

# **“BARRIERS/CONSTRAINTS TO ENTERPRISE FORMALIZATION, THE WORKERS’ PERSPECTIVES”**

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# **OUTLINE**

- 1. CONSTRAINTS/BARRIERS TO FORMALIZATION  
(FOR PRIORITY ATTENTION, AS OF DEC. 2, 2016 TNK  
SUMMIT)**
- 2. LOCAL GOVERNMENT INITIATIVES ON SIMPLIFICATION OF  
MAYOR'S PERMIT (VALENZUELA CITY)**
  - 2.A CITY ORD. NO. 62 OF 2012**
  - 2.B CITY ORD. NO. 339 OF 2016**
  - 2.C CITY ORDINANCE NO. 442 OF 2018)**

## **BARRIERS**

**1. inappropriate  
macro-economic  
frameworks**

**2. incoherence of  
legislations and  
policies**

## **CHALLENGES**

**1.1 Various definitions used**

**1.2 Social Protection Framework is good  
but implementation strategy of  
convergence is not enough, should be  
integrated.**

**1.1 Informal economy are not mainstreamed  
with the national legislations, not even  
informal workplace, in general**

**1.2 one legislation “does not talk with other  
legislations” making hard in the  
implementation**

# Various definitions:

## INFORMAL SECTOR

15<sup>TH</sup> ICLS

**INFORMAL SECTOR-** units engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons concerned. It consists of household unincorporated enterprises that are market and non-market producers of goods and services.

**NSCB RESO.  
NO. 15, S-2002**

**RA 8425 – “Social Reform & Poverty Alleviation Act of 1998”**

**(w) "Workers in the informal sector" –** Refers to poor individuals who operate businesses that are very small in scale and are not registered with any national government agency, and to the workers in such enterprises who sell their services in exchange for subsistence level wages or other forms of compensation;

**(i) "Micro-enterprise" –** Any economic enterprise with a capital of One hundred fifty thousand pesos (P150,000.00) and below

**INFORMAL ECONOMY**  
 - refers to all economic activities by workers and economic units that are in law or in practice not covered or insufficiently covered by formal arrangements

## RA 9710: Magna Carta of Women

(5) “Workers in the Informal Economy” refers to self-employed, occasionally or personally hired, subcontracted, paid and unpaid family workers in household incorporated and unincorporated enterprises, including home workers, micro-entrepreneurs and producers, and operators of sari-sari stores and all other categories who suffer from violation of workers’ rights;

**Table 1: MSME Classification**

Enterprise	Category	
	By Asset Size	By Number of Employees
Micro	Up to P3,000,000	1 - 9 employees
Small	P3,000,001 - P15,000,000	10 - 99 employees
Medium	P15,000,001 - P100,000,000	100 - 199 employees

<b>BARRIERS</b>	<b>CHALLENGES</b>	<b>RESPONSES</b>
<b>3. Institutional problems</b>	<ul style="list-style-type: none"> <li><b>a. No focused institution for WIS</b></li> <li><b>b. Mainstreaming informal economy with legislations using ILO R. 204 as a guide</b></li> <li><b>c. Diagnostics and review of national legislations</b></li> <li><b>d. Lack of understanding the informal economy among legislators and implementers</b></li> <li><b>e. statistical invisibility</b></li> </ul>	<ul style="list-style-type: none"> <li><b>1. Presidential MO to PSA to operationalize informal economy definition</b></li> <li><b>2. DOLE-Workers in the Informal Economy Dev't. Division</b></li> <li><b>3. ILO, DOLE, NAPC, DTI collaboration on ILO R. 204 Training</b></li> </ul>

<b>BARRIERS</b>	<b>CHALLENGES</b>	<b>RESPONSE</b>
<b>3. Regulatory Reform and Business Environment</b>	<ul style="list-style-type: none"> <li><b>a. High cost of business fees and permits - LGU level</b></li> <li><b>b. Inconsistent provisions in the Local Gov't. Code on fees and permit issuances between barangay and city/municipality</b></li> <li><b>c. Stiff BIR regulations and requirements and lack of knowledge</b></li> </ul>	<ul style="list-style-type: none"> <li><b>a. 1 SENATE Committee on Local Gov't. Code Review of Local Govt. Code</b></li> <li><b>a.2 Local government initiative</b></li> <li><b>b. Local Govt. Code inconsistent provisions amended – “Ease of Doing Business Act”</b></li> <li><b>c. Intervention still need policies tailored suit for informal economic units</b></li> </ul>

<b>BARRIERS</b>	<b>CHALLENGES</b>	<b>RESPONSE</b>
<b>4. Lack of access to productive resources such as training, credit, technology and market</b>	<b>1. Limited utilization of PDTF (People's Development Trust Fund) for capacity building of enterprising basic sectors</b>  <b>2. Issue of sustainability of micro-enterprises/livelihood</b>  <b>3. No typology of formalization institutionalized with the sectors participation.</b>	<b>1. Response-negative</b> <b>2. Formalization mainstreamed with “TNK” (Work, Business and Livelihood) Blue Print, MTPDP 2017-2022</b>  <b>3. Development of National Livelihood Framework</b>



BARRIERS	CHALLENGES	PROPOSED ACTION
4. Statistical invisibility	<p>a. 2008 NSO ISS Survey has not been updated</p> <p>b. 2008 NSO ISS Survey is limited only to operators</p>	<p>a. Operationalization of informal economy definition and mainstreaming of its data collection as rider questions or module in the Labor Force Survey</p> <p>b. Develop registration framework in local government for informal economic unit and informal workers  <b>RESPONSE:</b> Pilot testing of Labor Force Survey with indicators for informal economic operators and indicators for informal employment in the “Integrated Survey on Labor and Establishments”.</p>

## **VALENZUELA CITY, RESPONSE TO BUSINESS REGISTRATION SIMPLIFICATION, REDUCING COST OF MAYOR'S PERMIT AND EXEMPTION FROM BUSINESS TAX**

REGISTRATION	COST
<p>ISSUANCE OF MAYOR'S MEMO CIRCULAR NO. 2011-006 FOR ESTABLISHING 3S (SIMPLE, SPEED AND SERVICE) IS BEING INSTITUTIONALIZED BY TWO ORDINANCES (No. 62 of 2012 AND . 339 of 2016)</p> <p>Result: From 14-21 days to 30 minutes</p>	<p>City Ordinance No. 442, Series of 2018</p> <p>"Granting Exemptions to Small and Homebased Owners From Payments of Business Tax</p>
3 STEPS : RECEIVING, ASSESSMENT AND PAYMENTS	10

# **FEATURES**

## **1. LEGAL BASIS: SECTIONS 16 AND 19 OF LOCAL GOVERNMENT CODE OF 1991**

**SECTION 1.** The City Government of Valenzuela hereby exempts from payment of business tax to all newly-opened small and home based business owners with a Capital Investment of Ten Thousand Pesos (P10,000.00) or less.

**SECTION 2.** All owners applying for the renewal of their business permits with a gross sales/receipts of Fifty Thousand Pesos (P50,000.00) or less shall likewise be exempted from paying business tax.

**SECTION 3.** The said business customers, are however, not exempted from payment of regulatory fees being levied by the City Government, Provided that small and home based business owners are required to obtain Mayor's Permit but are exempt from paying the fee corresponding to such permit. Provided further, that upon securing the Mayor's Permit, the small and home based business owners shall pay the commensurate cost of regulation, inspection and surveillance of the operation of its business in the fixed fee of Five Hundred Pesos (P500.00).