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The Philippine Urban Informal Sector

Reginald M. Indon

What is the urban informal sector? Who are involved in it? What exactly is the sector's role in Philippine society? These are just some of the questions this article will try to answer as it attempts to paint a simple picture of this rather unrecognized yet important sector of Philippine society.

Literature defines the urban informal sector as mainly comprising very small enterprises—mostly self-employed and home-based enterprises—with limited access to formal institutional resources and services. Because of the size, the location and scale of their operation and the level of their business transactions, informal sector enterprises remain virtually invisible and are often excluded from official statistics and records.

Some literature simply defines the urban informal sector as the “poor man's economy,” which to a very large extent is accurate. The majority of those who work in the informal sector belong to the poor population. According to a self-rated poverty survey conducted by the Social Weather Stations in December 1995, 59 percent of urban informal workers and 42 percent of rural informal workers perceived themselves as being poor. Poverty pervades the informal sector, which is one reason why the sector has often been perceived as a survival mechanism or a safety net of the poor.

Although it is a given that the informal sector assumes the role of safety net for the underemployed and unemployed by providing them with alternative albeit low-paying and often hazardous jobs, it is not the sector's only role. Limiting its function to a mere social safety net makes it seem that membership in the sector is involuntary or consequential. Yet, many of the sector's members opted to enter and remain in the informal sector because the sector provided the most beneficial

and optimal return in terms of business growth. The conventional course, which is inclusion in the formal or modern sector, would have been more costly, and thus not economically sound.

The definition provided by the International Labor Organization of the sector captures eloquently the scope of poverty that inflicts the sector. Moreover, the ILO definition provides clues as to the major issues and problem that beset the sector and the extent of work and change needed to uplift the situation of those who exist in this sector.

The informal sector is composed mainly of "very small-scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers in urban areas of developing countries, some of which also employ family labour and/or a few hired workers or apprentices; which operate with very little capital, or none at all; which utilize a low level of productivity; and which generally provide very low and irregular incomes and highly unstable employment to those who work in it. They are informal in the sense that they are for the most part unregistered and unrecorded in official statistics; they tend to have little or no access to organized markets, to credit institutions, or to many public services and amenities; they are not recognized, supported, or regulated by the government; they are often compelled by circumstances to operate outside the framework of the law, and even where they are registered and respect certain aspects of the law they are almost invariably beyond the pale of social protection, labour legislation, and protective measures of the workplace." (ILO 1993)

Unfortunately, though, much of past definitions and discussions of the urban informal sector, including the ILO definition, has been limited to surfacing poverty issues and problems. As a result, most of the intervention done to support the sector has been limited to poverty alleviation measures, negating in effect the need to introduce measures that encourage and promote economies of scale.

More recent studies provide a more positive, and even hopeful, outlook of the sector—its potential as a development and anti-poverty tool. New discussions reveal that "the effort, initiative and entrepreneurial potential of the people operating in the informal sector in fact represent a new culture and a human capital which are essential for economic take-off. The question is how to meet the challenge of transferring the vitality, determination and hopes of this emerging business class to the rest of the country" (Maldonado 1995).

Slowly, a paradigm shift is emerging as to the nature and relevance of the urban informal sector in today's modern society. It is shedding its old identity as a "nuisance" sector as it is being perceived more as a "promotive" sector. Recent literature shows that the informal sector creates and provides badly needed employment and income opportunities for those excluded from participating in the mainstream economy. But apart from its job- and income-generating function, the sector is gradually gaining status as the launching pad of *nouveau* entrepreneurs and playing a critical role in fuelling the initial stages of economic takeoff.

Lanzona (1998) explains that the informal sector plays an important role in linking formal enterprises with low-income markets and low-cost production inputs. One, informal sector enterprises purchase formal sector goods and inputs (e.g. basic utility services, raw materials and finished goods such as soap, cigarettes, food products) and then retail or process them for the low-income market. Two, informal sector enterprises provide subcontracting work to formal sector enterprises, which translates into lower cost of production. Eventually, this results in lower prices of goods, thereby again making it affordable for the low-income groups. In effect, the informal sector helps broaden the market to include the low-income groups, which in turn stimulates demand and production.

A Highly Heterogeneous Sector

The informal sector is highly heterogeneous, composed of different people engaged in a multiplicity of economic activities. Moreover, these people and activities are set in different stages or phases of development. Alonzo (1998), for instance, makes a distinction between informal hired workers and informal enterprise operators. They differ in demographic background, human capital, outlook, and aspirations, and as such require different forms of assistance. For example, hired workers are more concerned with acquiring new skills and expanding their income. Meanwhile, enterprise operators are more concerned with acquiring new sources of inputs and expanding their market.

Joshi (1997) and Ferria-Miranda (1998), similarly, make a distinction between a livelihood and a microenterprise—both of which fall within the domain of the informal sector. On one hand, a livelihood has very limited potential for growth in both income and employment generation. Earnings from such activities are hardly plowed back into the

business and are instead spent on survival or sustenance requirements. On the other hand, a microenterprise is one that shows potential in expanding its activities and production, in hiring more outside workers, and in graduating to formal status. It is able to yield substantial profits, enough to provide for economies of scale.

In one study that looked into the role of micro and small enterprises in economic development, it was found that micro-enterprises can be further classified according to four major types: the start-up, the non-growing, the slow-growth, and the graduate enterprise (Liedholm and Mead 1995).

Start-up enterprises, obviously, are those which are just beginning operations, serving as the entry level for people intending to set up their own businesses. The majority are one-person firms, engaged in simple trading or manufacturing operations.

Next are non-growing enterprises—those which have managed to survive the start-up phase but have not grown ever since, that is, employment has not increased. They are engaged mostly in survival activities, employing unpaid family labor and using crude and scarce resources to operate the business. They hardly earn sufficient profit to merit business expansion.

Slow-growth enterprises, meanwhile, are those which have exhibited growth since starting, but only in small amounts. More workers—mostly family labor—have been employed to help in the business. At this stage, the needs begin to become more complex and diverse, indicating a changing pattern in business operation.

Finally, there are the graduate enterprises. These enterprises are those which have reached economies of scale, adding still more workers in their operations. Likewise, their orientation has gradually become more commercial, outward looking, and responsive to market opportunities. They develop new business operations and marketing strategies that are attuned to exploiting newfound markets and linkages.

Still another way of looking at the informal sector is to view its members from a poverty perspective. According to Remenyi (1991), there are five different levels of poverty. At the base level are the *ultra poor*: women, children, the frail, and the old—those who depend on others for their survival. These people hardly earn enough income to go beyond subsistence levels. Second at the base are the *laboring poor*: the self-employed or itinerant employees—those who do not hold steady jobs and have irregular income. The next sub-group are the *self-*

employed poor: those who work on their own account and can often-times employ other people (mostly from their household) to engage in their business. Next are the *entrepreneurial poor*: those who have the capacity to invest more resources in their business and earn enough profit beyond the survival level, but not beyond the poverty level. Finally, there are the *near poor*: those who belong in households whose combined annual income is above poverty levels but not enough to reach middle income levels. Informal sector members fall within the different levels of poverty, and thus they differ in needs and capabilities.

Understanding and appreciating such nuances that exist in the urban informal sector is important, especially within the context of defining and implementing development interventions in behalf of the sector. Needs are largely determined by the workers' or enterprises' level of development, business involvement, and potential for growth. Intervention will mostly be responsive, and will have the most impact if it is tailor-fit to the particular conditions and needs of urban informal sector participants.

Some Statistics

Official employment statistics reveal that, as of 1999, the number of Filipinos employed in the informal sector total 13.4 million, or roughly 46 percent of the entire employed population in the country. Around 4.4 million (or 33 percent of the total informal sector employment) comprise the urban informal sector.¹

Employment in the informal sector has mostly been limited to the agriculture and services sectors, which account for more than 93 percent of total informal sector employment. Traditionally, informal sector employment has clustered around the agriculture sector. In 1999, it accounted for 59 percent of total informal sector employment.

However, in recent years, informal sector employment in the agriculture sector has slowly gone down, while informal sector employment in the services sector—which includes activities such as wholesale and retail trade; transportation; and community, social, and personal services—has steadily gone up. This largely explains why total employment in the services sector has steadily grown over the years (see table 1).

Fast-paced urbanization vis-à-vis the slow development of the countryside is also paving the way for the rapid growth of the urban informal sector. In the coming years, as urban population growth,

globalization and modern market trends alter the economic and employment landscape in the country, the population of the urban informal sector is expected to further increase.

Table 1. Share in total employment (in percent)

	1965	1971	1986-90	1999
Agriculture	57	50	43	40
Industrial	15	16	14	16
Services	28	34	35	44

Metro Manila's Informal Sector: Some Findings

In a survey conducted by the International Labor Organization and the National Statistics Office, it was found that there were 539,000 people employed in the informal sector in the whole National Capital Region in 1995 (ILO 1995).

The study not only provided relevant statistical data on the urban informal sector and helped verify existing hypotheses and assumptions on the Philippine urban informal sector, but the ILO-NSO study also surfaced new ways of understanding the sector.

The major findings of the study were:

1. Eighty-eight percent of the total number of urban informal sector enterprises in the NCR are household-based, meaning, the business enterprise is operated by a social unit that shares the same sleeping and eating quarters.
2. Forty percent of such informal businesses are home-based and operated solely by the owner-proprietor. Only 19 percent are mobile.
3. The majority of informal sector households (64 percent) depended on income derived from the enterprise, which amounts to less than P10,000 per month.² For households that are headed by females, the income per month is much lower.
4. Trade is the main economic activity of urban informal enterprises, accounting for 47 percent of all urban informal sector activities.
5. Forty-five percent of informal enterprises have operated for more than five years; 53 percent have operated for less than five years.

6. The reported monthly wage paid to workers employed in informal sector enterprises ranges between P1,742 and P6,000. Only 58 percent of these workers are considered permanent workers, meaning that they are regularly employed.
7. Only 25 percent of informal sector enterprises are covered by social security.

Economic Policies and the Informal Sector

Yu (1994) explains that the exodus of informal employment from the agriculture to the services sector is due to structural and institutional limitations in both the traditional and modern economy—attributed mostly to lopsided economic policies—which left a large segment of the laboring population with very few employment opportunities. Lopsided economic policies prevented the agriculture sector from spurring modern rural industries, which in turn gravely limited the rural areas' capacity to produce and spur new employment.

The formal sector's inability to absorb labor can be attributed to a bad mix of economic policies that began in the 1950s. In a bid to escalate economic production, the Philippines pursued a rapid industrialization strategy that was anchored on urban-based industrialization and the use of capital equipment. Most investments were channeled to the urban and industrialized areas, where the means of production were mostly limited to the use of capital equipment (e.g. machines and automats). Capital equipment was imported cheap from abroad by artificially overvaluing the exchange rate.

Because of lack of investments in agriculture and an overvalued peso, agricultural production stagnated, which in turn prevented the agriculture sector from growing and developing on- and off-farm enterprises and industries that could have provided new employment and income opportunities for new players and job seekers. Meanwhile, urban industries offered very few job opportunities, owing to their exclusive reliance on capital equipment as a means of production, which in turn meant that they had little labor absorptive capacity. Basically, the industrialization strategy failed because it did not use the two most important and abundant local resources of the country: labor and agriculture.

Indeed, employment problems are not "predetermined outcomes of the workings of uncontrollable forces such as globalization, intensified competition, and technical change. They are the result of social choice:

commissions or omissions in economic and social policies and shortcomings in institutional arrangement (ILO 1995). In the case of the Philippines, social choice was, and continues to be, influenced predominantly by big business interests in the formal sector.

The formal sector or the modern economy as defined in literature is the domain of the political entrepreneur—people who rely on the State to protect their private business interests (Kropp et al 1989). These people, through collusion with the State, sway economic policies in their favor which are often at the expense of those in the informal and poorer sectors of Philippine society.

What is ironic is that in less developed countries such as the Philippines, it is the informal sector that is the locus of the market, not the formal sector. This means that most of the economic activities that take place in developing countries are generated by the informal sector (Kropp et. al. 1989). The lopsided policy favoring formal big businesses retards the growth of the informal sector, limiting its capacity to improve productivity and income generation, and ultimately prevents it from making any further contribution to the total economy.

Summary of Issues and Problems

Much has been written about the issues and problems that beset the urban informal sector. The following is a quick review of these issues and problems.

Low productivity and income. Although the urban informal sector at the collective or aggregate level is a major source of economic productivity, the trend is completely different at the household level. Productivity is low at the household level, and because of this income usually suffers.

Low productivity is attributed largely to lack of modern skills, technology and resources. Because of limited educational background and exposure to organized skills training, people employed in the urban informal sector have limited knowledge of modern ways of production. They rely mostly on crude technologies and resources in their day-to-day activities.

Urban informal sector participants also do not have access to organized and institutional capital and credit. Commercial banks, which corner the bulk of loanable funds in the market, often shy away from informal sector participants. As a result, people in the urban informal

sector are forced to borrow from loan sharks which sometimes charge as much as 1000 percent in interest.

The result is lower realized income for the informal sector participants, which in turn means available funds for household basic needs and enterprise development.

Hostile working conditions. Because most of the urban informal enterprises are home-based, much of the work and operation are done within the residences of the urban informal sector participants. Household members such as women and children—who are often hired as unpaid family labor—are then exposed to harmful and toxic materials used in the production of goods or services, ultimately jeopardizing their health and safety.

As for those who work outside their homes or are mobile, occupational hazards also abound. They are frequently exposed to the elements and to urban pollution.

The lack of access to formal social protection further aggravates the lot of the urban informal sector. In times of financial difficulties brought about by loss of income due to illness, accident, old age etc., people working in the informal sector have virtually nothing to fall back on, in which case they consequently fall deeper into poverty.

Irregularity and precariousness of work and income. As mentioned earlier, less than half of those who work for urban informal sector enterprises are considered “permanent” employees. And even then, the concept of “permanence” does not include job tenure given that most informal sector enterprises face constant terminal problems. The business can belly-up anytime.

Within the sector, unfair labor practices are the norm. Because informal enterprises are beyond government regulation and monitoring, and have limited capitalization and income, labor standards are not practiced or recognized within the informal sector. Informal laborers work for very long hours, are paid below minimum wage, and are not provided with safety equipment and social security.

The problem of housing is another factor that prevents the urban informal sector from improving its condition. Squalid housing conditions and lack of land tenure prevent informal sector activity and income from achieving sustainability and realizing growth. Because of their informal residence status, urban informal sector participants often have very limited access to vital public utilities such as power, water, and communication.

The prospect of their homes being demolished and their families relocated to another place is a major disincentive for most home-based urban informal sector enterprises to invest more on their homes and their business. Such an investment would surely have an enormous impact on improving the working condition and environment of home-based workers.

Unfavorable business climate. Competition within the sector is very intense, especially in the retail trade subsector where there is a high concentration of informal sector participants involved. The retail trade industry offers easy access for start-up entrepreneurs, especially for those who lack tradable skills. And because of this, most informal sector workers tend to cluster within this specific subsector.

This saturates the informal market with retailers, which is a good thing for the big manufacturers in the formal sector, but which is not so beneficial for the urban informal sector. For one, due to stiff competition, informal retailers are forced to succumb to demands of suppliers and buyers, and eventually lose potential profits. Two, there is not much value-added in the products sold, and the retailers are thereby limited in generating employment and labor productivity.

Government's ambivalent attitude towards small businesses and workers has not helped improve the lot of the informal sector. The fact that there is no clear developmental policy or agenda for the informal sector is a clear indication of government's passive approach to the needs of the sector.³ The absence of an economic plan for the sector negates the need to act on linkage problems, specifically the need to link informal producers and retailers to market suppliers and buyers. Moreover, not being a part of government's development plan means the sector is not a priority sector, and thus has limited access to the State's budget allocations, program of activities, and support facilities.

No social protection and social security. Apart from the regular social services offered by the State to the public, urban informal sector actors have very limited social protection coverage. Because of irregular incomes and the informality of their work sites, conventional social protection and social security programs have difficulty reaching the informal sector. Also, conventional social protection and social security measures are not designed to meet the specific needs and conditions found in the informal sector.

The Philippines basically follows the principle of contributory social insurance. Social security members pay a regular contribution which is usually deducted from wages or salaries. Tasked to implement such

social insurance schemes are, for the private sector, the Social Security System (SSS), and for government employees, the Government Service Insurance System (GSIS). Other institutions also involved in social security schemes are Pag-Ibig, Philippine Health Insurance Corporation, and the Employment Compensation Commission.

However, these formal institutions and their programs cover mostly workers in the formal sector. And although there have been efforts to expand the coverage of these institutions and their programs to those of the informal sector—particularly the self-employed and domestic household workers—there remains a wide gap in terms of servicing the social security needs of people working in the informal sector.

Several studies have enumerated and commented on the different factors affecting low coverage of informal sector actors in formal social security schemes. However, the more frequently cited factors are:

- * Conventional social security programs use the employer-employee relationship as a basis for coverage. This formal relationship does not necessarily exist in the informal sector.
- * Low and irregular income which reduces the capacity of informal sector workers and operators to make contributions
- * Ignorance of social security rights and obligations
- * Informal sector workers already satisfied with indigenous social protection schemes offered by the family, community, or self-help organizations
- * Legislative requirements, particularly those concerning employment status, exclude some informal sector workers from being qualified to participate
- * Bureaucracy
- * Proximity/ Distance of social security institutions.

Recommendations: Intervention Objectives

There are basically two intervention objectives: 1) improve and sustain the urban informal sector's productive and employment generation capability, and 2) ensure higher and equitable individual income and social protection for informal sector workers.

The first objective is very important for it has a direct bearing on the total economic system. Employment is a critical economic indicator for growth, and any form of growth in employment goes a long way in enhancing the over-all economic climate.

Developing the productive and employment capacity of the urban informal sector ultimately leads to an improvement in the general employment and economic situation of the country. More available work in the sector means more income opportunities for more workers, which in turn sets off multiplier effects such as increased spending capacity and purchasing power for more people, higher consumer demand, and accelerated production of goods and services to cope with higher demand.

Improved informal sector productivity also translates into enhanced enterprise capacity to meet market demands. Higher productivity similarly translates into higher income for the enterprise, which is a prerequisite to improving the individual incomes and social protection coverage of informal sector workers.

The second area—ensuring higher and equitable individual income and social protection for informal sector workers—is equally important. As mentioned, the majority of the informal sector workers are paid very menial wages, work in decrepit and hazardous conditions, and are often excluded from vital social protection and social legislation coverage. It is imperative that these workers are provided more remuneration as well as more social protection, not only because of economic considerations, but more so because of moral considerations.

It is not enough that workers are provided employment; they should be paid reasonably well. Lack of income is what is keeping most of the informal workers and their families from exploiting opportunities for growth. The children of informal sector families, for example, often skip school to help in the family enterprise to augment the family income. Without formal education, the chances of these children moving up the social pyramid are made more precarious.

Improved individual income likewise allows the workers to provide for their families' welfare and social security needs. They have more money to spend on nutrition, health care, education, and shelter. These are basic needs that are essential not only for the survival of the workers and their families, but also for providing the necessary building blocks for growth. A healthy worker, for example, is less prone to illness and absenteeism, and is therefore more productive. An educated and healthy child is similarly more likely to grow up into a productive and well-remunerated worker.

In order for intervention to be more sustainable, change should come in the form of policy, institutional, or program assistance. But whatever form it takes, it must focus on the two primary intervention

objectives. A policy that would further deregulate the sector and at the same time provide incentives to micro and small enterprises, is a step forward towards encouraging the growth (and eventually the mainstreaming) of the urban informal sector. Creating and sustaining a business climate friendly to micro and small enterprises is also deemed necessary and tremendously beneficial for the urban informal sector.

Such policies, however, must also provide sufficient incentive mechanisms that encourage informal enterprises to upgrade their workers' wages and provide them with more security and protection. This should be coupled with a stronger resolve on the part of the State to implement minimum labor standards. The prospect of higher profit is not enough to compel business owners to raise the income of their workers. The State must make sure that informal workers are provided with at least their minimum basic requirements.

What is recommended is not a total distancing of the State from the urban informal sector. On the contrary, what is put forward is greater State intervention in the form of policy formulation, institutional assistance and program development, with the end goal of raising the employment, income and productivity capacity of the urban informal enterprises, and the over-all human development of the individual worker.

A Policy Question: A Magna Carta for the Informal Sector?

Certain groups involved in informal sector research and advocacy have proposed that a Magna Carta for the Informal Sector be passed into legislation. According to them, its primary function is to provide a friendly policy climate that would push for greater efficiency in the informal sector. Covered by the Magna Carta would be issues such as: extension of core labor standards to the informal sector, livelihood development (credit, skills, market), security in workplace, safety and health in the workplace, social security and health insurance, social services (housing, education, water), and political rights.

Generally speaking, the Magna Carta is intended to codify the fundamental rights and liberties of informal sector workers, clarifying once and for all the government's policy towards informal sector workers. And indeed, informal sector workers deserve to be recognized and their rights upheld and protected. But doesn't existing social legislation already guarantee such rights and liberties?

A quick scan of existing labor and employment legislation and policies reveals that there are existing laws which already cover informal sector workers (see table 2). However, these laws have hardly been implemented for various reasons. One reason is that some of these laws may need enabling laws. Another reason is that some of the laws prescribe an employer-employee relationship, which often does not exist in the informal sector. Another reason—and this is very important—is the inability of implementing institutions to respond to informal sector needs, mostly because these institutions lack the information, orientation, attitude, and capacity to serve informal sector needs. The problem, therefore, is not the absence of informal sector laws, but the implementation of such laws.

Studies reveal that one solution to most informal sector problems is integrating the sector to existing formal groups and institutions. Integration here does not simply mean creating linkages, but also making sure such linkages promote reciprocity, equality, and scales of economies.

Studies also reveal that central to the integration process is creating and developing institutions that cater and respond specifically to informal sector needs and demands. This include not only institutions in the formal sector, but also those in the informal sector. Thus, institutional development and group organizing are seen as vital components in the integration process. The whole point of integration is to prepare both the formal and informal sector for the re-entry of informal sector workers into the mainstream economy. This is basically the goal of integration.

An overriding question is whether the Magna Carta truly responds to the actual needs and demands of the informal sector? One danger is that it may deviate from what is actually and practically needed at the ground level. The Magna Carta may create the illusion of permanence and exclusivity in the sector, idealizing the informal sector as something which it is not: the solution to the poverty and employment problem.

Although the informal sector deserves to be given proper recognition for its role in poverty alleviation and economic development, it must be clear to all that it is a dead end sector. Note that the informal sector is merely a launching pad for small entrepreneurs and workers; it is not the final destination. The goal is to provide opportunities for informal sector workers to eventually re-enter the formal economy. In this light, the Magna Carta could possibly send the wrong signals to informal sector workers by reducing incentives to integration and formalization.

Table 2. Existing special legislation and policy guidelines for informal sector workers

Type of informal sector worker	Laws/ Policy guidelines	Specifics
Industrial Homeworkers.	Article 154 and 155 of the Labor Code Rule XIV, Book III of the Implementing Rules Dole Bulletins	Article 155 directs the labor secretary to regulate employment of industrial homeowners
Construction Workers	DOLE Department Order No. 19 (1993)	Protection of construction workers
Sugar Workers	R.A. 6982, Sugar Amelioration Act of 1991	Provides sugar workers social amelioration benefits (e.g. death benefits and maternity benefits) and opportunities for livelihood and income generating projects
Piece-rate Workers	Article 101 of the Labor Code	
Task Workers	Section 8, Rule VII and Section 8, Rule IV of Book III of Implementing Rules of Labor Code	
Casual Workers	Article 280 of Labor Code	
Child Workers	Articles 139 and 140 of Labor Code R.A. 7610 R.A. 7658	Provision against the employment of minors and protection of child workers Special protection for the welfare and development of children

Table 2 Continued

Type of informal sector worker	Laws/ Policy guidelines	Specifics
Women Workers	Comprehensive Agrarian Reform Law Article 130–138 of labor Code R.A. 7192 (1992), Women in Development and Nation Building Act	Provide equal opportunities for women

Source: Martha Farolan, "Social Protection and Legislation for Workers in the Informal Sector," Handbook on the Informal Sector, 1998.

Conclusion

The informal sector is the cradle of the poor and unemployed, serving as a social safety net for those marginalized by the system. Moreover, it serves to generate productivity in segments of society where the formal sector has failed to make an impact or provide opportunities. And because of this, the informal sector plays an important development and anti-poverty role. As such, it is vital that government and the private sector rethink its economic policies and strategies, bearing in mind the substantial contribution and impact of the informal sector to the country's economic and business activities.

However, it is wrong to idealize the informal sector as a panacea—a cure to the ills of urban poverty. The goal is not to encourage informality, but to help those making a living in the informal sector to graduate into formality, to prepare them in their entry into the modern economic sector. And equally important, to prepare the formal system for the integration of people working in the informal sector.

Notes

1. Although there are no official statistics which count the number of informal sector workers in the country, official employment statistics may be used to approximate the number of informal sector workers. The Department of Labor and Employment statistically defines informal sector workers as the sum of those employed as own-account self-employed workers and as unpaid family workers.

2. Seventy-two percent of enterprise income fall below P10,000 per month; thirty nine percent fall below P5,000 per month.

3. Some laws concerning the welfare and regulation of small business establishments have been enacted such as the Kalakalan 20 and the Magna Carta for Small and Medium Enterprises. These laws, however, have failed to meet the actual needs of the urban informal sector due to lack of implementation and social marketing.

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