of holidays but also have lower wages⁶.

For small business, an impact of more holidays is on how to ensure sufficient staff cover. SMEs might have less capability to bear the additional costs of having a higher wage bill if they need to operate on holidays. Other business, in order to save costs when confronted with higher wage bills due to holidays, might look to reduce costs or incur savings in other areas of the wage bill.

For the care or hospital sector, a difficulty in granting holiday benefit is their need to maintain specified staffing levels.

Will it help expand access to employment opportunities?

Daily-paid workers lose opportunities to work/produce goods and services and earn income during special non-working holidays.

Holiday economics

Domestic tourism was recognized as a key economic-driver and employment generator by the Arroyo administration and in the Medium Term Philippine Development Plan (MTPDP) 2004-2010. The previous administration adopted holiday economics as a strategy to boost domestic tourism and consumption, and contribute to economic growth.

Holiday economics was implemented by the government, through having lesser working days in a week but with longer work hours, and moving the dates of holidays to have longer weekends to enable people to spend more time off work on vacations or travel.

In a study on the effect of holiday economics on the Philippine Economy, the NSCB conducted an input-output analysis and price cost analysis to assess the impact of household spending for domestic tourism on the different industries in the economy⁷. The results of the impact analysis were:

- From the 10 % increase in the consumption of tourism specific products:
 - Increase in the country's personal consumption expenditure (PCE) by 4.9 %
 - Increase in final demand by 3.5 %
 - Increase in output by 3.8 %
 - Increase in gross value added by 3.5 %
- In the price cost analysis:
 - 6.4 % increase in the consumer price index
 - 3.0 % increase in the producer price index as a result of expenditures.

In an impact analysis of holiday economics on the tourism sector and its link to income and employment generation⁸, aside from long weekends or holidays, other variables that affect demand for tourism-related services and goods were identified: disposable income, general price conditions, prevailing socio-economic condition/economic outlook, internal & external shocks, tourism facilities/developed infrastructure and other factors. Part of the findings in the study were:

1. The impact of holiday economics is negative to insignificant because of the higher tendency of firms to stop production to avoid increase in labor costs, which can lead to employment decline and income loss. The potential gains due to longer holidays are counteracted by the decrease in incomes.

2. Holiday economics or implementing longer periods of time off work is not enough to boost the domestic tourism industry because of the high costs of travel or vacations (e.g. transportation costs) and the low levels of disposable income.

Will it help improve the quality of employment?

Work-life balance and productivity

In a survey⁹ on management practices and work-life balance (WLB) practices across 732 medium sized manufacturing firms to determine if there is a positive or negative relation between the work-life balance of employees and the measures of management to increase productivity and respond to tighter competition, the results were:

- More holidays were associated with a higher WLB score.
- Firms that have better management are those that have WLB measures in place, achieving both higher productivity and WLB for their workers.
- Well-managed firms tend to be more productive, but the better managed firms also have better WLB practices.
- Although it can raise productivity, measures to promote WLB may not be adopted by the management if it entails higher costs to implement.

Will it help promote mutual and/or collective gains?

There is a need to have clear guidelines on how to implement holiday benefits for workers with atypical work patterns, such as part-time workers, shift workers and casual workers. Statutory provisions on holiday benefits are needed to ensure equality of leave and paid public holiday provisions especially for disadvantaged groups like part-time workers, low-wage workers and employees in small enterprises¹⁰.

In a comparison of data on paid leave and paid public holidays across OECD countries, it was found that part-time, low-wage and small-business employees in some countries fewer paid leave and holiday benefits compared to their full-time, higher wage and large establishment worker counterparts¹¹.

Flexibility in the availment or payment of public holidays can be had by offering options to work on those holidays but with higher wage rates or to have the paid day off at another time. Aside from the ability to avail of paid time off work, the ability to schedule these days according to workers preferences is also important.

Policy Suggestions

- Rather than declaring more holidays or increasing the potential days that workers can take time off work, workers' rights to existing provisions on leave benefits and public holidays should be strengthened and ensured so that they can have opportunities for rest and recreation, especially for non-regular workers who are usually not entitled to these benefits.
- If there are additional holidays, declare as special working holidays to still observe or commemorate the event without affecting work schedules and production.
- Flexible work arrangements such as flexi-holidays schedule can be explored to enable business to mitigate costs while ensuring workers are able to avail of time off work according to their personal schedules and preference.

¹ As of February 2012, there are 13 bills filed in the Senate proposing for the declaration of new holidays. 5 of the SBs are for declaring special working holidays, another 5 SBs are for special non-working holidays, and 3 SBs propose for new non-working holidays at the local level. At the House of Representatives, there is a total of 171 HBs for additional holidays: 3 HBs on national special working holidays, 32 HBs on national special non-working holidays, and a total of 136 HBs for new local non-working holidays (40 HBs provincial, 40 HBs city-wide and 56 HBs municipal-level). 12 HBs have been approved by the House and transmitted to the Senate and 8 HBs are pending at the committee-level. In the Senate, there are 5 bills on additional holidays being deliberated. (*Source: online legislative database of the House and Senate*)

² Xinhua. (2004, May). Holiday economy scores good returns. China Daily. Retrieved from http://www.chinadaily.com.cn/english/doc/2004-05/09/content_328948.htm

³ Merz, J., & Osberg, L. (2006). Keeping in Touch : A Benefit of Public Holidays. Bonn, Germany.

⁴ United Kingdom Department of Trade and Industry. (2007, June). Increasing the holiday entitlement - A further consultation: Summary of Responses and Government response to the consultation.

⁵ Merz, J., & Osberg, L. (2006). Keeping in Touch : A Benefit of Public Holidays. Bonn, Germany.

⁶ Joint Foreign Chambers of the Philippines. (2010). Business Cost: Holidays. In J. M. K. Neri (Ed.), *Arangkada Philippines 2010: A Business Perspective*. Makati: American Chamber of Commerce of the Philippines, Inc.

⁷ Virola, R. A., & Amoro, L. H. (2003). Status of the Development of the Philippine Tourism Satellite Account (PTSA). Second Sub-Regional Workshop on Tourism Statistic and the Elaboration of a Tourism Satellite Account, Shangri-La Hotel, Makati City, Philippines, 16 to 18 June 2003.

⁸ Yarcia, D. L. (2007). Is Holiday Economics Good for the Tourism Sector? -The Philippine Case. 10th National Convention on Statistics (NCS) EDSA, Shangri-La Hotel October 1-2, 2007.

⁹ Bloom, N., Kretschmer, T., & Reenen, J. V. (2006). Work-Life Balance, Management Practices and Productivity. *Human Resource Management*, (April), 1-46.

¹⁰ Ray, R., Schmitt, J., & Ray, B. R. (2007). No vacation nation USA – a comparison of leave and holiday in OECD countries *European Economic and Employment Policy Brief*.

¹¹ Ibid.

Policy Briefs aim to stimulate informed discourse on labor and employment issues. Each issue draws on current research and new frameworks to inform public policy, service delivery and practice.


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