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Social and economic empowerment of women in the informal economy: Impact case study of Sikap Buhay

Clarence G. Pascual

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By

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ILO Subregional Office for South-East Asia and the Pacific
Manila, Philippines

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Abstract

Globalization has brought about many benefits to global trade but it has also brought about some adverse consequences, particularly to workers in developing countries such as the Philippines, where the globalization mantra of labour market flexibility has led to loss of formal sector jobs and their replacement by lower paid, less secure work in the informal economy.

In such cases, poverty has not been alleviated by globalization, indeed in many instances it has worsened. A key focus of the Decent Work Decade has therefore been to bring the concept and practice of ‘Decent Work’ to those in the informal sector.

Improved access to microfinance, particularly programmes aimed specifically at women, is often seen as one means of lifting the poor and marginally poor (those with the capacity to repay their loans) out of the poverty trap and into decent work. However, our research suggests that microfinance may be of only marginal importance in this area although it has an important role to play in assisting the poor in management of their income and expenses since often loans obtained through these programmes are used to smooth consumption patterns. In particular it can play a crucial role in empowering women within their communities.

This study based on an analysis of the Sikap Buhay Programme of the Quezon City Government, contributes to the analysis of the impact of local level interventions in the informal economy against the goal of creating decent work for all and how these interventions have brought about changes in the lives of target beneficiaries, mostly working women.

One important finding is that microfinance provides an avenue for those persons with entrepreneurial ability to unlock their skills. For the majority of participants however, participation in the programme allows for social networking and improved cash management but does not play a significant role in alleviating poverty.

About the author

Clarence Pascual was educated at the UP School of Economics where he gained a Bachelor of Arts Degree (1979-1983) and subsequently a Master of Arts (1994-1996).

He has worked extensively in government and the private sector as a researcher and professional economist. He has conducted research for local non-government organizations as well as international organizations including the International Labour Organization (ILO), the Asian Development Bank (ADB), and the World Bank (WB).

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Foreword

Over the past decade in the Philippines, rapid urbanization and insufficient economic growth has resulted in a large increase in the number of people working in the informal economy (a sector in which the poor are concentrated). They account now for more than half of total employment in the country with women workers accounting for a very large portion of that total.

In the face of a lack of formal jobs, the informal economy constitutes a survival strategy and in many developing countries it accounts for the bulk of new jobs, in particular for the youth and the large numbers of working poor. But only a few enterprises in the informal economy offer sufficient and stable incomes and adequate working conditions. Many have poor work practices, no social protection and, often, hazardous working environments. Such conditions affect the quality of life of workers and their families and undermine their productivity and their chances to escape out of the poverty trap.

At its 90th Session (June 2002), the International Labour Conference (ILC) adopted a resolution concerning Decent Work and the Informal Economy. The resolution provides a strong mandate and guidance for the ILO to work on informal economy issues through a highly visible, integrated programme of work.

ILO SRO Manila is addressing its attention to the issues of the informal economy in the Philippines as a way to give effect to the resolution adopted by the ILC.. The objective is to develop an integrated approach that will address at both national and local levels the four major Decent Work deficits prevalent in the informal economy. These are: low incomes and high incidence of poverty, limited social protection, poor conditions of work and lack of representation and voice.

Overall, the ILO SRO Manila's strategy is summarized as follows:

- increase awareness amongst national and local policy makers, business and trade unions and other stakeholders of the Decent Work deficits in the informal economy;
- review, document and disseminate good practice and examples of interventions by local government units and other stakeholders in addressing those decent work deficits;
- strengthen the capacity of national and local governments and social partners in providing assistance to the informal sector, particularly in the areas of:
 1. *basic rights at work*; by means of enhancing awareness and knowledge of informal economy workers on their basic rights at work;
 2. *local economic development and job creation*; by means of extending training and support to entrepreneurs and in particular to women, to help them enhance the productivity of their endeavours;
 3. *social protection*; by means of exploring avenues to extend the coverage of the social protection to workers in the informal economy by linking them with national social protection schemes and supporting innovative approaches such as micro insurance schemes developed by local communities and organized groups;

4. voice and representation; by looking at the role of organizations of informal sector workers and at current practices to involve them in local development councils and other local participatory mechanisms.

This impact case study examines the Sikap Buhay Entrepreneurship and Cooperatives Development Center (SBCC), a microfinance programme undertaken by the Quezon City Government. This programme has assisted a total of 20,000 entrepreneurs, mainly women, since 2003 by enabling them to have access to capital loans from conduit microfinancing organizations. The Quezon City Local Government requested ILO technical support to assess its programme in 2007.

It is hoped that this study can contribute in the analysis of the impacts of local level interventions in the informal economy against the goal of creating decent work and how all these have brought about changes in the lives of target beneficiaries, mostly working women.

This impact case study was prepared by Mr. Clarence Pascual and technical inputs were provided by Ms. Lourdes Kathleen Santos-Cacho of ILO Manila.

Linda Wirth
Director
ILO Subregional Office for South-East Asia and the Pacific
Manila, Philippines

September 2008



International
Labour
Organization

Decent Work for all

“The goal of decent work is best expressed through the eyes of the people. It is about your job and future prospects, about your working conditions, about balancing work and family life, putting your kids through school or getting them out of child labour. It is about gender equality, equal recognition and enabling women to make choices and take control of their lives.

For many, it is the primary route out of poverty. For many more, it is about realizing personal aspirations in their daily existence and solidarity with others. And everywhere, and for everybody, decent work is about securing human dignity”.

Juan Somavia, ILO Director-General

Table of contents

Abstract.....	iii
About the author	iii
Foreword.....	iv
1 Introduction	1
1.1 Objectives of this study	2
2 Towards a framework: Decent work and the informal economy	3
2.1 Problems of informal workers.....	4
2.1.1 Job precariousness and income volatility.....	4
2.1.2 Financial risk and vulnerability.....	4
2.1.3 Poor working conditions	5
2.1.4 Lack of social protection and access to social services.....	5
2.1.5 Reproductive roles and the multiple burdens for women.....	6
2.2 Our case study: The Sikap Buhay Programme.....	7
3 The policy environment	7
4 Sikap Buhay and microfinance.....	8
4.1 The background of Sikap Buhay	9
4.2 Profile of Sikap Buhay members.....	10
5 Impact of microfinance on informal workers.....	16
5.1 Low earnings and irregular work	16
5.2 Financial vulnerability and sustainability.....	21
5.3 Access to social protection.....	28
5.4 Occupational safety and health.....	28
5.5 Gender and personal development	29
6 Analysis and discussion of the results	34
6.1 Self-sufficiency and sustainability	34
6.2 Impact of microfinance on informal sector workers	35
6.3 The need to generate decent employment	36
6.4 Some conclusions from our analysis	37
7 Recommendations	37
References.....	41
Appendix.....	42

List of tables

Table 1	Respondents by loan cycle.....	11
Table 2	Occupation of participants.....	12
Table 3	Goods produced.....	12
Table 4	Skills training requested.....	13
Table 5	Occupation of spouse.....	13
Table 6	Daily earnings by occupation.....	14
Table 7	Savings ability.....	14
Table 8	Improvements in the standard of living.....	15
Table 9	The positive impact of microfinance.....	15
Table 10	The added burden for women.....	15
Table 11	Assignment of household chores.....	15
Table 12	Profile of FGD participants.....	16

Appendix:

Table A	List of Participating Centres.....	42
Table B	List of focus group discussion participants.....	43

List of Figures

Figure 1	Respondents by loan cycle.....	11
Figure 2	Distribution of members by loan cycle.....	26

Common acronyms used in this paper

Bgy	Barangay
BSP	Bangko Sentral ng Pilipinas
CDO	Cooperative Development Office
CRBB	Cooperative Rural Bank of Bulacan
FGD	Focus Group Discussions
NCRFW	National Commission on the Role of Filipino Women
NGO	Non Governmental Organization
NOVADECI	Novaliches Development Cooperative
PUNLA	Punla Sa Tao Foundation—a knowledge-based non profit foundation active in microfinance and micro-enterprise development that is organized to provide financial services to the poor in the Philippines and Asia.
SBCC	Sikap Buhay Entrepreneurship and Cooperatives Development Center
UNIFEM	United Nations Development Fund for Women

A note on spelling conventions

In accordance with the practice of the International Labour Organization (ILO) this document follows the general spelling conventions as laid out in the Oxford Dictionary. Where two or more alternative spellings are allowed we normally apply the first such spelling.

Exceptions are made for proper names. Thus we use the general term of “labour market” and “labour scenarios” but “Department of Labor and Employment” and “Labor Code of the Philippines.”

Social and economic empowerment of women in the informal economy: Impact case study of Sikap Buhay

By

Clarence G. Pascual

1 Introduction

This study assesses the impact of local level interventions in the informal economy against the goal of creating decent work. It examines how these initiatives address the working and living conditions of informal workers. It looks into how these programmes impact relevant markets (e.g. credit), the delivery of support services (e.g. training), and the policy environment. It discusses how all this has brought about changes in the lives of target beneficiaries, mostly working poor women.

Creating decent work is an urgent goal in the informal economy, which has rapidly grown in the last three decades. While it accounts for a large proportion of employment creation, the bulk of informal employment involves marginal activities characterized by low productivity and low pay. The poor quality of informal jobs is evident in high rates of underemployment—due to lack of work hours or low earnings—and high poverty rates among the informal workforce.

Besides underemployment and low incomes, informal workers face a host of problems with adverse welfare consequences, including irregular work, volatile earnings, indebtedness, lack of social protection, harassment at work, and multiple burdens for women. The consequences can be immediate: poor health status, for example. Poor health can be long-term leading to loss of assets and future income, hence continuation of a cycle of poverty.

The rapid growth of the informal economy in the last three decades has prompted policymakers to intervene in order to mitigate the adverse effect on workers and their households. This study examines the Sikap Buhay Entrepreneurship and Cooperatives Development Center (SBCC) a microfinance programme undertaken by the Quezon City government. SBCC assists informal workers access capital loans from conduit microfinancing organizations. It also offers business development services and promotes cooperativism among micro-entrepreneurs.

This study is part of the ILO's work on the informal economy in the Philippines, which translates into action, the International Labour Conference (June 2002) resolution concerning Decent Work and the Informal Economy. It seeks to address in an integrated manner at both national and local level, the four major decent work deficits prevalent in the informal economy such as low incomes and high incidence of poverty, limited social protection, poor conditions of work and the lack of representation and voice.

The ILO's strategy for this work on the informal economy in the Philippines is summarized as follows:

1. Increase awareness amongst national and local policy makers, business and trade unions and other stakeholders of the decent work deficits in the informal economy;
2. Review, document and disseminate good practice and examples of interventions by local government units and other stakeholders in addressing those decent work deficits;
3. Strengthen the capacity of national and local government and the social partners in providing assistance to the informal sector, particularly in the areas of:
 - a. Basic rights at work:

- by means of enhancing awareness and knowledge of informal economy workers on their basic rights at work;
- b. Local economic development and job creation:
 - by means of extending training and support to women entrepreneurs in particular, to help them enhance the productivity of their endeavours;
- c. Social protection:
 - by means of exploring avenues to extend the coverage of the social protection to workers in the informal economy by linking them with national social protection schemes and supporting innovative approaches such as micro insurance schemes developed by local communities and organized groups;
- d. Voice and representation:
 - by looking at the role of organizations of informal sector workers and at current practices designed to involve them in local development councils and other local participatory mechanisms.

1.1 Objectives of this study

This particular study, had five major objectives. These are as follows:

1. *To review the achievements of the SBCC using both quantitative and qualitative indicators* including number of beneficiaries, volume of savings credit mobilized, average credit size, types of training provided, cooperatives organized, etc; the level of participation and support of other stakeholders in the community; its impact on the formulation of policies and programmes supportive of informal economy workers;
2. *To assess the impact of the SBCC on target individuals, households and communities* towards generating decent work and reducing poverty, specifically in terms of addressing the particular problems faced by workers in the informal sector;
3. *To gain a better understanding of the conditions of informal workers and decent work issues in the local informal economy*, including job precariousness, income variability, high indebtedness, poor working conditions, lack of legal and social protection, and multiple burdens of women;
4. *To recommend ways and means to sustain and enhance the programme* by identifying successes as well as areas of concern; to *identify concrete measures and interventions at various levels*—programme, local government, and at the macro level, towards generating decent work within the informal economy;
5. *To generate discussion and exchange of ideas among the major stakeholders* in order to deepen their understanding of the local informal economy, to stimulate creative approaches and interventions towards particular problems, and to promote wider ownership of policies and programmes geared towards the informal sector.

2 Towards a framework: Decent work and the informal economy

The informal economy is a large and complex entity. At the first level, it is important to distinguish between two main types of activities in the informal sector: (i) those which represent bare subsistence, such as street vending, and (ii) those linked directly or indirectly with formal production (perhaps by providing regular subcontracting services) (Beneria and Floro, 2006). They present different problems and offer different prospects to the worker.

A key question to answer is whether interventions such as microfinance allow informal workers to move from subsistence to economically more rewarding activities?

At another level, the informal economy is marked by heterogeneity of production modes. One can identify four main categories: (i) the use of hired wage labour; (ii) self-employment and the use of family labour; (iii) cooperative forms of production; and (iv) hybrid forms combining different arrangements. Labour tends to move across these categories, indicating the precariousness of jobs in the informal sector. Subsistence activities such as street vending or hawking represent self-employed labour, and include some of the poorest social groups (*ibid*).

The early literature on informal work placed emphasis on the benefits of working informally (Chen *et al*, 2005). This found basis among workers who are in informal employment by choice partly to take advantage of the benefits offered by informal activities, including tax avoidance for entrepreneurs, flexibility and convenience for professionals and for the technical self-employed.

But the majority of informal workers are in the informal economy *by necessity*, including those who cannot find a formal job, those who do not get sufficient income from their existing jobs, or those who have been displaced from formal employment. A smaller segment of people work in the informal sector *by tradition*, including those who inherit their occupation, those who receive a “calling” to take up a certain occupation, or to conform to gender norms or to the gender division of labour.

Being in the informal economy, either by necessity or by tradition implies a lack of choice on the part of the worker, hence weak bargaining power when it comes to selling skills. Not unlike workers in the formal sector, informal workers must contend with the forces of globalization, competition, and, increasingly, flexible labour arrangements. For many reasons, however, informal workers are in a far weaker position to deal with these structural forces, placing them at a great disadvantage compared with their counterparts in the formal economy. Informal workers generally earn less than formal workers, have less secure jobs, less access to social protection, and are more vulnerable to common contingencies or shocks. Women dominate informal employment and for them control over earnings, not just the level of earnings, is a critical issue. In turn, women’s power over their earnings depends on where they work and how that work is structured.

Furthermore, as compared to those in the formal economy, informal workers have less access to basic infrastructure and social services, face greater exposure to common contingencies, have less means to address these, and therefore have lower levels of health, education and longevity. Furthermore, they face greater exclusion from state, market and political institutions, have fewer rights and benefits of employment, have less access to financial, physical and productive assets, and have less secure property rights over land, housing or other productive assets.

Gender presents another layer of disadvantage. Working women are not only concentrated in informal employment but also in the more precarious forms of informal employment. They face a significant gender gap in earnings, partly because they are mostly found in lower-paid work. They tend to spend less time in paid work than men because of their family responsibilities, therefore they earn less. It is also true that women earn less than men per unit of work simply because they are women. And while informal work allows women to balance paid work and unpaid care work, does this not merely entrench gender segmentation at work and at home?

In sum, informal workers are distinctly disadvantaged. To address poverty and the lack of decent work in the informal economy, policymakers need to better understand the way the informal economy works, the specific problems faced by informal workers, and the implications for workers' welfare. It is worthwhile discussing the specific problems of informal workers in more detail so that a framework to address these problems can be constructed.

2.1 Problems of informal workers

2.1.1 Job precariousness and income volatility

Informal work is characterized by highly irregular work and volatile incomes. Compared with formal salaried workers, informal workers have less work days per year. Within the informal workforce, women have fewer days of work than men; fewer women than men report that they consider their main occupation regular; while more women than men have more than one job. The self-employed are far less likely to receive a regular income than wage workers.

For workers and their families at subsistence levels, irregular work and variable earnings can have serious welfare consequences, including as we have already noted, poor health. A high degree of income variability makes personal or family budgeting difficult. This in turn can create problems of borrowing, debt and financial risk. This can affect the use of credit (to smooth consumption) and reduce the fallback level of assets and savings. This raises the vulnerability of later generations, maintaining the cycle of poverty.

Seasonality is one reason for the precariousness of jobs in the informal economy. The supply and demand for goods sold by street vendors fluctuates between seasons as well as between major festivals. Some occupations may be disrupted by heavy rains or prolonged dry spells. But a more fundamental reason for the precariousness of informal jobs and the variability of informal workers' earnings can be traced to the changed structure of the economy under the forces of globalization. This includes greater labour market flexibility for employers but a diminished bargaining power of labour. Self-employed work in micro-enterprises, for example, must quickly adapt to market fluctuations and changes in demand conditions, often assuming the cost adjustment through the use of unpaid family labour, absorbing some costs of production, lower earnings or shifting to other economic activities that are lower-paid. Their weakened position in the market and the lack of social protection forces them to absorb the bulk of adjustment costs.

The small size of informal enterprises operated by the self-employed does not provide room to absorb risk and uncertainty. Enterprise growth may be constrained by a host of factors such as lack of capital, insufficient demand for goods and services, low returns such that scaling up with the use of hired labour is not feasible, lack of working space, and so on. It is important to identify and find ways to ease the most critical constraints to the growth of micro-enterprises.

2.1.2 Financial risk and vulnerability

Improved access to credit for poor households has created employment, encouraged the growth of household enterprises, and allowed the acquisition of labour-saving assets. Also, access to credit allows households to smooth consumption in the face of high income variability and volatility. But there is a downside to credit-financed employment and consumption, namely, increased financial risk especially during periods of financial stress and crisis (Dimsky and Floro, 2003). The failure of a micro-enterprise can be detrimental to household welfare over the short and the long-term as the family attempts to save the enterprise or liquidate assets in order to settle its debt.

Moreover, the build up of credit-financed assets and the servicing of debt are not gender neutral. It has been observed that women borrow on behalf of their spouses partly because microfinance services largely exclude men. In this case the husband gets the credit that is made available, presumably to pay for assets he controls. The debt, however, remains the wife's legal obligation should the enterprise fail. In a situation where female voice is weak, it is possible that assets owned or controlled by the

wife are liquidated for purposes of settling debt obligations, including those incurred by the husband, leaving the wife with fewer assets than at the outset.

Increased financial risk on the part of poor households directs attention to a number of variables: Dependence on debt-financed employment, sources of credit, cost of capital, degree of leverage, and the household's debt service burden. It is also important to examine the pattern of cost-bearing among household members during downturns and bankruptcy as well as mechanisms to protect employment or the family enterprise. On the supply side, issues to be addressed include: (i) the cost of credit; (ii) the amount of the loan; (iii) repayment schemes; (iv) collateral requirements, and so on.

2.1.3 Poor working conditions

The term “working conditions” refers to whether the workplace is safe or humanely-run and whether the workers enjoy benefits and legal protection. Working conditions are determined by the specific nature of work or the “work arrangement” in its three dimensions—place of work, employment relations and production system (Chen *et al, op cit*). Each combination of these three dimensions generates specific risks and different degrees of security or insecurity for the worker.

Thus, garment workers, street vendors and waste pickers may face common problems as self-employed workers, but also distinct occupational safety and health hazards owing to differences in the character of their workplace as well as their location in the production system. The common work hazards affecting these occupations are listed in the box below.

For example, informal vendors work the streets, sidewalks, traffic intersections as well as parks, markets, and other areas where crowds of people converge. Constant exposure to pollution, noise and weather can take a heavy toll on health resulting in frequent illness and loss of income. They must contend with harassment from petty officials, confiscation of goods, imposition of fines, physical assault or the prospect of being hauled to court. All of these further diminish their meagre earnings.

Despite the risks of operating informally or illegally, going formal or ‘above ground’ is costly in terms of time and money compared with the small income of workers. It points to the need for a consistent legal and regulatory framework to ensure that assistance such as credit and training is not nullified by hostile regulations and law enforcers, some of whom deliberately exploit the poor. This is a difficult problem to resolve in practice.

2.1.4 Lack of social protection and access to social services

One of the costs of informal work is the lack of social protection. Informal workers often have little access to health, disability, property, unemployment or life insurance. Yet they are more likely to face these common contingencies owing to poor working conditions, lack of legal security for their property, and the precariousness of their jobs. Given the precariousness of employment and earnings, the occurrence of any of these contingencies can spell the end of a micro-enterprise. Among the more fortunate with incomes above the poverty line, occurrence of any (or a combination) of these risks (e.g. catastrophic illness) can push the household to a life below the poverty line.

Informal workers may also suffer from systematic biases against poor people in the provision of services such as health and education or in the quality of those services. For example, health, education and welfare services may be distributed unequally in favour of urban, economically developed areas. The same goes for infrastructure, housing, and basic utilities such as electricity, water and sanitation. Social protection and access to social services has a significant impact on worker productivity, and the lack of these can keep poor household in a vicious cycle of deepening poverty.

Occupational Health and Safety Hazards faced by Selected Informal Workers

1. Garment makers
 - a) Neck and back ache
 - b) Pain in limbs and joints
 - c) Poor vision resulting from eye strain
 - d) Headaches, dizziness and fatigue
 - e) Respiratory problems associated with dust and textile fibres
2. Street vendors
 - a) Exposure to weather—extreme temperatures, wind, rain and sun
 - b) Poor access to clean water
 - c) Poor sanitation from dirty streets and poor drainage, as well as waste produce from other vendors
 - d) Diseases transmitted by vermin
 - e) Lead poisoning and respiratory problems from vehicle fumes
 - f) Musculoskeletal problems associated with ergonomic hazards at workstations and static postures
 - g) Risk of physical harm from municipal authorities, members of the public or other traders
3. Waste pickers
 - a) Exposure to weather—extreme temperatures, wind, rain and sun
 - b) Poor sanitation and limited or no access to clean water
 - c) Exposure to dangerous domestic and industrial waste, including toxic substances such as lead and asbestos
 - d) Exposure to dangerous matter, including blood, faecal matter, broken glass, needles, sharp metal objects and animal carcasses
 - e) Back and limb pain, itchy skin/rashes
 - f) Diseases transmitted by vermin, flies and mosquitoes
 - g) Specific high risk of tuberculosis, bronchitis, asthma, pneumonia, dysentery and parasites

Source: Chen, et. al. (2005)

2.1.5 Reproductive roles and the multiple burdens for women

As noted above, gender is an important dimension in understanding the costs of informal work. Participation of women in paid work can prompt changes in gender relations within households. But those changes are not always for the better. It has been noted that women who do paid work from their home are not likely to improve their bargaining power within or outside the household. Women who do paid work outside their homes are more likely to gain more influence within and outside the household. But for both groups, paid work may result in longer working hours as women continue to perform most of the household chores, ending up with multiple burdens of paid, home care and reproductive work. Otherwise, tasks previously performed by the working woman such as care of elderly and small children as well as other household chores are absorbed by children, girls in particular. In turn, this affects children's schooling with obvious long-term consequences.

2.2 Our case study: The Sikap Buhay Programme

The above discussion provides the framework for our study of the Sikap Buhay Programme. The programme targets workers in the informal economy of Quezon City, Philippines. The aim is to assess how these programme initiatives promote decent work in the informal economy.

In the process, the study aims to gain a better understanding of the objective conditions of informal workers more generally which, in turn, will contribute towards designing effective policies and programmes that address decent work issues throughout the informal economy.

3 The policy environment

The Philippines government has recognized microfinance as being an important tool in reducing poverty. It has adopted a national strategy and a regulatory framework to encourage the growth of microfinance. The United Nations has lauded the Philippines for having one of the best microfinance programmes in the world. (Business World 15 Sep 2006) The approach relies on private sector participation in the provision of microfinance using market-based financial policies and the establishment of an appropriate regulatory framework. In line with a market-based framework, government participation in the area of microfinance credit has been limited to financial institutions under Executive Order EO 138. A further order (EO158) issued in 2006 re-allowed government non financial agencies as well as government-owned and -controlled corporations to directly provide credit.

In recent years, the Bangko Sentral ng Pilipinas (BSP) has been modifying banking rules to support the further growth of microfinance services. In 2001, it lifted the moratorium on bank branching for rural banks engaged in microfinance. The Magna Carta for Small and Medium Enterprises¹ now requires banks to earmark six percent of their total loan portfolio to small enterprises and another two percent to medium enterprises or those capitalized above PHP 15 million up to PHP 60 million. In 2006, the BSP allowed bank lending to non-bank microfinance institutions to count towards the mandatory lending requirements to small enterprises.

Notwithstanding rapid growth in recent years, there remains considerable scope for further expansion as existing institutions have tapped only a third of the potential market. Of total enterprises in the country, 96.7 percent are microenterprises. Filipinos in the bottom 30 percent of the population manage at least two microenterprise activities, with over four million families in the lowest income strata engaged in micro businesses.

There are three major groups of providers of microfinance services in the country: nongovernmental organizations (NGO); rural banks; and the cooperatives. In 2006, according to the BSP, there were 223 thrift, rural and cooperative rural banks with microfinance operations with a total of 550 branches, compared with only 45 microfinance-oriented banks in 2000.

Outside the banking system, there were about 4,579, savings and credit cooperatives and about 50 serious microfinance lenders who subscribed to best practices and standards. Among nongovernment organizations, there were more than 300 microfinance NGOs, of which 30 have sizeable microfinance programmes with a loan portfolio of PHP 3.7 billion and over 500 branches nationwide.

Over the last three decades, there has been a proliferation of microfinance and business development services such as those provided by Sikap Buhay. Unlike the countries of North Asia such as Hong Kong, Taiwan and Korea that have successfully grown their economies so as to reduce reliance the informal sector, the Philippines has not done so. Thus the microfinance revolution came to developing countries such as the Philippines due to the failure of economic policy making and in particular, the failure to attract significant investment that would generate quality employment as a

¹ Republic Act No.8289 of September 30, 1997; see for example <http://www.chanrobles.com/republicactno8289.htm>

result of which there has been an increasing inability of the formal economy to generate adequate jobs for a rapidly growing labour force.

This situation has now been compounded by pressures to create a flexible labour force under globalization. As a reaction to these trends, microfinance services have emerged as a tool to create jobs, particularly among poor women in urban areas.

Microfinance has seen important innovations in recent years, evolving from a simple programme for job creation to a potent tool for empowering poor women. Thus, credit services have been accompanied by business development services, social protection schemes, education and awareness programmes as parallel organizing activities. Rather than being a menu of services from which one can choose and pick, these services are envisioned as representing the needs of different levels or stages of women empowerment—improved welfare, access to resources, awareness of situation and realization of need for change, participation in collective action, and finally, control of their own destiny.

Microfinance has brought about significant benefits. It has changed the lives of many women. It has given them access to credit, raising their incomes and improving their material well-being. It has enhanced their identity and power. Furthermore, microfinance has involved mainly women workers in the informal economy to whom decent work and a life out of poverty have remained elusive goals. Poor women make up around 80 percent of all clients of microfinance institutions, presenting them with new opportunities to raise household income but also raising new risks and vulnerability arising from indebtedness. Thus, assessment of the impact of microfinance programmes must relate credit, gender, and informal economy issues.

Assessing microfinance against the larger goal of creating decent work in the informal economy recognizes that it is only part and parcel of what is ideally a coherent and comprehensive attack on the problems affecting the informal economy and its workers. As is widely recognized, microfinance alone is unlikely to make a dent in the situation of informal workers and poverty in general. It must be accompanied by policies that address other equally important problems facing informal workers. This is because these problems are mutually reinforcing. As a consequence, there has been a broadening of the goals and strategies employed as evident in the ‘credit plus’ approach to microfinance. While this broadening is by and large a positive development, it is not hard to anticipate potential overburdening of these programmes so that these they are soon overloaded with expectations beyond their capacity to realize or activities beyond their jurisdiction to implement.

An alternative approach is to situate these interventions in the broader context of the informal economy and the need to generate decent work. This way the critical importance as well as limitations of such programmes is seen against the backdrop of growing informalization and the consequent worsening condition of labour.

4 Sikap Buhay and microfinance

Quezon City is the largest of the Metro Manila cities both in terms of population and in land area. Some 2.2 million people live in the city’s four districts and 142 barangays. About one-third or 32 percent of the city’s population is less than 15 years old and 997,000 of them are part of the labour force.

Business in the city is dominated by small and medium-scale establishments mostly in the distribution of finished products and the provision of basic personal needs. With a sizeable portion of the city’s land area being developed for commercial ventures, complemented by the availability of a large manpower pool, Quezon City has great potential to support an increase in the number of big businesses in the city.

A study by the Business Permits and Licensing Office of the city government estimated that some 52,500 participants work in the informal sector, most of them as solo artisans and service providers. More than 50 percent of these participants belong to 26–45 age bracket. A clear majority of the

participants are engaged in retailing and production activities, with small capital and mostly family-based.

Focusing on Area 7, consisting of barangays Payatas, Bagong Silangan, Commonwealth, Holy Spirit and Batasan Hills, the study reveals key characteristics of informal establishments. Informal establishments are those which have not been issued either a barangay clearance or a business permit from the city government. It identified 7,686 such establishments in Area 7 alone.

Based on the survey, these establishments employed mostly women (60 percent). Close to half (47 percent) were set up in the last five years (since 2001), and another 25 percent in the last 10 years (1996). The majority (63 percent) are small, fledgling businesses with a starting capital of less than PHP 10,000² (US\$220 approx.). In 2005, the median worth of business was also PHP 10,000, indicating very little growth over the period of operation. Two out of three establishments had a monthly gross income of less than PHP 10,000, which translates to about PHP 350 daily.

Informal businesses provided employment mostly in street trading/service provision and single, home-based employment (manning sari-sari stores). Food was the main business for 46 percent of them. 38 percent had access to informal loan sources while 19 percent borrowed capital from family and relatives.

4.1 The background of Sikap Buhay

Sikap Buhay³ Entrepreneurship and Cooperatives Development Center is an initiative of the Quezon City government to provide microfinance services to the city's micro-entrepreneurs. It started in 2001 as Task Force Sikap Buhay to implement an assistance programme for the city's small entrepreneurs. It was transformed into its present form in 2005 and there are plans of further transforming it into a regular city department. SBCC is the equivalent of the cooperative development office (CDO) often found in rural areas.⁴

SBCC aims to promote entrepreneurship among informal sector workers. It facilitates access to capital loans, provides entrepreneurship training, and promotes cooperativism. The last is done mainly by networking and coordinating with cooperative federations and alliances.

Under Sikap Buhay, microfinancing is extended by private sector conduits, namely, Cooperative Rural Bank of Bulacan (CRBB), Novaliches Development Cooperative (NOVADECI), Eurocredit Cooperative, and ASA. CRBB is based in Bulacan but has pre-existing operations in District 2 in the northern part of the city. NOVADECI was originally confined to the Novaliches District until it expanded to other parts of the city. Eurocredit is also based in Quezon City.

As a cooperative bank, CRBB has cooperatives as members/owners and can offer financial services to members and non-members, institutions or individuals. It operates a microfinancing programme patterned after the world-renowned Grameen model, under which the individual borrowers are organized into groups of five members who monitor each others compliance with the lending terms.

As primary cooperatives of the savings-and-credit type, NOVADECI and EuroCredit are owned by individuals and offer services only to members. The Grameen-style microfinancing for group borrowers that the two co-ops also offer is therefore contingent on a programme of initially enlisting the microfinancing clients as associate members without voting rights and eventually graduating them to full membership. However, prospective borrowers may also opt to apply for membership at once if

² Throughout this paper we use the internationally accepted PHP for the Philippine peso. As of August 2008, the exchange rate is around 1 USD = 45.4500 PHP

³ This section draws from the manuscript of a study of the SBCC kindly provided by Mr. Jude Esguerra of the Institute for Popular Democracy (IPD)

⁴ Republic Act 6939 of 1990 established the Cooperative Development Authority which provides the underlying legal basis for such schemes

they meet the regular membership requirements, and they file the normal procedures for member's loan applications.

It should be noted that the programme does not directly provide loans to beneficiaries. Instead, it confines itself to credit preparation, facilitating communication between borrowers and creditors, training programmes and other support services. Prospective borrowers among the poor are sought by barangay political leaders and mobilized to hear the orientation seminars, usually for groups of 25 participants, on the different microfinancing programmes available. The beneficiaries must be poor and/or with income close to or below the poverty threshold, female, 18 to 60 years old, and must have an existing business. Beneficiaries must be living in the barangay for not less than one year. Residents living in rented houses are secondary priorities. Only 15 out of 25 attendees in the orientation seminars usually qualify under these criteria.

The programmes and policies of the microfinancing partners are presented by SBCC staff in orientation seminars. Until recently, each of the loan conduits maintained exclusive areas of operation. In 2007, however, the SBCC adopted an open market policy and allowed competition among loan providers. Usually, a staff member presents first the programmes of the microfinancing partner that operates in the areas where the seminar participants came from. As questions from the participants begin to reveal their particular preferences and qualifications, the staff conclude by presenting the programmes of all the other microfinancing partners. Thus, the needs, preferences and qualifications of the prospective borrowers are matched by information on the microfinancing institution with a programme that suits them best.

The interest rate in CRBB's microfinancing programme is only 1.5 percent per month for six months while it is 2.5 percent in NOVADECI. These rates are well below what is normally made available to the poor by informal lenders. Minimum loan is PHP 5,000 per cycle of 6 months. Some participants, undergoing successive cycles, have already qualified to take out up to PHP 40,000 in loans.

Participants in group borrowing undergo intensive seminars on group values and solidarity. To form a group of borrowers, beneficiaries choose their own group mates who live close together in the same community. At least three groups composed of five borrowers each comprise a centre, or at least 15 borrowers per centre. Clustering the borrowers' groups into centres is meant to facilitate monitoring, advisory, and enforcement by SBCC and the microfinancing partner concerned.

The other creditors rely on individual borrowing which requires membership in the cooperative and hence must put up a portion of the share capital and undergo cooperative membership education. This option is available under NOVADECI, which requires a minimum paid up capital of PHP 830, and EuroCredit Co-op, which requires PHP 5,000. Most of the active participants were generated in 2006, totaling 12,000 to 15,000.

The CRBB accounts for about 60 per cent of programme participants.

4.2 Profile of Sikap Buhay members

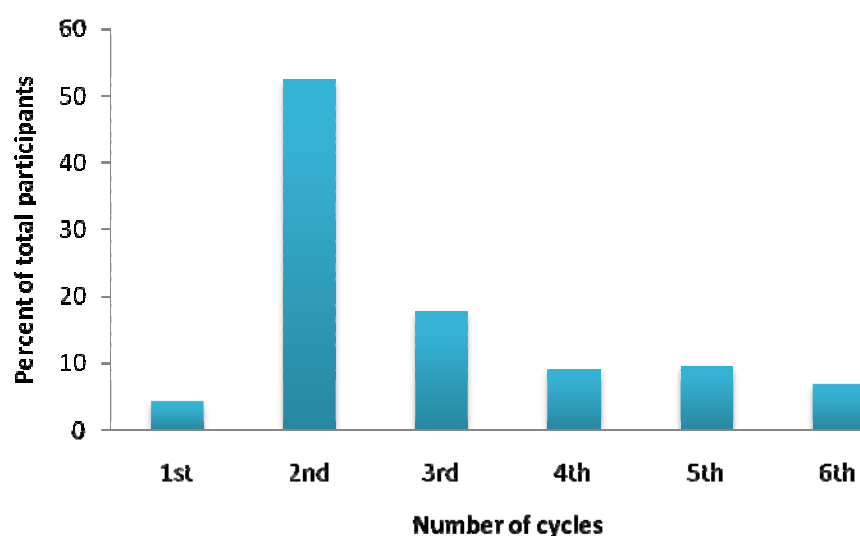
An in-house survey conducted in 2005 provides a good profile of programme beneficiaries and anticipates some of the issues raised in this study.

An overwhelming majority, 88 percent, of respondents were married; only five percent were single. Eight out of 10 beneficiaries were from the Second District, Quezon City's most populated district.

Table 1 and Figure 1 below show that half of the respondents are only on their second loan cycle, one loan cycle being of six months duration. In other words, the median length of stay of beneficiaries was only two cycles or one year. Another 18 percent are on their third cycle and less than 10 percent are each on their 4th to 6th cycle. The distribution of members by loan cycle indicates relative short stay of beneficiaries in the programme.

Table 1 Respondents by loan cycle

Cycle	Frequency	Percent	Cumulative
1 st	68	4.4	4.4
2 nd	811	52.3	56.6
3 rd	274	17.7	74.3
4 th	141	9.1	83.4
5 th	146	9.4	92.8
6 th	107	6.9	99.7
No answer	5	0.3	100.0
Total	1 552	100.0	

**Figure 1 Respondents by loan cycle**

Two-thirds of borrowers are engaged in domestic trade: retailing of food (36 percent), operating “sari-sari” stores (33 percent), and direct selling (14 percent). The rest are engaged in various businesses such as sewing and rug-making, handicrafts, and personal and other services. The list of occupations here reflects the dominant occupations in the informal economy and these are shown in Table 2.

Around 35 percent of borrowers are engaged in some form of production, mostly processed food (25 percent), rugs (3.2 percent), handicrafts (2.8 percent) and clothes and accessories (3.2 percent). Thus, food processing is still the most viable economic activity: it is also the most sought-after skill among microfinance borrowers. The prominence of food processing and retailing merely indicates that the informal economy caters to the low income market. As is well-known, informal employment is characterized by low productivity and marginal earnings.

Table 2 Occupation of participants

	Frequency	Percent	Cumulative
Sari-sari store	514	32.7	32.7
Direct selling	228	14.5	47.2
Food processing/vending	561	35.7	68.4
Sewing and doormat-making	52	3.3	86.2
Clothes and garment sewing	51	3.2	89.4
Handicrafts-making	27	1.7	91.2
Beauty parlor/barber shop/optics	11	0.7	91.9
Repairs [electrical, electronic, automotive)	7	0.5	92.3
Upholstery	4	0.3	92.6
Welding and steel fabrication	4	0.3	92.8
Wood lamination/silk screening/framing	4	0.3	93.1
Leather crafts-making	2	0.1	93.2
Transport operator	2	0.1	93.3
Catering/party equipments rental	1	0.1	93.4
No answer	25	1.6	95.0
Not applicable	79	5.0	100.0
Total	1 572	100.0	

Table 3 Goods produced

	Frequency	Percent	Cumulative
Processed food	395	25.1	25.1
Rugs	50	3.2	28.3
Handicrafts	44	2.8	31.1
Clothes	40	2.6	33.7
Accessories	9	0.6	34.2
Candles	4	0.3	34.5
Stuffed toys	2	0.1	34.6
Soap	2	0.1	34.8
Not applicable	81	5.2	39.9
No answer	944	60.0	99.9
Total	1 571	100.0	

Table 4 Skills training requested

	Frequency	Percent	Cumulative
Food processing	412	65.1	65.1
Business related	125	19.7	84.8
Dressmaking/sewing	54	8.5	93.4
Other crafts	40	6.3	99.7
Other skills	2	0.3	100.0
All	633	100.0	

Table 5 Occupation of spouse

	Frequency	Percent	Cumulative
No answer	394	29.1	29.1
Construction worker	277	20.5	49.6
Driver	273	20.2	69.8
Electrician	100	7.4	77.2
Mechanic	88	6.5	83.7
Cook	65	4.8	88.5
Welder	35	2.6	91.1
Mason	33	2.4	93.5
Vendor	27	2.0	95.5
Plumber	24	1.8	97.3
Tailor	14	1.0	98.3
Technician	14	1.0	99.3
Salesman	6	0.4	99.8
Barber	3	0.2	100.0
Not applicable	217		
Total	1 350	100.0	

Commonly, the male spouse also works in the informal economy. Construction and transportation work are the most commonly cited occupations. A high proportion of respondents did not report any occupation for the spouse, but it is not clear whether or not this meant the spouse was unemployed.

There also appears to be clear gender segregation across occupations with women dominating trade related occupations and men mostly engaged in construction and transport related occupations.

The survey also explores the economic impact of microfinance. Over 90 percent of respondents reported their incomes increased after joining the programme. The reported median daily earnings rose by between PHP 100 and PHP 300. This is shown in Table 6.

Table 6 Daily earnings by occupation

Economic activity	Average daily earnings		
	Before	After	Change
Sari-sari store	250	400	150
Direct selling	200	300	100
Food processing/vending	200	300	100
Sewing and doormat-making	200	300	100
Clothes and garment sewing	200	350	150
Handicrafts-making	200	375	175
Beauty parlor/barber shop/optics	200	300	100
Repairs [electrical, electronic, automotive)	500	600	100
Upholstery	325	525	200
Welding and steel fabrication	175	850	675
Wood lamination/silk screening/framing	300	550	250
Leather crafts-making	143	215	73
Transport operator	50	167	117
Catering/party equipments rental	400	600	200
No answer	250	300	50
Average	200	300	100

However, it is worth noting that even with the increase in income, only 22 percent of respondents reported being able to save some money. Table 7 shows how respondents replied when asked about their savings ability.

Table 7 Savings ability

	Frequency	Percent
Question: Are you able to save?		
Yes	347	22.1
No	958	61.1
No answer	262	16.7
Total	1 567	100.0

It should be noted also that respondents generally also reported improvements in the standard of living of their families. Having three meals a day, being able to buy household needs and being able to send the children to school were some of the benefits attributed to the programme (Table 8).

Table 8 Improvements in the standard of living

	Frequency	Percent
Question: Which of these did your family experience only now?		
Eat three times a day	378	22.0
Go malling and eat out	239	13.9
Buy new clothes	247	14.4
Buy household gadgets	344	20.0
Send children to school	318	18.5
Get medical care for family members	162	9.4
Became healthier	33	1.9
Total	1 721	

The positive impact of microfinance extends to the participation of beneficiaries in group and community life. Beneficiaries believe they have been able to help other people, gained the respect of neighbors and participate in community activities (Table 9).

Table 9 The positive impact of microfinance

	Frequency	Percent
Question: In your group or community, which of these did you experience only now?		
Take up responsibility in the community	385	24.3
Help other people	788	49.7
Gained neighbors respect	413	26.0
No answer	n.a.	
Total	1 586	

The survey reveals a negative side to employment for women. The overwhelming majority (81 percent) of women continue to be mainly responsible for the performance of household chores. The survey also shows (Tables 10 and 11) that children take up additional chores in the household when the mother is employed and can no longer perform all the household tasks.

Table 10 The added burden for women

	Frequency	Percent
Question: Are you mainly responsible for household chores?		
Yes	1,270	80.9
No	214	13.6
No answer	82	5.2
Not applicable	2	0.1
Total	1 569	100.0

Table 11 Assignment of household chores

	Frequency	Percent
Question: If not the wife, who performs household chores?		
Husband	89	27.0
Children	199	60.3
Others	42	12.7
Total responses	330	100

5 Impact of microfinance on informal workers

For this study a total of 10 focus group discussions (FGD) were held to explore in greater depth the impact of microfinance on informal workers in the SBCC's area of operation. The groups were identified by SBCC staff based on agreed characteristics. The choice of groups was made according to the structure of the membership. The discussions were held in August and September 2007. A total of 94 beneficiaries participated in the discussion.

A brief of profile of FGD participants is presented in Table 12 below. A mini survey form was used to gather basic information about the participants. Only 59 participants were able to fill out the survey form. Participants ranged from 25 years old to 61 years old, with a median age of 42. Only one participant was single, 54 being married. The average number of children was three.

Daily earnings of the women averaged PHP 300. Their husbands earned slightly higher at PHP 350 a day. The average loan cycle was four, with the highest loan cycle at 13 and the lowest at one. Correspondingly, loan amount averaged PHP 10,000, and ranged from a low of PHP 5,000 to a high of PHP 35,000. Average weekly amortization was PHP 550, equivalent to 2-3 days earnings. This list of participants is given in the appendix.

Table 12 Profile of FGD participants

	Frequency	Median	Mode	Maximum	Minimum
Respondents	59				
Age		42	33	61	25
Civil status					
Married	54				
Single	1				
Others	4				
Earnings		300	300	1 000	71
Husband's earnings		350	350	900	100
No.of children		3	3	7	1
Eldest		18	10	44	2
Youngest		8	6	34	1
Loan cycle		4	4	13	1
Loan amount (PHP)		10 000	10 000	35 000	5 000
Weekly amortization		550	550	2 000	254

5.1 Low earnings and irregular work

In assessing the impact of microfinance on the lives of those participating in the scheme, we examine how the programme addresses the major problem areas faced by workers in the informal economy as discussed in the previous section. This present discussion is organized under five headings: (i) low and irregular work/earnings, (ii) financial vulnerability, (iii) occupational safety and health, (iv) access to social protection, and (v) the role of gender. We look at how these problems manifest themselves in the experience of programme participants, how microfinance impacts on their daily concerns, and what policy lessons can be learned. In the process, we hope to learn more about the conditions of informal workers as well as the positive contribution and limitations of microfinance as an anti-poverty tool.

The problem of low and irregular work manifests itself in several ways. In most of these occupations, earnings vary from day to day, from one month to the next. For example, weekends are particularly good days for street and market vendors and other retailers. The supply and demand of goods and services sold fluctuates over the year. Demand is expected to pick up in the months approaching

Christmas as well as in the local festival month of May. Sales are particularly weak in July and August (following payment of school fees in June). Seasonality also affects the type of goods traded so that different commodities make good business at different times of the year. Informal workers must adapt to the ever changing demands in the market.

“We consider it Christmas those months that don’t rain while Tuesdays, Mondays, and Sundays as Lenten season. The regular price of our menu is PHP 14 with additional PHP 1 if it comes with a cup of rice (PHP 15). But if it’s Monday, Tuesday, and Sunday, we cut the price to PHP 11 because I also have household chores to do.”

(“Yon buwan ng ber o hindi tag-ulan yon ang ‘Pasko’ at yon Tuesday at Monday at Sunday ang ‘mahal na araw’. Yon regular na menu ko ay 14 plus rice (15) pero pag Monday, Tuesday, at Sunday 11 lang. Pag Sunday kasi may mga gawain sa bahay ako.”)

“Business is good during summer. If it’s the rainy season, that’s the time I do construction work on the side.”

(“Malakas ang negosyo pag tag-araw. Kaya pag tag- ulan, yon saka ako nagsideline sa construction.”)

“Profits are good every 15th and 30th of the month because these are pay days. I used to sell pirated CDs, and whence confiscated by the authorities, we just pay a PHP 2,000 fine. If the president of the vendors did not bribe the police (PHP 150 per day), they’ll get arrested.”

(“Malakas ang kita kung 15th at 30th kasi araw ng sweldo. Nagtinda rin sa Cubao ang asawa ko ng CR (pirated), pag nahuli tubusin na lang ng PHP 2,000. Pag yon presidente (vendors) ay di nagbigay sa pulis (PHP 150 kada araw), hulihin sila.”)

The irregularity of work and earnings is also evident in the multiplicity of livelihood and sources of income. Most of the participants engaged in two or more businesses and economic activities. There are several reasons for this multiplicity of activities. One is to make ends meet considering the low earnings from each activity. The other is to reduce income and business risk as well as to overcome the problem of limited market.

“I’m Ferlines, Treasurer, I make peanut butter and I sell it here and a few blocks down there, and I also rummage charcoal which I buy per sack. I retail it here at five pesos per pack.”

(“Ako si Ferlines, Treasurer, gumagawa po ng peanut butter at tinitinda dito at sa baba, humahango din po ako ng uling, binibili ko ng sako sako at ni-retail dito ng PHP 5 bawat balot.”)

“I’m Erlinda, a member, and I sell daing (smoked fish). I do home service cleaning toenails and fingernails. I also belong to a local agency.”

(“Ako si Erlinda, member po at nagtinda ng daing. Nag home service din po ng manicure at pedicure. May agency po pang lokal.”)

“I’m Maricel, a member. I make rags and I also sell shampoos and soap, etc.”

(“Ako po si Maricel, member at gumagawa ng basahan at nagtinda ng shampoo, sabon, etc.”)

“My name is Tess Roxas and I’m the Centre Chief of this group. I have three children and all of them are already married. I’m living with my husband. I make curtains, bed sheet, tocino (sweetened Filipino steak), longanisa (smoked sausage) and ham. My husband is the Barangay Ex-Officio.”

(“Ako po si Tess Roxas, Centre Chief po ako ng samahan. May tatlong anak na lahat ay may asawa na. Kami na lang po ng asawa ko. Gumagawa po ako ng kurtina, bed sheet, tocino, longanisa at hamon. Ang Mr. ko po ay Barangay Ex O.”)

“My name is Ravian, I have three kids; I own a variety store and I sell PVC pipes. It’s the company where my husband works. I also sell banana cue (caramelized banana) and just about everything you find inside the home. My husband works as a company driver in Caloocan.”

(“Ako po si Ravian, may 3 anak, may sari-sari store at nagtinda ng PVC pipes. Yan po ang company ng asawa. Nag banana cue rin, kahit ano basta sa loob ng bahay. Ang asawa ko po ay company driver sa Caloocan.”)

Most of the women have spouses who are also employed in the informal sector. The discussions, however, did not dwell on the nature of the husband’s occupation, but given the informal character of their work, the husbands are also likely to face the problems associated with informal work including low and irregular incomes and multiple of sources of income.

Our discussions with programme participants reveal the impact of microfinance services provided by SBCC and its conduits. In most cases, the loan serves as additional working capital, which allows the borrower to sustain, expand or diversify operations. There are few cases in which the loan is used to acquire physical assets since these are typically small and labour intensive enterprises that require little physical capital. The loan then becomes more critical for businesses that must sell on credit, a practice that is perhaps more widespread in the informal than in the formal sector.

In some cases, microfinance was used to start up a secondary business to supplement income from the main activity, but we encountered few cases where the loan generated new employment since expanding current operations or diversifying into other activities in most cases merely fills up the time of the original worker. Nonetheless, diversification offers several advantages: (i) it means additional income to the workers; (ii) cash flow from several businesses can be pooled, and (iii) to some extent it overcomes the limited market for the type of goods and services peddled by informal workers.

“Before, I only sell biscuits, but now there is the additional charcoal that I can retail. Plus I get a weekly supply of rice.” Centre N80, Bagong Silangan

(“Kung dati pong tinitinda ay biscuit lang, nadagdagan na ng uling, at linggo – linggo ay may bigas pa ako.” Centre N80, Bagong Silangan)

“I have a mineral water business... and now, I also sell coffee. I repackage a local coffee brew. They say it’s as good as the Nescafe brand. I sell it at PHP 30 per 50 grammes. I also retail AVON products”. N80 Bagong Silangan

(“Mineral water ang negosyo ko . . ngayon meron na rin akong kape. Nag re-pack ako ng kape barako. Sabi nila ay kasing lasa ng Nescafe, ang 50grams ay PHP 30. May AVON din ako.” N80 Bagong Silangan)

“It saddens me whenever I sell biscuits and run short of stock, especially when the kids stare at me and say “no more!”... what can I do? I lack the money to buy my goods. If I had the capital I would tell them to wait and I’ll be back with more.” C147, Batasan Hills

(“Nalulungkot ako pag nagdala ako ng biscuit tapos kulang, pag naka tingin yon mga bata (at sabihin...ay wala na!) ...eh wala na rin akong puhunan kung mayroon pa akong puhunan sabihin ko sandali hintayin ninyo ako .” C147, Batasan Hills)

“I was promoted in Natasha as Manager because I diligently and consistently paid my employees. Also, I get a salary every end of the month. Sikap Buhay greatly helped in the process because I was able to open a checking account using the loan they granted me. The bank’s checks became my guarantee for the items my employees consigned. That’s why the orders are consistent.” Centre 147, Bgy Batasan Hills

(“Na promote ako sa Natasha bilang Manager dahil tuloy-tuloy ang pagbabayad ng tao ko. Pag dating ng end of the month ay may sinasahod ako. Nakatulong sa akin ang Sikap Buhay kasi yong na loan ko ay ipinag-open ko ng personal checking account. At yon aking check ang garanti ko sa mga item na kinukuha ng tao ko. Kaya tuloy-tuloy ang order nila.” Centre 147, Bgy Batasan Hills)

Microfinance is often advertised as an anti-poverty programme and, indeed, the Government of the Philippines, promotes it as such.

The result of our research is in line with a growing theme of the research literature which finds the impact of microfinance on poverty reduction has been overemphasized. In the first place, the initial requirements for programme participation—existence of a viable business along with credit investigation to establish permanent residence and ownership of assets—likely excludes the poorest households. Most of the programme beneficiaries who participated in the discussions did not come from poor households. The more successful ones come from relatively better off households in their communities and they were better off not because of microfinance.

This is a common dilemma facing microfinance programmes. While ostensibly it is supposed to be a mechanism to reach the poorest of the poor; in reality there is a tradeoff between financial self-sufficiency of the programme and depth of outreach. To be financially viable microfinance programmes tend to give loans to borrowers who are either slightly above or slightly below the poverty line. To capture economies of scale they extend larger loans to the marginally poor or non-poor.

Put differently, there are costs and benefits of commercialization and its impact on the objective of poverty reduction. If financial viability is of utmost importance, then the very poor who most desperately need the credit, will not be reached by microfinance services. It begs the question as to whether the very poor could handle credit if provided.

The impression that microfinance does not reach the poorest households can be partly traced to self-selection. Self-selection occurs at different levels: programme participation, programme placement, and during the research process. Those who are better off in terms of assets, education, and business experience are more likely to join and succeed in such programmes. Moreover, they are more likely to stay in the programme, thus they survive to tell a positive story. Those who fail tend to disappear into the dense crowd of urban poor households partly of their own volition, but also, in the context of group lending, to avoid the stigma attached to their failure to pay, especially by group members who had to cover for them. Those who failed to repay their loans are referred to as “pasaway” by surviving members. Furthermore, organizers may deliberately choose areas that show a greater promise of success to increase the sustainability of the programme especially in the early stages of implementation. Self-selection poses a special problem when assessing the impact of microfinance because it results in overstatement of programme impact.

Furthermore, there is little indication that programme participation resulted in an increase in average incomes. Part of the reason for this is that record keeping and financial accounting are hardly practiced and not only for reason of lack of skills. There is little distinction between household activities and operation of the enterprise. Some of the costs of doing business form part of the

household budget (e.g. electricity, water, household labour) and some of the business income is part of household consumption (e.g. food sold is also consumed by household members). The methodology used in this study does not allow differentiation of income of business earnings.

Income from the informal business is commonly regarded as a supplement to the husband's income. The latter is seen by the women as more regular and reliable, if often inadequate to cover basic household needs, in which case income from the business comes in handy. The women's earnings are typically allotted for daily household expenses and for daily expenses of school children. School related expenses (besides tuition fees) appear to comprise a major portion of household expenses financed by business earnings, notwithstanding free tuition in public elementary and secondary schools.

The loan itself is often used to finance lumpy, if predictable (in contrast to emergency) expenses including school fees of children, acquisition of household appliances, other fixed assets, payment of utility bills, and so on. That is, enterprise lending may be seen as a consumption loan by the borrower, which may cause repayment problems later on. But this also indicates a strong market demand for consumption loans. That is why local money lenders continue to thrive, notwithstanding the proliferation of microfinance programmes. (Brau and Woller, 2004) In fact, the demand for traditional moneylenders has remained robust, probably even among clients of microfinance programmes.

This result is in line with the literature which finds that microcredit increases the probability that children will attend school, although it may also encourage child labour. (*ibid*)

The problem of child labour was not salient in our field research but may take the form of increased domestic chores and helping occasionally in the family business. Studies in the Philippines, for instance, find that self-employment and ownership of family enterprise significantly increases the probability of child labour.

“Earning on your own is really something. I have two children that I’m sending to school and they have big educational needs.” Centre C-45, Bgy Payatas

(“Malaking bagay yon may sariling kita. Meron akong dalawang anak na pinag-aaral. Malaki yung pangangailangan sa pag-aaral.” Centre C-45, Bgy Payatas)

“If there are school needs, I tell my husband that I paid for it already. I can now be of assistance and I don’t have to wait for my husband’s monthly salary. I can now dig deep inside my pockets because I’m already earning interests.” Bgy Batasan Hills

(“Pag may kailangan sa school, sinasabi ko sa asawa ko na binayaran ko na. Nakatulong ako, hindi ko na hintayin ang sweldo niya. May madukot na ako kasi may tubo na ako.” Bgy Batasan Hills)

“You have a feeling of relief and accomplishment knowing you reaped the benefits of your hard work... that everytime I receive my salary as Manager (Natasha) I get to buy a pizza and give it to my children. Sometimes, you can’t help it when there are extra bills to pay and no money to pay them with. Now, whenever there are school needs, I tell my husband that I have paid for it already. I can now be of assistance and I don’t have to wait for my husband’s monthly salary. I can now dig deep inside my pockets because I’m already earning interests.” C147, Batasan Hills

(“Masarap ang pakiramdam na sa sarili naming kayod at sikap . . na sa pagsahod ko (Manager ng Natasha) ay bibili ako ng pizza at ibigay ko sa mga anak ko. . hindi maiwasan na minsan pag sahod ng asawa mo ay sako lang . . ngayon . . pag may kailangan sa school, sinasabi ko sa asawa ko na binayaran ko na. Nakatulong ako, hindi ko na hintayin ang sweldo niya. May madukot na ako kasi may tubo na ako.” C147, Batasan Hills)

“I’m earning just enough for me and my husband. That’s because our children already have families and they are living decently. I get the money for our daily expenses from our lugawan (rice soup business). Whatever is left we use it as capital for next day’s business. We temporarily stopped our business renting out sound systems because we’re both too busy to manage it. We used to earn PHP 3,000 weekly excluding fixed costs.” ASA Centre Constabulary, Bgy Holy Spirit

“Sapat lang po ang kinikita ko kasi dalawa lang kami ng asawa dahil ang mga anak naming ay may pamilya na at maayos naman. Yon kita ko sa lugawan ang pinagkunan ng pang gastos sa araw-araw. Ang natira ay puhunan at yon ang pinamimili ko kinabukasan. Stop yon sound system rental sa ngayon kasi wala magdrive at mag set-up. Dati ay kumikita ng tatlong libo kada lingo tanggal na ang gastos.” ASA Centre Constabulary, Bgy Holy Spirit

“In my case, I’m no longer sending anybody to school nor am I paying for housing rental. I’m only paying for electricity and water dues. My monthly electricity bill is only PHP 100. My biggest expenditures are spent on my husband’s medication.” AS Centre Constabulary, Bgy Holy Spirit

(“Ako naman ay wala ng pinag-aaral, hindi umuupa ng bahay. Ang binabayaran ko lang ay koryente at tubig. PHP 100 lang koryente ko. Sa gamut lang talaga ng asawa ko malaking gastos.” ASA Centre Constabulary, Bgy Holy Spirit)

“I have used the loan money for my child’s placement fee before he went overseas to work.”

(“Yong na-loan ko ay idinagdag ko sa placement fee ng anak ko na nag-abroad.”)

In sum, if microfinance has not reached the poorest households, it has helped households at or just above the poverty line who are dependent on employment in the informal sector, hence vulnerable to falling into poverty. The major impact of microfinance is to ease liquidity problems faced by micro enterprises, adding to working capital of micro enterprises, expanding sales and reducing business risk (mainly liquidity problems). The microenterprise becomes an additional source of income and helps improve the stability of household incomes. Given the problem of irregular work and incomes among informal sector workers, we contend that stabilizing incomes is a major achievement for microfinance that is as crucial as raising average income levels.

5.2 Financial vulnerability and sustainability

The other side of credit-financed employment and consumption is that of financial risk. While there is an awareness that indebtedness comes with doing business, beneficiaries express anxiety about being in debt. Thus accessing credit or raising their leverage is given careful consideration. It is not uncommon for beneficiaries not to take advantage of their credit limit or to forego borrowing for one reason or another. For the more successful entrepreneurs, the credit may no longer be essential to their business given a limited market.

On the positive side, the need to repay the loan encourages hard work and persistence, a sentiment commonly expressed by women participants. On the negative side, it increases financial risk and vulnerability. Microfinance may increase vulnerability if borrowers over-leverage. Risk arises from several sources. Sales are often made on credit to poor customers who pay for the goods on an installment basis. The level of sales varies from day to day. Most of the enterprises are one-person operations and sickness or inability to work means total loss of income. Emergency expenses can spell the end of the household business.

“If you’re indebted, you’re determined to work harder. If you don’t have debts to settle, you just look up at the sky and do nothing. Some rely on the good deeds of relatives. But when

you have debts, you should convince yourself you can repay them. Then you work doubly hard. It's good to be self-reliant and you don't depend on others.

("Pag may utang ka, pursigido kang mag hanap buhay, pag wala kang utang, titingala ka na lang. Yon iba umaasa na lang sa padala ng kamaganak. Pag may utang ka iisipin mo na lang 'may bayarin ako' mag pursigi ka. Maganda na wala kang sinasandalan.")

"I get nervous when I earn lower than expected and it makes me wonder how I can pay the interest on time. It's embarrassing when your co-members would always shoulder your responsibility and vouch in your stead." Centre C-45, Bgy Payatas

("Kinakabahan ako kung paano makapaghulog pag maliit ang kita. Nakakahiya naman kung palagi ka na lang abonohan ng mga kasama." Centre C-45, Bgy Payatas)

"Just like in our case, we have a sari-sari (variety) store, and we'll be told that our payment is on a weekly basis. You try to intelligently manage your expenses weekly but if one member fails to pay, your budget is ruined. You're then forced to seek other means. You need a fluid credit line and you can't avoid not to borrow."

("Tulad ng sa amin sari – sari store, sasabihin sa amin na linguhan ang pagbabyad, yon budget mo linguhan eh pag di nagbayad, masisira ang budget mo kaya gagawa ka na lang ng paraan. Kasi don lang sa utangan ay kailangan na mahaba ang puhunan mo. Di naman maiwasan ang pautang.")

"If they don't pay you and the borrower is nowhere to be found, that's lent to me. I already lost PHP 15,000. It's difficult when someone borrows money from you and tell you they can't pay you. Business is good when December is nearing but if your debtor disappears, you're helpless. Lending money is unavoidable. Even if you verify the background of creditors you'll never know, not until you lend them the money."

("Pag tinakasan ka yan ang mahal na araw sa akin. PHP 15,000 ang nawala sa akin. Mahirap din pag kumuha sa iyo tapos sasabihin wala pa pambayad. Malakas ang negosyo pag malapit na ang December pero pag tinakasan ka wala kang magagawa. Di naman maiwasan ang di mag pautang, kahit mag verify ka kung di mo rin siya subukan pautangin di mo malalaman.")

"We provided a credit line for a construction business. When we're about to collect their dues, they tell us they haven't been paid yet. Debt settlements take longer than usual when these things happen. We lost PHP 10,000."

("Nagpautang kami sa construction, pag naningil kami at sabihin nila na walang sweldo, tumatagal ang pautang... Natakasan na kami ng PHP 10,000.")

Another source of financial risk is the system of group lending. Group lending is based on the principle of joint liability. The group underwrites, monitors, and enforces the loan contract. (Brau and Woller, 2004) Most importantly, in group lending, each member is responsible for the loans of other group members. If a member defaults, the other members are required to cover the loan from their own resources on pain of losing access to future loans. More than a few members have experienced covering for others who failed to repay and who eventually leave the group. This occurs when the person's savings is not sufficient to cover the unpaid amount. Those with a more positive experience are able to see group lending from the lens of solidarity.

“When our proposed loan was approved, we were asked to choose who will be our group members. Sometimes, even if you think you know the person, you still have to be cautious when choosing who will comprise your group because you don’t “really know” them. You just need to be gutsy especially when your co-members don’t pay their dues and they’re nowhere to be found.” C147 Bgy Batasan Hills

(“Noong ma-approve kami, pinapili kami ng kagrupo kaya lang kahit kilala mo kailangan na piliin mo pa rin, wag yon pasaway. Di rin talaga kami magkakilala ng lubos. Lakasan na lang po ng loob, pag di nagbayad at tinaguan ka.” C147 Bgy Batasan Hills)

“My neighbor pawned his TV because one of his co-members defaulted. Their group is down by PHP 7,000 and he’s shouldering all of it. Instead of letting creditors take his TV outright, he decided to pay for the loan incrementally.”

(“Yon kapitbahay ko po nagsanla ng TV kasi po yong kasama niya sa loan ay lumayas, eh PHP 7,000 pa yon huhulugan kaya siya ngayon ang may sagot noon. Kaysa naman mahatak ang TV niya, hulugan na lang niya.”)

“We ask irresponsible members to leave the group. They could get diligent members burned. Those who just joined will start small. Some really get into your nerves while some have decided to take a break. Now we have 60 members in the centre. It’s hard having a co-maker because you’re forced to cover your members’ defaults and they don’t pay you at all. If majority of the group’s members don’t sign your loan, you’re automatically disqualified to join.” C-90, Commonwealth

(“Sa grupo pag may pasaway ay pinaalis, papaso ang iba, magstart sa mababa yon mga huling pumasok. May pasaway, may nagpahinga. Naging 60 lahat ang miyembro ng centro. Meron din nagpahinga, di an sila pinaloan. Meron, ayaw na nila mag abono sa di nagbayad. Mahirap yon co-maker, pwersado ka mag abono, tapos di ka naman bayaran. Pag majority sa kagroup ay di pumirma sa loan mo, automatic out kana” C-90, Commonwealth)

“There are instances when some of our members’ payments were way too short. We just help each other. Whatever amount you can fork out will do and we will all share the burden just to make everything smooth.”

(“Kami kadalasan may mga grupo na kulang ang panghulog, nagtututlungan kami...kung ano ang kaya mo i-share, share mo, kami-kami na lang ang nag ayos.”)

Given widespread dependence on credit to sustain informal employment and to maintain decent levels of household consumption, it is not surprising that there is no shortage of micro lenders despite the proliferation of microfinance programmes in recent years. Notwithstanding lender’s policy prohibiting clients from taking out loans from other sources to minimize over-leverage, this probably happens anyway. There is, however, great reluctance on the part of beneficiaries to discuss the issue. On the one hand, with hard work, financial discipline and a lot of good luck, access to credit could assist households overcome the downturn of the business cycle. On the other hand, this could also lead to a vicious cycle of growing indebtedness, loss of income-earning assets and poverty.

The income of the spouse and other immediate relatives constitutes a first line of defence against financial risk, and, we contend, is a significant factor for consistent loan repayment and business sustainability. The income of the husband covers the major household expenditures, easing the financial demands on the business. Moreover, participants occasionally rely on the husband’s income to make periodic payments on their loans especially during difficult times. Put differently, the

husband's income is an additional source of credit for the business. This underscores the importance of generating employment that provides a steadier income than that from micro businesses.

“My husband earns PHP 800 per week. It's not enough to cover our daily expenses because we have two kids and both are in school. I used the money I earn from selling longaniza (smoked sausage) and soap, and the small earnings from ironing clothes for our everyday needs. I often get my husband's earning to pay for Sikap Buhay.” Centre N80, Bgy Bagong Silangan

(“Asawa ko kumikita ng P800 sa isang lingo. Hindi yon sapat sa pang-araw-araw na gastusin kasi dalawa ang anak naming, parehong nag-aaral. Kaya ang kinikita ko sa pagtitinda ng longaniza at sabon at suweldo ko sa pamamalantsa ang gamit naming sa pang-araw-araw. Ang hulog ko sa Sikap Buhay galing sa kita ng asawa ko.” Centre N80, Bgy Bagong Silangan)

“Whenever I get to spend money that's supposed to be for the business, I ask my husband to cover for our expenses, what else can I use for capital?”

(“Pagnakagalaw talaga ako ng pera sa negosyo, inihihi ko sa kanya (asawa) kasi ano ang ipuhunan ko, ano ang ipapagulong ko?”)

“When I get to collect payments but have no money to buy food, I include it on the list of personal expenses covered. When my husband's salary comes, I deduct it from my overall budget. Besides, I keep my husband's ATM card.”

(“Sa akin, pag may nasingil ako, tapos wala pambili ng ulam – inilista ko ang pinang abono ko, pagdating ng sweldo ng asawa ko, ibinawas ko sa budget o binayaran ko, kasi ako naman ang nag budget, ako ang may hawak ng ATM ng asawa ko.”)

“My earnings depend entirely on the amount that was collected from my RTW business. My entire collection amounts to PHP 1,000. But that doesn't include profits because it's difficult to account for. When I get to collect a huge sum, I spend it to order new supplies. That's why if I fail to collect from those who owe me, I don't spend at all (even for supplies). But when collections are good I make sure I pay Novadeci while I save the remaining amount. I use the weekly earnings of my husband which is PHP 2,500 (PHP 3,000–PHP 3,500 when he does overtime work) for our daily expenses. You can't depend on the business because its earnings can only cover our electricity bills and the children's school allowance. In six months, business earnings are used to pay for our electricity bills and it's PHP 700.00 per month” N80, Commonwealth

(“Ang kita ko depende po sa koleksyon, sa RTW. Ang koleksyon ko ay umaabot ng PHP 1,000. Yon koleksyon ko po ay di pa tubo, mahirap kasing kwentahin ang tubo. Kasi pag may na-collect ako na medyo malaki, ibinili ko uli ng orders na paninda. Kaya pag di ko nasingil lahat, di na muna ako mamili. Pag nakasingil ako, i-sure ko na yon panghulog sa Novadeci, yon iba pa ay itabi ko muna. Kasi, yong sweldo ng asawa ko yon ang gamitin sa gastusin ng pamilya. Yon kita ng asawa ko ay PHP 2,500 kada lingo, pag may overtime umabot ng PHP 3,000 – PHP 3,500. Yon po ang kinunan ng pang gastos. Yon sa negosyo di maasahan sa koleksyon sa pambayad lang ng ilaw at baon ng anak. Anim na buwan sa loob ng isang taon, sa negosyo galing ang pambayad sa ilaw. Nasa PHP 700 kada buwan ang koryente” N80, Commonwealth)

“We have a sari-sari (variety) store business. I got PHP 5,000 from the Centre Fund which I have used to run my business. My husband and my child are very supportive of my business and both of them have work. I don’t think there’s much impact if there are no credit lines.” C-90, Commonwealth

(“Sari sari store ang negosyo ko, ganuon pa rin. Yon nakuha ko na pondo sa Centre Fund ay PHP 5,000, inilagay ko sa negosyo, pinaiikot ko. Nandiyan naman ang suporta ng asawa ko (may trabaho siya) at ng anak ko (ang opisina) para di malusaw ang negosyo ko. Di ko masyado naramdam ang pag kawala ng pautang.” C-90, Commonwealth)

“I don’t think we will be negatively affected in case the Centre closes shop. I can get money from my siblings that I will use to sustain my business. I spend the money I get from the Centre Fund to buy souvenirs. The next time they lend me PHP 5,000 I might beg off and not get their money. The PHP 5,000 is too small, just enough to buy three sacks of shredded cloth. If they will let me borrow PHP 10,000, I might reconsider.” C-90, Commonwealth

(“Pagka dissolve ng centre naming di naramdaman ang hirap kasi naka hingi ako sa kapatid ko at ginamit ko sa negosyo, pinaiikot ko. Yon nakuha ko sa Centre Fund ay ibinili ko ng souvenir. Kaya kung PHP 5,000 lang uli ang ipahiram sa akin ay di na lang ako utang. Kasi sa basahan lang, yon PHP 5,000 ay tatlong sako lang ng retaso. Walang epekto, pwede kung mga PHP 10,000.” C-90, Commonwealth)

Related to financial vulnerability is the issue of sustainability of borrowing among informal workers. The experience of the Sikap Buhay microfinance programme shows that most borrowers stay in the programme for a relatively short period of time. Progress has been made in the last two years in terms of keeping members in the programme.

Data from the in-house survey conducted in 2005 and quoted above suggests that the median length of stay in the programme is only about two cycles or one year.⁵ Today, the median length of stay is just three cycles or one-and-half years: less than 10 percent of borrowers have been with the programme for more than six cycles or three years (Figure 2).

The membership data is based on the loan cycle of the group or centre. Since new members may join an existing centre or group to replace drop outs, the distribution of individual members by loan cycle is even more skewed to the left, indicating even shorter stay in the programme.

The data displayed in Figure 2 below indicates a fast turnover rate of borrowers and enterprises and that programme reach can only be sustained by continued rapid recruitment. Unfortunately, the data does not state the reason for members dropping out of the programme. But it suggests that the majority of micro enterprises cannot sustain regular loan repayments for a period long enough to stabilize their businesses let alone grow them. In the context of group lending, the problem of high turnover can be masked by high repayment rates and rapid recruitment. Nor does it threaten the viability of the programme itself considering the huge demand for credit in the informal economy.

Thus, micro lending may be sustainable at the programme level, but may not be so from the point of view of the majority of individual borrowers.

⁵ See Figure 1 and Table 1 above

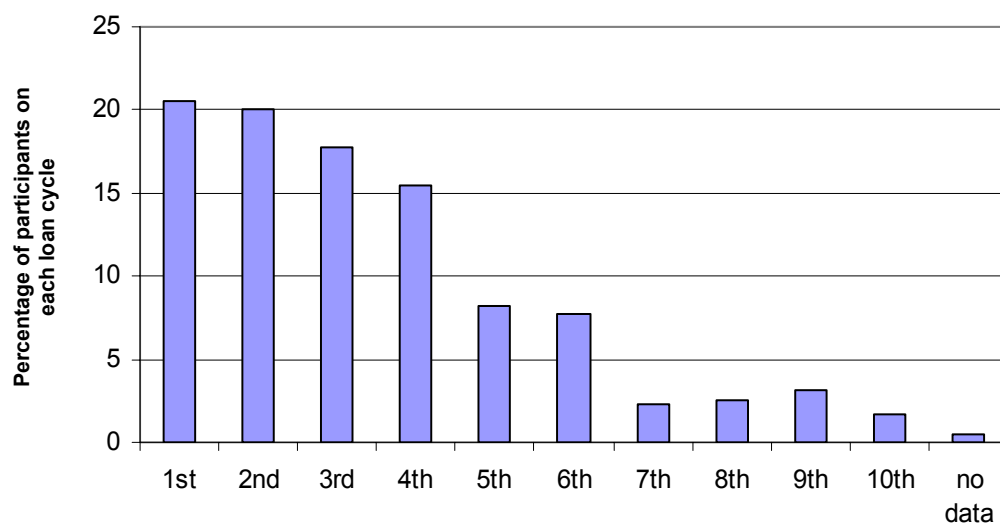


Figure 2 Distribution of members by loan cycle

Source: Membership database. SBCC

Sikap Buhay has had crucial impacts in terms of alleviating financial vulnerability and improving business sustainability.

First, it has lowered the cost of credit. CRBB, the main conduit bank of the programme, offers one the lowest interest rates at 1.5 percent monthly. Frequent but affordable amortizations coincide with the cash flow of micro businesses, increasing repayment rates. Access to credit does not seem to be a problem overall, given the proliferation of informal lenders and microfinance programmes. The programme also allowed first-time borrowers to establish a credit track record.

“I’ve tried other lending schemes with too high an interest. They also require you to give out cash the amount of which depends on how much they ask. Just like the first one, we forked out PHP 350 before we got the PHP 5,000 we were trying to borrow. When they released the money, they deducted another PHP 400. The interest rate was at PHP 1,500 almost as high as 5-6 (local usury). Other similar services offer the same amount and it’s too expensive for us. Then ASA offered its services to us. They gave a seminar the following morning but told us that a minimum of 10 members is required before we can start. But there was a problem: there were only three of us. That didn’t stop ASA from giving us the loan. In fact, they made me Centre Leader and from then on we increased our number. We now have 30 members all in all.” ASA Holy Spirit

(“Naikot ko na ang mga lending, ang laki po ng tubo nila at sa umpisa pa lang ay kailangan mong magbigay ng pera depende po kung magkano ang hinihingi nila. Kagaya nung isa, bago po kami nakapag loan ng P5,000 ay nagbigay kami ng P350, pag bigay o release ng loan ay may bawas nang PHP 400, at ang tubo po ay PHP 1,500. Para na ring 5-6, masyado pong malaki, at halos lahat po ay ganun. Itong ASA ay nag alok sa amin. Nag seminar po sila sa amin kinabukasan ay bumalik sila at kailangan daw ay 10 miyembro para magsimula, kaya lang po ay tatlo lang kami. Pero binigyan din po kami. Ako po yon nagging Centre Leader, at mula noon ay nagtuloy tuloy na hanggang dumami kami, 30 na po kami sa centre.” ASA Holy Spirit)

“To tell you honestly, we can borrow from many sources. But we don’t borrow from Bombay (Indian usurers). I was already a member of other organizations even before I joined Sikap Buhay. What makes the others different from Sikap Buhay is that they don’t offer benefits. It’s easier to borrow from other organizations but they don’t have savings schemes.

In Sikap Buhay, you have to undergo a process and attend a seminar before you're application is approved. They also guide you where to put your money. With the others it's so easy." L1, Commonwealth

("Marami pong mautangan, honestly, nakakautang kami sa iba, pero walang bombay. Kasi bago ako pumasok sa Sikap Buhay, member na ako sa iba, kaya lang walang benefits. Mas madaling umutang sa labas, yon nga lang walang benefits tulad ng savings. Dito may proseso at seminar bago ma-approve, yon kung saan ilalagay ang pera mo. Sa iba, madali ang proseso." L1, Commonwealth)

Second, as discussed above it has reduced business risk by providing more working capital, in some cases allowing the business to expand or increase sales, easing liquidity problems, and so on. A better understanding of the critical constraints facing microenterprises would be helpful in designing interventions.

Third, the savings component of the programme—forced and voluntary—is well appreciated. The forced savings component, called the group fund, requires participants to save a minimum amount with every loan repayment. Ostensibly, the aim is to instill financial discipline. In practice, forced savings serve primarily as a form of cash collateral. Rules regulating when and how clients may withdraw forced savings are highly restrictive. The group fund covers unpaid loans of members and the balance is returned to the group only when the group is dissolved.

Nonetheless, beneficiaries appreciate the fact that the programme has allowed them to save a modest amount of money. Voluntary savings are often used to meet unexpected and emergency expenses. Modest in amount, there exists a strong demand for savings among poor households. Voluntary savings are believed to be in great demand, perhaps more than enterprise loans, even among households that do not operate enterprises. Poor households find it difficult to meet the minimum deposit, maintaining balance and paper requirements (e.g. two valid IDs) of formal banks for opening a savings account.

"We appreciated the way they have explained what's in store for us. They said that for every PHP 5,000 we get to earn PHP 750 in interest plus savings. It's like a bank but with a mandatory savings of PHP 50 weekly. You can add up to that savings when you have extra cash. You can also loan some cash through your savings if you, say, need to pay for electricity as long as you don't exceed the limit."

("Nagustuhan po naming dahil ang paliwanag po ang PHP 5,000 ay may tubo lang na PHP 750, at may savings pa po na parang bangko, may mandatory savings po na PHP 50 kada lingo at maaari mong dagdagan kung may pera kang sobra. Sa savings mo ay pwede ka magloan ng pambayad sa koryente at iba pa don sa sobra sa required savings." ASA Holy Spirit)

"This is the only time in my life that I have savings and it amounted to PHP 8,000. You only need as low as PHP 15 pesos to start one compared with banks which require exorbitant minimums. Now, I get to pay my dues and save at the same time. During the 3rd cycle, I withdrew some cash to buy corrugated roof because our roof was leaking. I paid PHP 15 per kilo for the corrugated roof." N-80 Bagong Silangan

("Ngayon lang po ako nagkaroon ng savings. Umabot sa PHP 8,000. Sa bangko malaki po ang hinihingi na pang open ng savings, dito ay pwede na ang PHP 15. Naiipon din po, kasabay po yon sa pagbabayad namin. Nung 3rd cycle ay nagwithdraw ako pambili ng yero kasi tumutulo po yon bubong namin, PHP 15 per kilo ng yero." N-80 Bagong Silangan)

“My savings reached PHP 7,000 and I withdrew some cash during the 3rd cycle because I had some problems then. In my last loan, again I withdrew some cash and bought myself a couch.” N-80 Bagong Silangan

(“Ako po ay nag savings, umabot po ng PHP 7,000, pang 3rd cycle ay nag withdraw ako kasi nagka problema. Tapos, sa last loan ko ay nagwithdraw ako at ibinili ko ng sofa.” N-80 Bagong Silangan)

5.3 Access to social protection

Along with savings, there is a strong demand for consumption loans and for insurance. Given the extreme vulnerability of poor households to risk and external shocks, a large demand for formal insurance exists among the poor. Lack of access to social protection is a major problem facing informal workers. Our discussion with informal workers confirms a strong demand for social protection services and a willingness to pay for such. More than a few workers are aware of the existence and the benefits of social insurance, specifically those provided by the SSS and PhilHealth, owing to previous formal employment experience, membership of the spouse or other household members. There is a variety of social services offered by local governments, politicians and NGOs, including scholarships to deserving students, health cards, funeral services, etc.

The SBCC programme does not address the issue of social protection. Indirectly, the programme has increased awareness and to some extent helped improve access to local services through assistance of programme staff. The savings and insurance component of microfinance appears acceptable, although members are not aware of the benefits of insurance. In the same manner as forced savings, insurance—mainly life insurance—tends to protect the creditor rather than the borrower.

A related problem faced by street vendors is enforcement of regulations on street vending. This is not an easy problem to resolve: it calls for regulations on street vending consistent with the goal of maintaining order and providing citizens a decent source of livelihood. Beneficiaries claim that membership in the programme often elicits sympathetic treatment from law enforcers.

Participants expressed a strong demand for social insurance services and a willingness to pay for these services. Some groups have come up with their own mutual help schemes. For example, in one group, members contribute PHP 50 each when a fellow member is hospitalized and PHP 100 each in case of death of a household member. The programme can make a significant impact by encouraging membership in existing social insurance programmes such as those provided by PhilHealth and the SSS for the self-employed. Payments can be made part of the weekly loan amortizations. This way collection and remittance of contributions become the responsibility of the conduits.

5.4 Occupational safety and health

The hazards informal workers face at work are as varied as their occupations and business activities (see earlier box). The location and the individual nature of work are just two of factors that make it difficult to address the issue of occupational safety and health. As noted earlier, illness often means loss of an important source of financial support for the household.

“I was crossing the street when I slipped which caused me to miss out on workdays. There are those who would ask for assistance and I, in turn, would give them. You see, doing business is a fellowship.” C145 Payatas B

(“Yon pagtawid-tawid sa kalsada, nangyari po yon nadulas ako na may dalang bayong, ilang araw din po akong di naka trabaho. Meron din po yong mga nanghihingi, nagbibigay na lang po ako kasi ang pagnegosyo ay pakipag kapwa tao.” C145 Payatas B)

“I think lifting gallons is what caused my backaches.”

(“Siguro po yong pag buhat ng mga gallon nag dulot po ng pananakit ng likod.”)

“Doing the groceries, cooking, and retailing cause my entire body to ache.”

“Sumasakit ang katawan ko kasi mamalengke, magluto at magtinda.”

“When I arrive home after ironing clothes, I can’t go to the shower... my husband does all the household chores. I have been ironing clothes for the last 9 years.”

(“Pagdating ko po sa bahay (matapos mamalantsa), di po ako nagbasa . . ang asawa ko po ang gumagawa sa bahay. matagl na po akong na-malantsa. . 9 years na po.”)

“I’m worried about my husband’s safety everytime he’s out selling. I worry he might get hit on the road when he delivers his goods. Fortunately, nothing of that kind has occurred yet, but a co-worker of his had an accident on the high-way.” ASA Constabulary, Bgy Holy Spirit

(“Nagaalala ako sa pagtitinda ng asawa ko. Baka masagi o mabunggo siya pag nagdedeliver. Wala pa naman, pero yon kasama niya ay nabunggo sa hi-way.” ASA Constabulary, Bgy Holy Spirit)

“My husband does buy and sell plates in the squatters’ area and they were picked on by some men. They almost ended up in a fight.” C145 Payatas B

(“Yon asawa ko po kasi nag buy and sell ng plato sa mga squatter area, pinag tripan sila, maari silang mapaaway.” C145 Payatas B)

“As seamstresses, our common complaints include back aches and inhaling cloth fibre, which make us prone to lung ailments. I’m going to ask Sikap Buhay if we can avail some health benefits.”

(“Kaming nananahi pananakit ng likod at paglanghap ng fiber, prone kami sa lung ailment. Yan nga itatanong ko sa Sikap Buhay, ano yon mga pwede ma- avail na health benefits.”)

5.5 Gender and personal development

Like most microfinance programmes, Sikap Buhay targets exclusively women. Women are believed to invest the loans in productive activities or in improving family welfare more often than men who tend to consume rather than invest loan funds. The emphasis on lending to women is reinforced by the widespread belief that access to financial services empowers women, both financially and socially. Our field research finds support for this view.

The positive impact of microfinance is most evident in this area and takes place at the personal, household and community levels. Prior to their joining the programme, the women commonly lacked self-confidence and tended to shy away from public gatherings or community activities. They had limited social networks and were concerned mainly with domestic matters.

With their participation in Sikap Buhay, they acquired self-identify, raising their self-esteem in the process, gained the courage to face difficulties, and stand on their own feet. They express pride in having their own money to pay for personal needs; they contribute to the household kitty, and were still able to repay their loan. They felt they were making productive use of their time, with less time spent idly.

Participation in the microfinance programme expanded the social network of women participants. This is probably attributable to the system of group lending wherein members develop closer ties among themselves. This has increased their confidence to go out and meet other people as well as

participate in community life. It also gives them greater awareness of what is going on around them and the willingness to assert their rights as members of the community. They take pride in the fact that whereas before they found it difficult to access loans, now they are being approached by lenders who are aware of their good track record in repaying loans.

With their newfound financial independence, they regard themselves on equal footing with their husbands, proud that they contribute to household expenses, and in some cases are of financial help to close relatives. In a few cases, their financial empowerment has given them the confidence to go against the wishes of the husband on matters they find of extreme importance, for example, whether a child should continue going to school.

“I used to be shy and if there are other people around, I hide. I didn’t start out as the Centre Chief. I had a predecessor.” Centre N80, Bgy Bagong Silangan

(“Dati po ay mahiyain ako, dati pag may tao ay nagtatago ako. Noong nag – umpisa hindi pa ako ang Centre Chief, pinalitan ko lang po yong dati naming Centre Chief” Centre N80, Bgy Bagong Silangan)

“We used to avoid attending meetings, but now we’re always present.” Centre N80, Bgy Bagong Silangan

(“Dati di kami dumadalo sa mga meeting, ngayon palagi na kami may meeting” Centre N80, Bgy Bagong Silangan)

“I used to be a homebody. But since I started joining this group, we regularly see each other and I can spill my guts out. I think I’m going to cry. I can share with them my problems especially the riff with my Manager who often scolds me.” C-147, Bgy Batasan Hills

(“Dati ay hindi ako mahilig lumabas, pero mula ng magkagrupo ako, lagi na lang kaming nagkitakita, yon mga sama ng loob ko ay nailalabas ko, maiiyak tuloy ako. Yon mga problema ko na lagi akong pinagagalitan ng aming Manager (direct selling), na-share ko sa kanila.” C-147, Bgy Batasan Hills)

“You no longer feel embarrassed sharing what you have. For example, you have a sibling who wants to attend college. If you have a source of income, you can give half of what you earn to them.” Centre C-45, Bgy Payatas

(“Hindi na nakakahiyang magbigay sa partidos. Halimbawa may kapatid ka na gustong magcollege, pag may sarili kang pinagkakakitaan, yung kalahati ng kita mo pwede ma-share sa kapatid.” Centre C-45, Bgy Payatas)

“When our house was demolished, my husband lost his drive to do business that’s why I joined Sikap Buhay. I was able to convince him to do business again.” C-45, Bgy Payatas

(“Noong na demolish kami, parang nawalan ng gana ang asawa ko sa negosyo, kaya sumali ako sa Sikap Buhay. Naibalik ko siya muli sa pagnegosyo.” Centre C-45, Bgy Payatas)

“My life changed. I was so dependent on my husband before because he was the only one earning. I was so dependent, can’t control my temper, and I had to put up with him. I left him because he has unresolved issues. Now, I can manage even without him.” Centre C-45, Bgy Payatas

“Nagbago ang buhay ko kasi noon nagsama pa kami ng asawa ko, sa kanya ako umaasa. Ngayon, hiniwalayan ko na dahil meron siyan personal na problema. Pero noon na sa kanya ako umaasa, palagi akong galit, nagtitiis lang ako. Ngayon, kaya ko na hiwalay na kami.” Centre C-45, Bgy Payatas)

“This has helped me so much as a woman. My husband was among the casualties of the Payatas tragedy in 2000. I took charge of my life and my two kids and I made us pull through. I was able to send my kids to school and my youngest just graduated from college.” ASA Centre Payatas B, Bgy Payatas

“Nakatulong po sa aking ng malaki bilang babae. Sumula ng madisgrasya ang asawa ko noong 2000 sa Payatas tragedy, masasabi ko na ginampanan ko ang pagbuhay sa aking pamilya. Dalawa yon anak ko, yon huli kong anak nakamember na ako, napagtapos ko siya sa kolehio.” ASA Centre Payatas B, Bgy Payatas)

“I became much more sociable not only within the family. I’ve gained friends and networks through groups like this.” C-147, Bgy Batasan Hills

“Nagkaroon din ng social life, di lang sa loob ng pamilya, yon pakikipag ugnayan sa komunidad tulad nitong samahan.” C-147, Bgy Batasan Hills)

“I’ve become more confident and I no longer demean myself. I’m earning now unlike before when we always run short of cash and we can’t do anything about it. It’s difficult to budget the limited money we had. Now I get to help my husband in shouldering all our expenses.” C-147, Bgy Batasan Hills

“Ang tingin sa sarili ay hindi na mababa, nagkaroon ako ng self-confidence. May kinikita ako, di tulad noon wala kaming magawa kung kulang ang sahod, hindi mo ma-budget, parang tulong na rin na mayroon extra income na nai-tulong ko sa kanya (asawa).” C-147, Bgy Batasan Hills

“We’re now on equal footing – I’m earning, you’re earning. I don’t have to worry because I can now feed myself. I don’t feel small and I even developed a sense of pride. I can also help my family and that makes me happy!” C-147, Bgy Batasan Hills

“...equal footing, kumikita ako – kumikita ka, parang wala kang inaalala sa sarili mo na eh tutal naman pakainin lang ako. Hindi mababa ang tingin mo, parang nagkaroon ka ng pride. Kaya ko rin tulungan ang pamilya ko, kaya natutuwa ako!” C-147, Bgy Batasan Hills)

“My husband first consults me before making a decision. Both of us are earning, and striving hard, and we belong in the same fight. I can make my own decision. For instance, we send our son to PMI and its very expensive we almost lost our livelihood. My son is quite naughty that’s why my husband decided to make him quit schooling. I told my husband I’ll take care of my son’s schooling.” L1, Commonwealth

“Hindi basta nagdesisyon ang asawa ko ng hindi ko alam. Hindi kami pwedeng tau-tauhan, parehas kaming kumikita, parehas kumakayod, parehas ang laban. May desisyon din ako na galing sa akin. Tulad sa anak ko, pinaaral ho namin sa PMI – halos maubos ang aming kabuhayan. Eh maloko ang anak ko, ngayong pasukan, ayaw na siyang papasukin ng asawa

ko, eh nanghinayang ako, Sabi ko sa asawa ko ako ang bahala pag-aralin ko siya” L1, Commonwealth)

“My kid would not have been able to finish schooling if I never had a business or if I depended solely on my husband’s income. My son screwed up his schooling when he was in 3rd year high school that’s why my husband told me my son should stop attending his classes because it’s a waste of money. That was also during this time I became a Sikap Buhay member. I started my business and I told my husband that our son’s education should continue. His life will be much wasted if he doesn’t finish school. I took care of him, reared him, watched over him, and he finished high school. He’s now on his first year in college at UP. I told my husband that if I listened to him my son won’t have a future!” C-L1, Bgy Commonwealth

(“Hindi nakatapos ang anak ko kung wala akong negosyo, kung aasa lang ako sa kita ng asawa ko, wala talaga. Nagluho yon anak ko na nasa 3rd year high school kaya sabi ng asawa ko huwag ng pag-aralin, walang mangyayari diyan. Yon time na yon ay nakapasok na ako sa Sikap Buhay, nagnegosyo ako. Sabi ko ‘di pwede, kailangan pumasok yan. Kung pabayaang yan lalo na siyang mapariwara. Sinubaybayan ko, binabantayan ko, sinusundo sa school. Nakatapos siya ng high school. Nag first year college na siya ngayon sa UP. Kaya sabi ko sa asawa ko kung nakinig ako sa iyo ano ang narating na anak ko!” C-L1, Bgy Commonwealth)

“It feels great to be part of Sikap Buhay and you can be proud of the money they loaned to you. In return, you get trusted ten times more. It’s really an honor.” Centre C-45, Bgy Payatas

(“Masarap ang kaanib ng Sikap Buhay, maipagmalaki mo yon pera na pinahiram sa iyo, ang ibabalik naming ay sampung doble ng tiwala ninyo. Ito’y isang karangalan.” Centre C-45, Bgy Payatas)

“Before when you had nothing, you’re an outcast and it’s difficult to get a credit. Now, they’re encouraging us to borrow because they know we have the ability to pay especially when you’re about to renew your loan.” N-180, Bgy Bagong Silangan

(“Noon po na wala ka, inaalipusta ka ng komunidad, hirap mangutang. Pero ngayon, pinipilit na kami mangutang kasi alam nila may pambayad na lalo na po pag malapit na ang renewal ng loan” N-180, Bgy Bagong Silangan)

Some women, however, do not inform their husbands about the details of the loan or business, afraid that the husband would reduce the financial support to the family and instead rely on the wife. Others find it important to maintain a good relationship with the spouse and to inform him of the fact that she is taking out a loan. This is to ensure the support of the husband in the business as well as in repaying the loan. Many express confidence in their ability to support families without their husbands.

“I have to admit, my husband has no idea how much is my loan. He knows I joined this group but I don’t show him how much savings I have or how much loan was given to me. I’m doing this for my children. My husband is not capable of providing enough because his salary as a waiter is too small. That’s why I keep it a secret. Sometimes, lying helps. I’m lying to my husband for the sake of my children.” L1, Commonwealth

(“Aaminin ko na di alam ng asawa ko yon halaga ng loan ko, alam niya na sumali ako, pero di ko pinakikita kung magkano, never niyang alam magkano ang savings ko, magkano ang loan ko. Kasi di naman para sa akin eto, may mga anak ako na kailangan kong tustusan, na

di niya kayang bigay. Maliit lang ang sahod niya, waiter siya, kaya itinatago ko. Ang pag sinungaling ay dalawang bagay, makatulong o makasama sa kapwa, sa akin yong pagsiningaling ko ay kailangan para sa mga anak ko.” L1, Commonwealth)

“Some husbands don’t give the moment their wives start earning. In my case, I don’t tell my husband how much loan was given to me. Until now he doesn’t have a clue.” C-L1, Bgy Commonwealth

(“Yon ibang asawa lalake ay di na nagbibigay kapag kumukita na ang babae. Ako hanggang ngayon ay di alam kung magkano ang na-loan ko” C-L1, Bgy Commonwealth)

“The moment wives start earning, some husbands would just depend on them. They have this feeling they have been stepped on, that their egos were tarnished, especially their manhood.” C0L1, Bgy Commonwealth

(“Marami din umaasa na lang sa asawa pag may negosyo na, pakiramdam nila ay natapakan na ang kanilang ego, ang kanilang pagkalahake” C-L1, Bgy Commonwealth)

Financial and social empowerment, however, is not without cost. Some beneficiaries report a negative impact on their relationship with their spouses. With their busy schedule, they find less time to attend to their husbands, a fact resented by the latter. Equally important, the majority (80 percent) continue to perform most of the household work, resulting in multiple burdens for the women. If other household members take on additional domestic work, it is usually the children.

“I wake up at three to open the store. I’ll wake up the kids by 5:30, bring them to school and go straight to the market. I now have an additional task. I’m the only one doing everything because all of my children go to school.” L1 Commonwealth

(“Nagising ako ng 3am, magbukas ng tindahan, gisingin ko ang mga anak ng 5:30am, hatid sa school, deretso na sa palengke. Nadagdagan ang trabaho. Nag-iisa lang ako lahat sila ay puampasok.” L1 Commonwealth)

“I do just about everything, but I have adusted. When my kids are away, just like now, I cover all chores. I can only go to my store the moment my kids leave the house and they help out once they come home.” L1 Commonwealth

(“Ako din akin lahat, pero adjust na ako. Pag-alis ng mga anak, tulad nagyon, during the day, ako lahat ang nag-asikaso. Pag-alis ang mga anak ko pa-school saka pa lang ako punta sa tindahan, paguwi nila, saka pa lang sila tutulong sa akin.” L1 Commonwealth)

“I wake up late. It’s my husband who opens the store. He would arrive home by 1:00am, open the store at 4:00 am, then goes straight to the market to do the groceries.” L1 Commonwealth

(“Tanghali na ako gumising. Yon nagbukas ng tindahan ay ang asawa ko. Darating siya ng 1:00am, magbukas siya ng 4:00am, tapos siya rin ang mamalengke.” L1 Commonwealth)

6 Analysis and discussion of the results

6.1 Self-sufficiency and sustainability

The uniqueness of SBCC lies in local government partnership with the private sector and NGOs to provide microfinance services. Such partnership has allowed deeper sustainability and wider reach of financial services than each side could offer on its own. SBCC is mainly responsible for recruitment of new members, credit preparation, skills training and, to some, extent monitoring the provision of assistance to problem borrowers. The programme also provides free office space to partner institutions.

Credit and collection functions rest with the creditors composed of one private rural bank (Cooperative Rural Bank of Bulacan, CRBB) and several NGOs (ASA, Uplift, CTC) using their own funds. The conduits determine and implement their own lending policies with little interference, if at all, from the local government. Recently, credit providers were made to compete for borrowers in contrast to previous policy wherein each of the four conduits was assigned an exclusive area to operate.

This public-private partnership in microfinance addresses a number of crucial problems which have posed a challenge to microfinance elsewhere. On the one hand, the local government absorbs part of the overhead cost of creditors, which lowers the cost of credit and the risk of loan default. On the other hand, the private sector extends credit services to target households using its own funds, ensuring assiduous credit investigation and collection. Because government funds are not used for lending this avoids a typical moral hazard problem facing many public lending programmes, that is, borrowers can get away with non-repayment of loans owing to political, vote-getting considerations. Some local governments, for example, extend microfinance services without expecting any repayment at all so that such programmes close shop as soon as the funds allotted for the service are exhausted.

The SBCC combines the positive features of the *institutionist* and *welfarist* paradigms for microfinance (Braun and Woller, 2004). Institutionists assert that a microfinance institution (MFI) should be able to cover its operating and financing costs with programme revenues. Taking a leaf from the failed rural credit programmes of the 1960s and 1970s, they argue that: (i) institutional sustainability is the key to successful provision of financial services to the poor and (ii) financial self-sufficiency is a necessary condition for institutional sustainability. In practice, the large majority of MFIs cannot operate without subsidies and gifts from governments and other donors.

In contrast, welfarists place less emphasis on financial self-sufficiency and more importance on social returns. They tend to emphasize poverty alleviation. They place relatively greater weight on depth of outreach (the number of poor beneficiaries) relative to breadth of outreach (the number of beneficiaries regardless of whether they are non-poor or near-poor). Dividends and cash gifts from governments and donors which help MFIs sustain their operations are seen as equity from social investors who are interested less on financial returns than on social impact or intrinsic gains. While financial self-sufficiency matter to them, they are less willing than institutionists to sacrifice depth of outreach to achieve this.

One implication is that there is a trade-off between financial viability and depth of outreach. MFIs concerned about financial self-sufficiency may prefer to loan to borrowers who are either slightly above or slightly below the poverty line (*ibid*). These MFIs are able to cover overhead costs by extending larger loans to the marginally poor or non-poor. As discussed above, this is evident in the fact that the large majority of those who participated in the research (which presumably represents the population of beneficiaries) do not seem to belong to the poorest households in their respective communities.

A major advantage of the institutional setup of the SBCC is that the conflicting concerns for financial viability/profitability, on the one hand, and social returns and anti-poverty impact, on the other hand, are championed, so to speak, by different entities. Obviously, the creditors have to ensure financial viability and profitability, even if social metrics continue to matter to them. The local government

through the programme staff is concerned about the social impact of microfinance and, understandably, tends to push for greater depth and breadth of outreach to the extent that this does not compromise the viability of the entire programme. A healthy balance between these conflicting goals can only be achieved through constant dialogue between the programme staff and partners. Given the tradeoff between sustainability of the programme and depth of reach, the availability of up-to-date and reliable data on the reach and impact of the programme is critical. It may help the programme to come up with statistical indicators that are updated on a regular basis as well as conduct in-depth impact assessment and programme evaluation at longer intervals. Innovations in this area will determine whether microfinance becomes an effective anti-poverty measure in the near future.

6.2 Impact of microfinance on informal sector workers

Sikap Buhay has had a major impact in helping stabilize work and earnings among programme beneficiaries by providing additional working capital, allowing for a more steady flow of income and reducing business risk. Average incomes may not have significantly improved, but a positive impact on household welfare, especially on child welfare and probability of going to school is quite apparent. Microfinance has reduced financial vulnerability of programme beneficiaries by lowering the cost of capital as well as providing savings and insurance services. The impact of microfinance in terms of empowering women financially and socially is impressive. Deepened and sustained over a long period of time, it can have profound consequences at the community level.

The research also demonstrates the need to view microfinance against the backdrop of the informal economy and the conditions of informal workers. Several writers including Adams and von Pischke (1992) and Buckley (1997), both cited by Brau and Woller, (2004) have warned against "the uncritical enthusiasm that lies behind much proselytizing of microfinance," arguing that "fundamental structural changes in socioeconomic conditions and a deeper understanding of informal sector behaviour are needed for microfinance to prove effective." (*ibid*)

A key issue highlighted by the research is the lack of sustainability of programme participation. As already noted, the experience of SBCC shows that after three years, the majority of borrowers have left the programme. While the data does not indicate what happened to those leaving the programme, it is unlikely that those who left graduated into formal, small-scale enterprises. More likely, repayment problems lead to individual borrowers dropping out of the programmes or groups and centres being dissolved by conduits. This undermines the notable welfare gains from microfinance.

There are a number of possible reasons for the short length of stay in the programme: (i) irregularity of incomes vs regular amortizations; (ii) low margins and insufficient household income levels, (iii) emergency expenses that could eat into capital of the enterprise; (iv) the seasonal nature of many informal economic activities, to name just a few. Some of the reasons are inherent in the structure of the informal economy and thus would take fundamental structural changes to overcome. Microfinance by itself cannot overcome these limitations.

The large majority of livelihoods financed by micro-credit are *survivalist* activities with little chance of upgrading themselves into enterprises that accumulate capital through profits. So far there is little evidence to suggest that microfinance allows informal workers to move from activities that represent bare subsistence, such as street vending and other forms of retailing, to economically more rewarding activities such as those linked to formal production and the process of capital accumulation. A realistic assessment of the possibilities of upgrading these survivalist activities to enterprises that can accumulate capital has important policy implications. It is important to gain a good understanding of the critical constraints facing micro enterprises in the informal sector: whether it is lack of skills, lack of capital, limited markets, or simply that small size of enterprises that prevents micro-enterprises from growing into small and medium enterprises.

As noted earlier, improved access to credit for poor households has created employment, encouraged the growth of household enterprises, and allowed the acquisition of labour-saving assets. Access to credit allows households to smooth consumption in the face of high income variability and volatility. But creating employment through credit-financed informal businesses is a double-edged sword in that

it increases the financial vulnerability of poor households. The failure of a micro-enterprise can be detrimental to household welfare over the short and long-term as the family attempts to save the enterprise or liquidate assets in order to settle its debt.

The research has shown the existence of several sources of financial risk including the fact that sales are often made on credit to poor customers who themselves have no regular source of income and who are subsequently unable to honour their debt, emergency household expenses arise which can eat into the capital of the enterprise, limited markets and so on. Minimizing financial vulnerability of informal workers will require a combination of basic skills in managing business finance, prudent lending policies by lenders, social insurance programmes (to remove a major source of risk), as well as protection to households whose enterprise has failed to ensure that they do not fall into a debt and poverty trap.

Our field research also highlighted a strong demand for social protection and financial services tailored to meet the needs of poor households. Savings services are in great demand; and so are emergency and consumption loans. Equally important, people express a strong willingness to pay for *social insurance*. Providing social protection to informal workers is beyond the capabilities of microfinance programmes such as Sikap Buhay, yet the absence impacts directly on the ability of informal workers to participate in the programme and sustain their informal businesses. It is conceivable to piggyback on a microfinance programme such as Sikap Buhay to extend social insurance to those covered by the programme. For example, loan collectors can facilitate the payment of social insurance premiums by interested borrowers. But the problem calls for a more comprehensive response at the local government level given the limited reach of microfinance. In this context, it should be noted that Sikap Buhay is only one part of the city government's anti-poverty programme.

Improving the working conditions of informal workers is another gap that needs to be addressed. There is little awareness of the work hazards faced by informal workers. Given the lack of social insurance such as health and unemployment insurance, promoting safe working conditions for informal workers is a critical but difficult goal.

We have noted the important gains in terms of personal development and promoting gender equality. A key issue is minimizing the problems posed by the multiple burdens of women engaged in labour-intensive micro-enterprises but who continue to perform most of the household and child-rearing work. A related issue is the potential problem posed by child labour, although, this was not salient in our study of Sikap Buhay beneficiaries.

6.3 The need to generate decent employment

This impact assessment of the Sikap Buhay has highlighted the positive impact interventions such as microfinance have had on poor households dependent on the informal economy. It has also underscored the limitations of microfinance in addressing the conditions of informal sector workers. Two important conclusions emerge from this exercise. First, the success and limitations of programmes like microfinance is in large part shaped by the nature and dynamics of the informal economy within which they operate. This is evident in terms of the extent and sustainability of programme participation, its positive impact on employment and incomes, household welfare, especially child welfare, and the personal development of women participants. It is equally obvious in the limitations of microfinance in terms of addressing critical issues faced by informal workers, namely, financial vulnerability, lack of social protection, and poor working conditions. All these can be traced to the nature of informal activities.

Second, the study highlights the need to provide stable employment that offers decent earnings to workers. Informal businesses especially those of the survivalist types cannot guarantee stable and regular earnings for workers. Informal workers lack social protection and face health hazards at work, concerns of which are not easily addressed in the context of informal employment. Microfinance is only part and parcel of more comprehensive policies and programmes aimed at generating decent employment for workers in the informal economy.

6.4 Some conclusions from our analysis

At the outset we noted that a key question to be addressed by this study is whether interventions such as microfinance allow informal workers to move from subsistence to economically more rewarding activities. Our conclusion is that the role of microfinance is minimal in addressing this need.

From our present study it appears that some previous studies may have over-emphasized the role of microfinance in poverty alleviation through their focus at the programme and policy level. This study, by contrast, focused on the recipients.

A key finding—and something of a surprise—was the fact that most participants stay with the programme for only a short period of time. In relation to the programme under review, many participants had withdrawn by the third loan cycle and 80 percent had withdrawn after three years. For the majority therefore, the most important benefit derived from participation is not poverty alleviation but rather the creation and development of social networks and the ability to use microfinance loans as a means of managing the cash position within the family. These do have intrinsic value but they do not change the social level of participants.

On the other hand there is evidence that suggests that for a small number—probably around ten percent—who engage with the programme over a longer period of time, microfinance is an important factor in allowing such persons to unleash entrepreneurial skills that are probably innate and not learned. With a “second chance” mechanism in place for certain individuals who might fail the first time around through no fault of their own, this level of entrepreneurialism within society could be increased.

One important finding therefore is that microfinance does provide an avenue for those persons with entrepreneurial ability to unlock those skills. Set against this finding, the high attrition rate—provided that it does not lead to fund depletion—is perhaps a natural consequence and should not be of too great a concern.

Thus our study shows that the potential of individuals to succeed can be tapped provided people are encouraged to stay with the programme. This suggests, in turn, that more work is needed on the sustainability of microfinance programmes at the personal level, providing encouragement and incentive for individuals to remain in a microfinance programme over the longer term, so that new skill sets may be harnessed properly and integrated as a way of life.

However, the corollary is also self-evident—that microfinance programmes may be important at the margin but are no substitute for formal sector employment that grows as a result of substantial fixed investment. As elsewhere in Asia, decent work will for the most part, be found by building a competitive economy that encourages private fixed investment that is job creating over the longer term.

7 Recommendations

These recommendations have been formulated together with the management team of SBCC after discussion of the draft of this study.

1. Monitor reach, coverage and impact of microfinance considering that there is evidence of a trade-off between financial sustainability and effectiveness as anti-poverty tool. Greater awareness of the problem of self-selection among the staff can improve the reach and coverage of microfinance.
2. Explore the possibility of incorporating savings beyond the mandatory savings, individual and social insurance as major components of microfinance. It is easy enough to overburden the programme and this should be avoided. A careful evaluation of the feasibility of actively encouraging membership in social insurance programmes may be useful.

3. To sustain the gains from microfinance, it is important to have an understanding of the factors affecting the sustainability of businesses and participation in the programme. Sustainability should be seen not only from the perspective of the programme but also from the point of view of individual borrowers. The short length of stay of many borrowers is a major weakness that needs to be addressed.
4. Sikap Buhay is part of the local government's comprehensive anti-poverty programme. Findings and recommendations of this study should be integrated into the wider anti-poverty programme. More importantly, microcredit and self-employment should not substitute for programmes and policies designed to generate decent work.

Following on from these, specific recommendations for action are as follows:

1. Broaden the reach of the programme by:
 - a) including more clients who need start up capital;
 - b) being more practical and lenient in setting the number of minimum applicants for a "centre" to be organized on a case to case basis;
 - c) creating a window for disadvantaged groups such as Muslim women, senior citizens who are still capable of engaging in entrepreneurial activities, and people with disabilities to engage with the programme.
2. Expand training services for new borrowers on entrepreneurship, such as the Compulsory Group Training (CGT) which could be designed in partnership with SBCC;
3. Broaden social protection services such as coverage for Philhealth, SSS, and Pag-ibig in partnership with local and national departments;
4. Institute more effective means of monitoring business successes (entrepreneurialism) among clients and identification of those with the potential to move to the next level as small/medium enterprises (SMEs) as well as failed clients with the potential for rehabilitation (those deserving of a second chance);
5. Continually make stakeholders aware and reminded of the programme's goals to increase incomes of clients, generate more livelihood, enable clients to achieve higher levels of entrepreneurship, and improve their quality of life not burdening them more;
6. Regularly review capital lending policies to make these more responsive to clients' needs and more friendly to them, such as:
 - a) opening of more opportunities for start-up capital with keen selection of applicants and close monitoring of business activities;
 - b) bigger incremental increase in capital borrowings depending on client's capacity to pay and track record;
 - c) extending terms for maturing loans;
 - d) decisions to dissolve centres, release of funds;
 - e) using co-makers savings to pay up delinquent payers' loans;
 - f) incentives and disincentives for meeting attendance like tardiness and absences, fines as well as maximizing centre meetings;
 - g) refrain from referring to delinquent clients as "pasaway."
7. Improve standard operating procedures for clients' capital services in the following areas:

- a) scheduling credit investigations (CI) as required for approval of capital loans;
 - b) informing SBCC about decisions on group/centre dissolutions;
 - c) facilitating the processing and release of savings, group and centre funds when a centre decides to dissolve the group.
- 8. Establish an open and interactive partnership environment between the SBCC, as the local government's implementing arm, partner microfinance establishments and entrepreneurship education institutions, and clients with regular meetings and consultations to improve services to the clients;
- 9. Mainstream entrepreneurship values (especially the preponderance for risk-taking or "*lakas ng loob*," stress on resourcefulness and creativity or "*diskarte*," and "*abilidad*," finding sense and fun in selling, etc) through incorporating this into the school curriculum or in related subjects and starting early among children;
- 10. Sustain gains in improving women's economic and household political status through more awareness-raising of gender issues for clients and family members, and for more equitable distribution of family's economic, decision making, and household work responsibilities;
- 11. Advocate with concerned national government agencies for greater technical support services for developing small business ventures, especially in the areas of manufacturing, product and technology development and marketing.

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Appendix

Table A List of Participating Centres

Center Name	Location	Date	Participants
Center N – 149	Barangay North Fairview	23-Aug-07	8
Center L1	Barangay Commonwealth	8-Aug-07	7
Center 147	Batasan Hills	7-Aug-07	5
Center 133	Barangay Pasong Tamo	1-Aug-07	8
Center N 80	Barangay Bagong Silangan	15-Aug-07	6
ASA Center Payatas B	Barangay Payatas	24-Aug-07	35
Center C 90	Barangay Commonwealth	27-Sep-07	7
Center C 45	Barangay Payatas	9-Aug-07	15
ASA Center Constabulary	Barangay Holy Spirit	6-Sep-07	3
ALL			94

Table B List of focus group discussion participants

Name	Position	Organization
Ma. Teresita Roxas	Center Chief	N – 149
Nelia Zorca	Member	N – 149
Jackqueline Navato	Member	N – 149
Evangeline Carzon	Member	N – 149
Marlyn Echalico	Member	N – 149
Alicia Basco	Member	N – 149
Marlyn Rizada	Member	N – 149
Ronila Dicalde	Member	N – 149
Noel Alcantara	SBCC	N – 149
Myrna Leanillo	SBCC	N – 149
Maria Fe Chua	SBCC	N – 149
Cecillo Racca	SBCC	N – 149
Gloria Alcoran	SBCC	N – 149
Al Obre	Facilitator	N – 149
Elizabeth S. Roquino	Center Chief	L1
Virginia Constantino	Center Treasurer	L1
Rona–Ann Quijano	Center Secretary	L1
Lydia San Lorenzo	Center Auditor	L1
Sophia Atienza	Group Leader	L1
Eman Besagre	Group member	L1
Ma. Aurelia Bayona	Group member	L1
Noel Alcantara	SBCC	L1
Rommel Macaro	SBCC	L1
Gloria Alcoran	SBCC	L1
Al Obre	Facilitator	L1
Clarence Pascual	Consultant	L1
Geraldine Alas	Group Leader	147
Ma Erlinda Tiaba	Group Leader	147
Genalyn Moguer	Member	147
Annaliza Cabusas	Auditor	147
Jenalyn Belza	Member	147
Noel Alcantara	SBCC	147
Darwin Cabrizo	SBCC	147
Gloria Alcoran	SBCC	147

Clarence Pascual	Consultant	147
Al Obre	Facilitator	147
Editha Abilay	Member	N-80
Julita Lagwa	Member	N-80
Nelly Barajas	Center Chief	N-80
Ferlinda Gacias	Treasurer	N-80
Maricel Catapay	Member	N-80
Noel Alcantara	SBCC	N-80
Mafe Chua	SBCC	N-80
Darwin Cabrizo	SBCC	N-80
Gloria Alcoran	SBCC	N-80
Clarence Pascual	Consultant	N-80
Al Obre	Facilitator	N-80
Magdalena dela Cruz	Member	133
Myrna Casingan	Member	133
Nelda Demetera	Member	133
Marianne	Member	133
Amor	Member	133
Rosie Bore	Member	133
Merlinda Reyes	Member	133
Baby Tolentino	Member	133
Irene Batoon	Member	133
Myrna Leanillo	SBCC	133
Darwin Cabrizo	SBCC	133
Gloria Alcoran	SBCC	133
Clarence Pascual	Consultant	133
Al Obre	Facilitator	133
Ynor	Documenter	133
Carol	Member	90
Mimie	Group Leader	90
Denia C. Bergonia	Group Leader	90
Phoebe B. Flor	Group Leader	90
Nitz	Group Leader	90
Analyn C. Febra	Center Treasurer	90
Flora B. Gaddi	Member	90
Mafe Chau	SBCC	90
Myrna Leanilo	SBCC	90

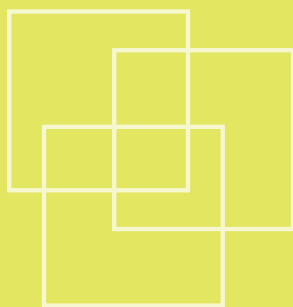
Gloria G. Alcoran	SBCC	90
Al Obre	Facilitator	90
Clarence Pascual	Consultant	90
Sherleilani Lopez	Member	ASA Payatas
Cely Arevalo	Group Leader	ASA Payatas
Thelma Balag	Member	ASA Payatas
Alfreda pareda	Member	ASA Payatas
Lolita Pahimnayan	Group Leader	ASA Payatas
Lilia Balanquit	Member	ASA Payatas
Elvira lauron	Member	ASA Payatas
Geroncia Omega	Member	ASA Payatas
Evangeline Labrador	Member	ASA Payatas
Mercedes Espino	Group Leader	ASA Payatas
Vilma Peralta	Group Leader	ASA Payatas
Nellie Arevalo	Member	ASA Payatas
Justiniano Orioke	Member	ASA Payatas
Rhodelia Calpe	Member	ASA Payatas
Julie Barcellano	Member	ASA Payatas
Salve Lahean	Member	ASA Payatas
Rachelle Villanueva	Member	ASA Payatas
Ayleen Sison	Member	ASA Payatas
Rosalie Jaramillo	Member	ASA Payatas
Salvacio Lupas	Member	ASA Payatas
Cristina Tabanda	Member	ASA Payatas
Mary Cris Umlas	Member	ASA Payatas
Monica Sorio	Member	ASA Payatas
Erlinda Mendoza	Member	ASA Payatas
Amelia dela Cruz	Member	ASA Payatas
Leonisa Barapan	Member	ASA Payatas
Laarni Couchas	Member	ASA Payatas
Prescilla Cebuche	Member	ASA Payatas
Leonna Seprioto	Member	ASA Payatas
Elerra Lauros	Member	ASA Payatas
Lolita Sulat	Member	ASA Payatas
Nita Panay	Member	ASA Payatas
Josefina Camarines	Member	ASA Payatas
Noel Alcantara	SBCC	ASA Payatas

Imelda Ablan	SBCC	ASA Payatas
Gloria Alcoran	SBCC	ASA Payatas
Al Obre	Faciulitator	ASA Payatas
Darwin Cabrizo	SBCC	ASA Payatas
Julita Santiago	Center Chief	45
Susan Bulan	Center Auditor	45
Mary Jhanne Fabi	Cenetr Secretary	45
Elizabeth Segovia	Assistant Secretary	45
Erlinda Mendez	Group Leader	45
Elvira Mangabat	Member	45
Marlyn Tapit	Member	45
Julita Vinluan	Member	45
Daisy Cartena	Member	45
Maricel Perico	Member	45
Erlinda	Member	45
Rosalyn Castro	Group Leader	45
Lilibeth	Group Leader	45
Arlene Sedenio	Member	45
Lolita Magpuyo	Member	45
Noel Alcantara	SBCC	45
Gloria Alcoran	SBCC	45
Cecillio Racca	SBCC	45
Al Obre	Facilitator	45
Lina R Lopez	Center Leader	ASA Holy Spirit
Erlinda Ocfemia	Member	ASA Holy Spirit
Rizaly Calayo	Member	ASA Holy Spirit
Noel Alcantara	SBCC	ASA Holy Spirit
Myrna Leanillo	SBCC	ASA Holy Spirit
Darwin Cabrizo	SBCC	ASA Holy Spirit
Gloria Alcoran	SBCC	ASA Holy Spirit
Al Obre	Facilitator	ASA Holy Spirit

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Social and economic empowerment of women in the informal economy: Impact case study of Sikap Buhay



Globalization has brought many benefits to global trade but it has also brought about some adverse consequences, particularly to workers in developing countries such as the Philippines where the globalization mantra of labour market flexibility has led to loss of formal sector jobs and their replacement by lower paid, less secure work in the informal economy. Poverty has not been alleviated by globalization, indeed in many instances it has worsened.

Improved access to microfinance, particularly programmes aimed specifically at women, is often seen as one means of lifting the poor and the marginally poor (those with the capacity to repay their loans) out of the poverty trap and into decent work. However, our research suggests that microfinance may be of only marginal importance in this area although it has an important role to play in assisting the poor in management of their income and expenses since often loans obtained through these programmes are used to smooth consumption patterns. In particular it can play a crucial role in empowering women within their communities.

This study based on an analysis of the Sikap Buhay Programme of the Quezon City Government, contributes to the analysis of the impact of local level interventions in the informal economy against the goal of creating decent work for all and how these interventions have brought about changes in the lives of target beneficiaries, mostly working women. One important finding is that microfinance provides an avenue for those persons with entrepreneurial ability to unlock their skills. For the majority of participants however, participation in the programme allows for social networking and improved cash management but does not play a significant role in alleviating poverty.

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