

Key Stakeholders and their roles in Enterprise Formalization to Achieve Decent Work in the Philippines

South-South Expert Knowledge Sharing Forum on Policy
Innovations & Lessons Learned on Enterprise Formalization

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National Anti-Poverty Commission



What is our current situation?

1 of 5 Filipinos are poor
(PSA, 2015: 21.6% poverty incidence)

21.9 million poor Filipinos
or 3.8 million poor families
(PSA, 2015)

10 million families say they are poor
(SWS, December 2017)

3.6 million families experienced hunger
(SWS, December 2017)

What is our current situation?

Up to 50-60 million Filipinos may be considered 'poor' if other dimensions of poverty are considered.

Low & insecure incomes, lack of decent work, lack of education, insufficient nutrition & poor health, poor housing, lack of clean water, sanitation & electricity, lack of assets, inadequate livelihood opportunities, vulnerability, exploitation, violence

STRUCTURAL INEQUALITY

In 2015, the combined net worth of the richest 15 Filipinos (\$5 billion) is equivalent to the combined income in that same year of the poorest 76 million Filipinos (P2.6 trillion).

Lack of Available Jobs (PSA, March 2018)

24% Unemployed

22.3% Underemployed



What is our current situation?

Informal Sector Operators at 10.5 Million
(PSA 2008 Informal Sector Survey)

As per Occupation Group

- 47.4% Farmers, forestry workers and fishermen
- 31.2% Managing proprietors (micro-small industries)
- 8.2% Laborers and unskilled workers
- 4.8% Traders and related workers
- 4.7% Plant and machine operators and assemblers
- 2.4% Service workers, shop, market and sales workers
- 1.2% Professionals, technicians and others

Per Industry Group

- 48.4% Agriculture, hunting & Forestry
- 44.9% Services (trade, transport, services, etc.)
- 5.2% Manufacturing
- 1.4% Mining, construction, others

Informality in the Formal Sector

Labor only contracting



Challenges & Roles of Stakeholders

Key Stakeholders

1. Government
2. Civil Society Organizations
3. International and other support institutions

Challenges¹

1. Multiple Registrations (streamlining business processes)
2. Access to Financing
3. Tax burden and Infrastructure needs
4. Labor & Human Resource Development
5. Trade Policy & Incentives
6. Technology & Competition

¹ Tecson, Gwendolyn R. Review of Existing Policies affecting Micro, Small, and Medium Enterprises (MSMEs) in the Philippines - December 2004. Project No. 01.2467.7-001.00. The Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP). Makati City, Philippines. February 2005

Roles of Stakeholders

•National & Local Government Agencies

- Implementer of Policy
- Facilitator of policy and guideline dialogues
- Push to make government closer and more responsive to its people
 - RA8425; Establishment of 8888; HDPRC/NAPC Push for participation as one of the 10 Basic Needs (ultimate measuring stick of the impact of development policy on the lives of Filipinos); Creation of the Participatory Governance Cabinet Cluster (EO1)

•Civil Society Organizations

- Main change agent through advocacy (feedback/policy recommendations and assist in information dissemination)
- Provides key institutional stakeholder feedback

•International Organizations

- Provides technical support to both government and civil society organizations

Role of Stakeholders – National & Local Government Agencies

- **Implementer of Policy**
 - **Regulatory** – Government as the main implementer of laws and policies (registration and taxation, protection of rights and welfare of workers, ensuring decent sustainable wage and working conditions)
 - **Developmental** – Government having a key role in providing social protection (and social insurance), training and capacity building, linkages and other programs/projects that can help formalize the informal sector, and ensure the participation of the sector on policy formulation and implementation
- **Facilitator of Policy and Guidelines Dialogues**
 - Ambisyon 2040 – formalizing jobs for informal workers (p.23)
 - Anti-Poverty Summit (October 2016)
 - Recommendation that Poverty Eradication should be at the forefront of Investment, Fiscal, Social and Financial Policy
 - Discussion on Nationalist Economic Development, focusing on helping local (and informal) enterprises
 - DTI – Trabaho, Negosyo, Kabuhayan Summit (December 2016) - Blueprint for Decent Employment and Entrepreneurship 2017-2022
 - 2017-2022 livelihood agenda envisions the transition of informal and economic units to the formal economy with full respect to fundamental rights and principles at work
 - R204 Awareness-Raising Workshop (November 2017) – participated by WIS, Legislative, Government Agencies
 - On the legislative side, public hearings on the consolidated Magna Carta for the Informal Sector (Committee on Labor)
- **Challenge: Convergence and Integration**

Role of Stakeholders – Civil Society Organizations

- Main Change Agents
 - Policy Recommendation and Advocacy
 - Organizations from the informal sector, spearheaded by NAPC-WIS and ALLWIES has been instrumental in advocating for the provision of policies for ease of registration (doing business), coordinating with PSA on survey targeting, and with other government agencies (like DTI and DOLE) on the provision of support
 - Assist in the dissemination of information & Provision for key institutional stakeholder feedback
 - The sector has been active in consulting with their constituents on the challenges of its constituents. They have also been instrumental in providing key information on procedures of registration and how to access government programs
 - Inputs coming from the ground are then raised to the national government agencies through regular NAPC Inter-Agency Meetings and dialogues with other government agencies

Role of Stakeholders – International Organizations & other support institutions

- Provision for multi-stakeholder policy dialogue and workshops
 - ILO has been instrumental in providing programs for multi-stakeholder workshops and policy dialogue in support for R204
- Provision for information dissemination and training
 - ILO has also provided two (2) training-workshops for national government agencies and the legislature on R204
- Provision for support for research and Informal Economy projects
 - Although we can tap government programs for policy analysis and research, there might need to have additional support to push for targeted research and intervention in support of R204

Major Recommendations

- Convergence on both regulatory and developmental aspects of government work
- Consolidation of resources and information on services
- Targeted statistical data on informal sector
- Creation of a multi-agency, multi-stakeholder action plan to formalize the informal sector
- Focus of Agro-Industrial Development should be in developing micro-small enterprises (organization, technology and skills, product development, market)
- Continuous strengthening of organizations and institutionalization of mechanisms of engagement

Multiple Registrations

- RA 9178 BMBE (with Guidelines from DOFF, DTI, DOLE-NWPC, BSP and DILG); LGC; Labor Code
- DTI, SEC, CDA, LGU, DOLE, BIR, SSS, DENR, other special registrations (regulatory agency dependent)
- Lack of awareness/information on registration procedures
- High cost of registration (Overlapping requirements, long processing time)
- Simplify documentary requirements
- Simplify/make available the access to incentives

Financing

- RA8425, RA8791 (BSP, Microfinance Framework), RA6977 Magna Carta for SMEs, RA 9178, RA7353 Rural Bank Act, RA6389 (CDA), RA6938 (Cooperative Code)
- SMEs examined on bankability, instead of viability
- Strict banking laws (barriers to access to credit)
- Creation of a user-friendly and consolidated database of all available sources of credit to SMEs
- Creation of an SME database accessible to all regulatory and financial institutions

Tax Burden and Infrastructure

- TRAIN Law – income up to 250k/yr non-taxable; taxes on fuel and sugar
- VAT, Local taxes, RA 226 (Omnibus Investment Act)
- Complicated procedures on tax payment
- Industrial perks cater to foreign investment/Economic Zones rather than directed to generate local enterprises
- Create local economic zones for local investors (case: Hsinshu Park, Taiwan)
- Simplification and information dissemination on taxes pertaining to SMEs

Labor, Trade and Technology & Competition

- Labor – study comprehensive support for training, technology and development for SMEs; possibility of granting tax and other regulatory exemptions for the short term
- Trade – study how government can help provide linkages in the supply chain (e.g. community enterprises to export chain, etc.)
- Technology and Competition – study how SMEs can easily access services from DOST, DTI, etc. on new technologies (production, packaging, IT, etc.)