

ILO INTERDEPARTMENTAL PROJECT ON THE
URBAN INFORMAL SECTOR

New Challenges and Opportunities for the Informal Sector

**A Seminar on the Informal Sector in Metro Manila
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BACKGROUND PAPERS

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Improving the Quality of Employment in the Urban Informal Sector

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1. INTRODUCTION

The Interdepartmental Project on the Urban Informal Sector aims at contributing to efforts to **progressively** improve the quality of employment, particularly, productivity, social protection and occupational safety and health. Since this requires broad policy packages, the project is designed as an integrated projects with many components that need intense ILO interdepartmental cooperation in implementation, hence the term interdepartmental.

Although the ILO has been designing and implementing projects to assist efforts to develop the informal sector in the past 20 years, the activities have been rather fragmentary. Moreover, the activities have tended to focus on solving problems related to productivity and, in spite of the ILO's mandate to promote the rights of workers, job security and occupational safety and health, little if any, attention has been devoted to the possibilities of improving social protection and working conditions in the informal sector.

Whenever the issues of social protection and conditions of work are raised, it is argued that the cost increase that would be involved could reduce productive investment and, thereby, impair the informal sectors ability to generate employment. The implication is that there is a trade-of between productive employment creation and social protection which constitutes a dilemma for policy makers. This project is an attempt to contribute toward the resolution of this dilemma by reconciling, on the one hand, efforts to extend social protection and improve working conditions in the informal sector, while, on the other hand, enhancing its capacity to generate productive employment and incomes.

The project is being implemented experimentally in Bogota, Dar es Salaam and Manila. It is believed that a successful implementation will generate enough interest to facilitate replication in other countries by governments and other agencies.

2. THE MAIN PROBLEMS ADDRESSED BY THE PROJECT - THE NEED FOR AN INTEGRATED APPROACH

In spite of its important role in employment creation the informal sector is beset with many problems which prevent the realisation of its full potential. Many of these problems are similar from country to country despite differences in economic development. This project addresses low productivity, lack of social protection and the dismal conditions of work prevailing in the sector. These problems are interlinked and mutually reinforcing. Low productivity limits the entrepreneur's capacity to contribute to improvement in working conditions and social protection measures, while high incidence of occupational diseases and work related accidents do have negative impact on

productivity. Conversely, high productivity establishes the basis for improvements in working conditions and the provision of social protection. The following section describes the issues relating to productivity, earnings, social protection and the main constraining factors.

A. Low labour productivity and earnings

Studies show that large proportions of entrepreneurs in the upper levels of the informal sector tend to earn incomes equal to, or greater than, than the formal sector minimum wage. Even the wage workers in the informal sector appear to have earnings which are comparable with the minimum wage. As would be expected, incomes of entrepreneurs and wage earners are positively related to the size of the enterprise. However, on the average, labour productivity and earnings are low. Furthermore, several studies have revealed wide income differentials in the informal sector. They exist between activities and within activities. In the easy entry non-sedentary segments, productivity and incomes are especially low. Earnings are also related to the status of employment. In contrast to the earnings of the entrepreneurs and wage workers, nearly all apprentices and unskilled labour who form the bulk of the labour force, particularly in West African countries, earn less than the minimum wage. Some of the key constraints on productivity are discussed below.

Unfavourable policy environment

In most countries the policy and regulatory environment remain unfavourable in spite of statements of support from government officials.

Many informal sector enterprises either do not have fixed location or proper premises to conduct business. This is partly due to their inability to afford proper premises. It may also be due to rules and regulation governing the distribution of land for residential and business activities. Most informal sector businesses are located in areas which are not earmarked for such activities and, therefore, they cannot obtain legal status even if the entrepreneurs can afford the costs of registration and are willing to do so.

In most cases, the rules laid down for an enterprise to attain legality are so stringent, time consuming and costly that most small enterprise operations have no choice but to remain illegal. However, the opportunity cost of remaining illegal are immense. They are denied access to all official institutional support and facilities earmarked to production enterprises. Furthermore, entrepreneurs are denied legal rights to whatever property their businesses may possess. Clear legal title to land or possessions can be used as collateral to borrow money. The absence of such rights to property is, therefore, recognized as the main reasons why small scale entrepreneurs are unable to obtain institutional credits. Legal rights to property also enhances and augments the monetary value of property. Thus, the denial of legal title rights to small scale entrepreneurs constitutes a major obstacle to capital accumulation and growth, and it discourages investment in premises and equipment with adverse effect on productivity.

Inadequate institutional support

Institutions and economic development policies in general have been biased against the informal sector. Ministries of Labour Economic and Human Resource Development Planning are structured to deal only with the formal sector and the concerns of the informal sector are hardly ever incorporated into their functions. Similarly, employers' and workers' organizations like Chambers of Commerce and trade unions are constituted to draw their memberships from the wage sector. Similarly, financial institutions are also structured to deal with formal sector enterprises.

The rapid growth of the informal sector, in spite of the failure of the formal sector institutions and policies and institutions to respond to its needs, is largely due to the fact that the informal sector has its own institutions and structures. It has its own group solidarity associations like artisans' or traders' associations, and it has its own credit and means of acquiring skills and technology. In some countries, studies have found that the informal financial sector including money lenders and informal savings and loans associations, equals or exceeds the formal financial sector in its volume of transactions.

Many of these informal sector institutions are well adapted and suited to conditions in the informal sector. However, based on their traditional organizational forms, they have serious limitations in attempts to meet the needs of entrepreneurs in modern economies. For instance, the knowledge acquired by an apprentice is limited to what his/her master possesses which may not be enough to absorb new technologies. The traditional credit schemes lack financial intermediation to match supply and demand for investment funds. Due to risk aversion, it tends to prioritize short-term loans. Risk aversion and lack of financial intermediation tend to drive interest rates high.

Given these weaknesses and the lack of attention from formal sector institutions, many governments have created parallel small industry development organizations aimed at meeting credit and training needs of small scale enterprises. While these efforts are laudable, they have been criticized for their failure to build on the existing structures in the informal sector and for increasing the risk of perpetuating the dualistic economic and market structures that characterize formal/informal sectors in most countries. Furthermore, allocative efficiency requires that the formal and informal sectors should be integrated to reduce costs of production in general and to remove constraints on the informal sector in particular.

Lack of access to resources and markets

The informal sector lacks access to productive resources including credits, capital, technology and infrastructural services. Due to lack of collateral and the high costs of dealing with small loans, banks do not lend to informal sector entrepreneurs, the majority of whom get their start up capital from their own savings or loans from relatives and friends. The amount of capital from these sources are inadequate to enable them acquire improved capital equipment and better production techniques.

Forward linkages with formal sector enterprises is minimal and there is general lack of access to expanding export or middle class markets. The majority of informal sector enterprises produce to satisfy the needs of low-income markets.

Levels of education and skills

In general, the level of education of entrepreneurs and workers in the informal sector are lower than those of their counterparts in the formal sector.

Ease of entry and lateral expansion

In most segments of the informal sector, growth is characterized by lateral expansion of enterprises and there is very little evidence, if any, of vertical growth and transformation into medium or larger enterprises. The enterprises tend to remain very small with substantial numbers consisting of single person units.

This mode of expansion which is due to ease of entry and lack of employment opportunities elsewhere in the economy, is prone to involutionary growth which depresses average returns to labour.

B. Social protection and conditions of work

In general, the informal sector is excluded from social security schemes, neither are they covered by national programmes to prevent occupational diseases and accidents. The physical environment and labour relations are deplorable and some of the worse forms of exploitation and the use of child labour exist in the informal sector, shielded by paternalistic employment relations. The following are some of the underlying causes.

Labour productivity which establishes the basis for incomes, part of which can be used for contributions in social security schemes and for investments in occupational safety and health measures thereby guaranteeing improvements in the quality of employment is low in the informal sector. However, low productivity and the consequent inability of entrepreneurs to bear the extra costs of social protection only explains part of the problem. The requirements of social security schemes including registration, identification of employers from employees and regular contributions are often *inappropriate and unsuitable* to self-employed persons and casual workers with unstable employment relationship. In addition, *bureaucratic inefficiencies* often raise the cost of social security schemes to levels which are unattractive to informal sector producers.

Due to the above factors confidence in formal social protection schemes among informal sector operators is low and, therefore, they are tending to experiment with voluntary schemes organized by self-help associations. Among the well-known of these experiments is the scheme operated by the Self Employed Women's Association in India (SEWA). These voluntary schemes tends to suffer from the *general weaknesses which afflict self-help associations*.

It must also be realized that some entrepreneurs perceive informal activities as ways and means to reduce costs, particularly labour costs of production and to achieve labour market flexibility. Thus, it is often alleged that, even producers who can afford the costs of social protection choose to be informal so as to *avoid compliance with labour regulations*.

To summarize, the main problems are low productivity, lack of social protection schemes and dismal conditions of work. The causes are

- Unfavourable policy environment
- Inadequate institutional support
- Lack of access to productive and social resources and infrastructure
- Inadequate managerial and technical skills
- Weak collective action in the informal sector

3. THE STRATEGY OF THE PROJECT

Since the problems described above are interlinked and mutually reinforcing, this project is designed as an integrated multidisciplinary type to explore the possibilities of simultaneously increasing productivity, providing social protection and improving working conditions. Alternatively, to experiment with innovative ideas to improve social protection and working conditions without impairing the informal sectors capacity to generate productive employment.

It is designed with both **capacity building and direct support** components. The linch-pin of the strategy is **collective action**, represented by self/help associations, cooperatives and NGOs, to mobilize resources for production and social protection. In addition self-help associations can influence policy in favour of their members. Furthermore, they can act as major channels for assistance to the informal sector. However, for collective action to succeed, **policy and regulatory reforms and institutional support from government and local authorities are essential**.

The following are the main elements of the strategy:

A. **Capacity building and/or strengthening**

(i) *At the national, local government and local/city authority levels*, the project aims at building/strengthening capacity on **policy making and regulatory reforms**. The long-term aim is to develop time-series data sets and to integrate informal sector data into the national data system to facilitate policy and regulatory reforms so as to create favourable policy and institutional environment.

The main activities comprise strengthening of capacity of national statistical offices to harmonize definitions and concepts and to use standardised survey instruments in data collection on the informal sector. The survey instrument is based on methodologies developed by the ILO and adopted by the Conference of International Labour Statisticians in 1993.

Another main activity is the review of the rules and regulations that govern the establishment and operation of informal sector enterprises. The aim is to develop appropriate rules and regulations, to provide permanent locations for informal sector business enterprises and to improve access to social services and infrastructure.

The main target groups and partners in this strategy are officials in the national statistical offices, labour departments, local and city government officials and informal sector operators.

The means of action are research development of survey instruments and field work to carry out surveys.

(ii). The second element of the capacity building strategy is to strengthen capacity and networking mechanisms of *informal sector self-help associations, NGOs, and local/city authorities* to mobilise resources to raise **productivity**, provide **social protection** and to improve **working conditions**.

With regard to **productivity**, the project is experimenting with activities to enhance the management and co-operation/networking of self-help association and NGOs in the following areas:

- credit schemes;
- access to markets;
- subcontracting and technology.

Concerning **social protection, and conditions of work** the project is experimenting with innovative ideas to build capacity of informal sector self-help associations to:

- raise awareness of the need for social security schemes and good working conditions;
- establish experimental pilot schemes with contributions from their members and managed by the associations;
- offer technical advisory services to the association in the organization and administration of such schemes.
- establishing mechanism to link the informal sector operators to the community occupational safety and health system.

The main target groups and partners are informal sector self-help associations, NGOs, local and city authorities, formal sector employers' and workers' organizations.

The means of action are research and action programmes. Seminars and workshops have also been organized to raise awareness and mobilize support and develop consensus.

B. The direct support component

Since the capacity building component is designed around specific services, the individual producers benefit directly from the project. Activities are being implemented to raise productivity through management and technical training and to increase access to markets.

Some producers are already benefiting from social security schemes established by the project.

Activities are also being implemented to improve access to public medical services in occupational safety and health. Simple protective and first aid equipment are also being provided.

The target groups and partners are similar to the second element of the strategy.

4. IMPLEMENTATION

Implementation was affected by the following factors which were anticipated in the design of the project :

Heterogeneity of the Informal Sector

It should be stressed at the onset that the informal sector concept does not define a unique set of economic activities. It incorporates a complex sets of employment situations, series of enterprises and various organizational forms. This diversity is reflected in different levels of income, job security and prospects of transformation and growth. From the point of view of policy intervention it is important to recognise this diversity and target policies accordingly.

Main segments

On one extreme, there are the so-called non-sedentary activities comprising petty trades, street vendors, vehicle parking attendants and casual wage workers in small scale workshop.¹ Entry into this segment of the informal sector is easy requiring little or no physical or human capital. Due to ease of entry, it acts as the sponge that absorbs all the structurally and cyclically unemployed.

¹Many casual and temporary employees in the formal sector may also be classified in this group.

On the opposite extreme to the easy-entry sector, there is the "upper-tier" informal² sector comprising petty manufacturing and service activities where entry is difficult and restricted due to substantial capital and skill requirements. Restricted entry tends to guarantee higher degree of job security and higher levels of remuneration which include incomes from labour and capital. Due to the need to invest capital and skills in this sector growth reflects economic incentives and productive employment opportunities.

There are various levels of informal sector activities within these extremes.

Relative importance of segments

Both elements of the informal sector described above may be present in a particular country, and comparisons of the informal sector from country to country show variations in the relative sizes of the easy-entry and upper-tier segments. The exact magnitudes of the various components are not known. However, using the degree of utilisation of wage labour as criteria the indications are that the vast majority of persons engaged in the informal sector are in the easy-entry segment. For instance, in Tanzania wage employees account for less than 10% of persons engaged in the sector.

Latin American and Asian countries have generally, higher proportions of wage workers than African countries.

This heterogeneity of the informal sector implies that elements of the strategy outlined above should be target to specific segments of the informal sector in an appropriate manner.

Progress report (Manila is covered in a separate paper).

The design and implementation of the action projects are demand-driven. Project advisory committees (PAC) were established to set priorities to guide the project. In addition, local consultants and NGOs were responsible for the identification, preparation and implementation of all the action projects. Furthermore, coordination and monitoring at the city level are being carried out by local coordinators.

Through the involvement of the PACs, NGOs, and the ILO's social partners the project has been able to mobilize broad support and has acted as a catalyst to forge and encourage networks and cooperation among the various institutions working in the informal sector. If this mechanism is maintained, it will be a useful tool to reach consensus and implement projects in the informal sector.

²See Gary Fields, op. cit. The upper-tier informal sector has also been referred to as the "intermediate sector" in the literature on the informal sector. See William Steel, Small Scale Employment and Production in Developing Countries: Evidence from Ghana, Praeger, New York, 1977.

Dar es Salaam

Capacity building/strengthening at national and local government/city level.

i. Using a combination of household and enterprise survey methodology, 2,600 units in Dar es Salaam have been surveyed. The surveys were carried out by the national statistical offices in the cities concerned with technical advisory services from INTERDEP, the exercise aimed at testing the methodologies developed for data collection, to form the basis for time series data on the informal sector and to integrate informal sector data into the national data collection system, to strengthen capacity in the use of the survey instrument.

ii. To facilitate national policy formation to incorporate the informal sector, extensive research was carried out on the rules and regulations governing the establishment and operation of enterprises.

iii. In addition, the project was used as a focal point for a committee which successfully advised the local authorities on location of business sites to informal sector operators.

iv. Carried research and held a seminar to for the Organization of Tanzania Trade Unions to develop a strategy for involvement in the informal sector.

Concerning enhancement of **productivity**, the project has carried out the following activities in Dar es Salaam:

- examining the apprenticeship system and recommending measures for its upgrading.
- labour law and industrial relations;
- improving management of credit schemes operated by self-help associations in 3 communities;
- business management and leadership training schemes involving entrepreneurs and community leaders;

With regard to **social protection and conditions of work** the project is experimenting with the following schemes operated by self/help associations.

- social security scheme involving 3 self-help associations and 2 cooperatives with financial contributions from the members of the associations;
- occupational safety and health scheme in 11 clusters with 4640 operators with the cooperation of the community health scheme.

In recognition of the heterogeneity of the informal sector, the project developed a separate programme for those engaged in marginal, non/sedentary activities. Activities of the programme include training and information on self/employment opportunities. This a community based programme aimed at increasing labour mobility from low/productivity to high/productivity activities.

Bogota

Policy and the institutional framework are well established and quite pervasive in Bogota. As a result, there are wide ranging programmes aiming at strengthening informal sector institutions to raise productivity. Therefore, rather initiating new activities, as in Dar es Salaam, the project has been playing a catalytic role and influencing on-going project in the direction of INTERDEP/INF. The main activities carried out are:

National and local government level

Informal sector survey using the survey instrument has been completed. 2,700 households and enterprises were interviewed in the exercise which was conducted by the National Statistical Office (NSO) with assistance from INTERDEP/INF. The rules and regulations governing the establishment and operation of enterprises have been reviewed.

There are wide ranging programmes in Bogota aiming at **strengthening informal sector institutions** to raise productivity. Therefore, rather initiating new activities as in Dar es Salaam, the project has been playing a catalytic role and influencing on-going project in the direction of INTERDEP/INF. The main activities carried out are:

Productivity

- evaluation of national programmes micro-enterprises;
- organized trade fair for micro enterprises with Bogota Chamber of Commerce;
develop linkages with employers organizations to encourage transformation to modern small scale enterprises
- advisory services to strengthen associations of micro-enterprises;

Social protection and conditions of work

- labour law and industrial relations in the informal sector;
- occupational safety and health and social protection; studies carried out, workshop scheduled to take place in December.
- evaluation of existing social protection schemes and recommendations to improve coverage and efficiency;
- strengthening self-help associations by trade unions and employers associations;

**INFORMAL SECTOR EMPLOYMENT DISTRIBUTION ACCORDING TO PROFESSIONAL STATUS
IN SELECTED COUNTRIES**

(Per cent)

Country	Cities	Year	Employers self-employed	of which: self- employed	Apprentices + family workers	Non-wage- earners total	Wage- earners
Cameroon	Yaoundé 4 cities taken together	1978	33.8		53.90	87.70	12.30
Central Africa	Bangui	1982	55.40		31.70	81.70	12.90
Djibouti		1982	31.00		10.00	41.00	59.00
Gambia	Kambo, St Mary	1980	36.60		60.00	96.00	4.00
Guinea (1)	Conakry	1987	41.80	(15.10)	47.90	89.70	10.30
Mali	Bamako	1978	27.40		56.00	83.40	16.60
Mauritania	Nouakchott	1977	22.30		45.50	67.90	32.10
Niger (1)	Niamey	1981	55.60	(31.40)	32.50	88.10	11.90
Togo	Lomé	1977	31.60		59.20	90.80	9.20
Tunisia		1976	47.70	(22.70)	15.20	62.90	37.10
Zambia	Lusaka, Kiwe	1982	60.00		28.00	88.00	12.00

(1) Non-sedentary activities excluded
Notes: Apart from Tunisia, Conakry and Niamey, all the surveys excluded commercial activities, as well as certain production and "non-modern" service activities.

**URBAN INFORMAL SECTOR EMPLOYMENT DISTRIBUTION ACCORDING TO PROFESSION STATUS
IN SELECTED LATIN AMERICAN AND ASIAN COUNTRIES
(Per cent)**

City/Town	Year	Employers, self-employed	Family workers	All non-wage employees	Wage employees
Bangladesh/Dhaka	1972	45.00	19.00	64.00	36.00
Bangladesh/Dhaka	1979	55.00	19.00	74.00	25.00
Colombia	1984	43.00	57.00		
Mexico	1987	48.80	51.10		
Pakistan	1972	44.50	10.50	55.00	39.60

Sources: Bangladesh - Amin (1987)
Colombia - Lopez Castano (1987)
Mexico - INEGI - ENEU (1987)
Pakistan - Guisinger and Irfan (1980)

An Overview of ILO Interdepartmental Project Activities in Metro Manila

Gopal Joshi
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1. INTRODUCTION

ILO launched in 1994 a two-year interdepartmental project on urban informal sector in selected three municipalities of Metro Manila as a part of its similar projects in Bogota and Dar es Salam. Under the project eleven studies on legal environmental framework, productive resources, working conditions and social security have been undertaken with four consensus building workshops on the issues raised during the studies. Thirteen action programmes were initiated with a view of demonstrating the approaches that can be taken in tackling the issues faced in this sector. A list of all the activities carried out during the project are given in Annex A.

After extensive initial discussions with the municipal authorities along with the various parties involved in the informal sector, three municipalities within Metro Manila - Quezon City, City of Marikina and Kalookan City were selected for the implementation of the ILO project on urban informal sector. Quezon City having the large population and Marikina and Kalookan having traditional specialty in manufacturing specific products like shoes and furniture in the small and micro enterprise sector attracted the attention in implementing the project. The project has worked with the national government agencies, local municipal authorities and ILO's social partners in determining the activities to be undertaken under the project. A Project Advisory Committee (PAC) was formed with the representation of the Government agencies, municipal authorities, NGO's and self-help associations concerned with the informal sector. All throughout the project, the emphasis has been in involving the grassroots organizations together with the local governments and to institutionalize such process further beyond the project duration.

Informal sector is believed to provide livelihood to a large number of people (variously estimated between 40 to 60 percent of the population in Metro Manila). The informal sector has been providing "jobs" to under-employed, marginalized people. Many of them have no other prospects of livelihood. On more positive side, informal sector could be the breeding ground for neo-entrepreneurs who not only create jobs for themselves and their families but also for others. Many of them go on to establish successful small businesses, and some of them even succeed in turning their businesses into medium and large sized businesses.

An informal sector operator is usually a low-skilled person with relatives or a few hired workers (5-10) helping him/her. Most of the enterprises are thus sole proprietorship without any formal registration. Only about half of the informal sector workers receive a fixed salary, whereas most other workers get paid allowances or piece rate. Less than 30 percent of the informal sector operators earn more than 5,000 pesos per month, the

official poverty threshold for a family of six in Metro Manila. Most often, the people depending on this sector put themselves and their families through a great deal of hardship in terms of working hours and risks to their own safety even in most adverse working conditions to eke out a subsistence level of living.

2. INFORMAL SECTOR STATISTICS

As a rapidly growing metropolis with in-migration of the population to the metropolitan area from various regions, Metro Manila has witnessed abundance of labour, more than the established businesses and industries could absorb. Historically, unemployment rate in the Metro Manila area has remained twice as high as the rest of the country exacerbating already high incidences of poverty scattered in 360 major slum areas around its six cities and eleven municipalities. It is not yet clear how far the current accelerated economic growth has alleviated the poverty around the Metro Manila area. During the period between 1980 through 1992 while the share of manufacturing sector employment in Metro Manila actually declined by over 5 percent and the workers in wage and salary category declined by almost 12 percent, the own-account workers more than doubled from 10.6 percent in 1980 to 22.7 percent in 1992 as presented in Table 1 below. It should be noted that above figures do not include those working in the formal sector and yet also engaged in the informal sector. Although it is known that some informal workers also fall in the wage category, the difference in growth between wage and salary category and own-account workers are too great not to notice that informal sector has been absorbing displacement of the workers. Thus in Metro Manila, informal sector in the past has largely functioned more as a 'sponge' soaking excess labour, unemployed or underemployed, in the economy.

Table 1: Distribution of Employment in Metro Manila

	1980	1985	1990	1992
Industry				
1. Agriculture & Mining	1.6	1.4	1.6	1.4
2. Manufacturing & Construction	33.5	25.8	27.0	28.1
3. Wholesale & Retail Trade	14.6	22.7	20.5	21.3
4. Transportation	10.0	9.6	8.7	8.9
5. Service Center	40.3	80.8	42.2	40.3
Occupation				
1. Professional, Tech. & Managerial	14.7	13.0	13.6	12.4
2. Clerical & Sales	29.4	32.9	30.5	31.4
3. Service	17.9	19.4	18.4	20.8
4. Production, Transport, etc.	38.0	36.8	37.5	35.4
Class of Workers*				
1. Wage and Salary	86.7	75.1	74.9	74.2
2. Own-Account	10.6	21.5	23.2	22.7
3. Unpaid Family Workers	2.7	3.4	2.2	3.1

Source: NSO, ISH

Even though majority (average 66.8 percent during the period 1986-93) of the informal sector nationwide has been found to be in the agricultural sector, a survey of household-operated activities found that in Metro Manila the highest proportions of the people in this sector were engaged in wholesale and retail trade (60.6%) with manufacturing, agriculture, fishery and forestry with not more than 15 percent (Ghate, 1993). Several different kinds of informal sector activities exist in each of the cities and municipalities within Metro Manila. Each city also retains some kind of specialty as well; for instance, leather and shoe manufacturing in Marikina and furniture making in Kalookan. Nevertheless, a survey of selected urban areas in Metro Manila (Kalookan City, Pasig and Taguig) in 1988 indicated that almost 70 percent of the informal sector was involved in selling with more than half engaged in sari-sari store and almost a quarter engaged in preparing raw and cooked food (Alonzo and Mangahas, 1990). Table 2 below provides the distribution of the informal sector in Kalookan, Pasig and Taguig.

Table 2 Distribution of the Informal Sector

	<i>Percent</i>
Crafts and manufacturing tailoring and dressmaking (1/2)	13.1
Selling sari-sari stores (1/2) raw and cooked food (1/4)	69.8
Personal Services beauty parlors (3/5)	5.4
Repair Services	3.7
Transport tricycle (3/4)	4.6
Construction	2.2
Professional	1.0

Source: Alonzo and Mangahas, 1990

Although, large percentage of the urban population in Metro Manila is engaged in the informal sector, the extent of their contribution to the economy and the sectors they are engaged in are not too clear. The growth in the informal sector has been phenomenal, yet the nature of such growth is not clear. Various estimates exist regarding the informal sector. The last sample survey was carried out with ILO assistance in 1988. The regularly published Philippine Statistics do not provide information on informal sector enterprises. The Economic Census is carried out every ten years and the annual Survey of Establishments identify the enterprises that have fixed location and are easily recognizable thus missing many of the itinerant vendors and home-based economic activities. Even though the Labour Force Survey (LFS) under the Integrated Survey of Households (ISH) captures data on informal sector participants by assuming them to be the own account and unpaid family workers, information on enterprises themselves is not available. Similarly Family Income and Expenditure Survey (FIES) enumerates different sources of family income (every 3 or 5 years), but again skip operational details of the enterprises.

A survey of the informal sector is being carried out by NSO (National Statistical Office) with assistance under the ILO project, which is scheduled to be completed in December 1995, with preliminary findings to be available during the Interdepartmental Seminar on Urban Informal Sector. A survey of 4,000 households of the informal sector operators was carried out in Metro Manila. Data generated during this survey relate to the number of IS enterprises in Metro Manila, types of activities and workplaces, number and types of employment, kinds of output being produced with the extent of value addition, assets of the informal sector enterprises, and socio-economic characteristics of their households.

3. WOMEN, CHILDREN AND DISABLED PERSONS IN THE INFORMAL SECTOR

Majority (about 51%) of the homeworkers have been classified as outworkers of whom 75 percent were women. The modal age group of women was registered between 25 to 34 while their male counterpart was recorded between 35 to 44 years. In Metro Manila, majority (61.5%) of the informal sector (IS) operators were women, who were having to explore secondary or the only source of income for sustaining the families while also shouldering the responsibilities of the household activities and child care. Their responsibility for children while working in the informal sector is doubly taxing both for the mother and children. Children are most often worst affected not only due to the reduced maternal care but also the environs in which they have to grow.

In close consultation with the municipalities, ILO has been providing assistance to an NGO, Social Development Index, in strengthening child care centers for the IS women workers in Quezon City. A workshop that was organized on 20 June 1995 has confirmed that child care service for women has been one of the measures essential for women workers.

Child labour is most unaccounted for since the official employment figures include only those at least 15 years of age who are part of the labour force, ignoring employed children below that age. It has been estimated that almost 95,000 children below 15 years of age work in the informal sector based in homes (for the year 1993), and over 4,000 are estimated to be working in the NCR (National Capital Region). A little over 80 percent of the child workers are believed to be female in the NCR region. Part of the problem in fully assessing the extent of child workers in various informal sector activities also is in counting the number of workers by deducing from the difference between total employment (from Labour Force Survey) and employment listed in the Survey of Establishment. Therefore, the magnitude of the problems being faced in terms of child labour is not yet fully known.

A study on child labour in footwear manufacturing in the City of Marikina was carried out under the ILO project. The study assessed the working conditions among children in informal shoe making through focused group discussion among children, interviews with parents, and visits to the workplaces. A common reason as to why these children started and continued to work was the importance of earnings for their families. The lure of money has had children resigned to the situation of preferring work over

studying. But most damaging aspect of the child labour in the shoe industry has been their exposure to hazardous working conditions besides long working hours. A study of retaso (garment factory remnants) workers during the project activities also has revealed that children are often engaged in the work and are negatively affected healthwise.

For the want of formal employment, many disabled people engage in the informal sector to sustain their livelihood. Yet the informal sector, as stated earlier, presents most hardship for the people engaged in it; and the incomes are meager. Nonetheless, disabled persons have expressed their enthusiasm to acquire skills and to be economically independent through focused group discussions organized under the project. An assessment of disabled people in the informal sector was carried out under which associations of disabled persons and their support programmes were identified. Support programmes were mostly found to be welfare-oriented rather than enterprise-oriented. Overall information on disabled persons in the informal sector was found to be lacking. Therefore, it was recommended that a registration and classification of disabled persons should be initiated. At the same time, entrepreneurship programmes need to be started for the disabled people.

The project has carried out two action programmes; a) Community-based Organization of Disabled Persons in Marikina for entrepreneurship and employment (with Tahanang Walang Hagdanan in Marikina) and b) Community-based Organization of Disabled Persons in Payatas including their integration in community associations and programmes (with Vincentian Fathers in Payatas, Quezon City). Potential leaders for the community-based organizations have been identified through meetings and informal sessions on personality development and self-confidence.

4. BUILDING FROM BELOW THROUGH SELF-HELP ASSOCIATIONS (SHA)

Community-based organizations of the disabled persons referred to in the preceding paragraph indicate the grassroots level approach of building from below. Even though informal sector operators have meager means of livelihood, they are not wanting in their survival skills and entrepreneurial spirit. They are able to acquire information, skills and capital from each other, friends and relatives and in times of crisis they also have a way of seeking help from each other. Various NGO's and self-help groups are active in the sector, yet little is known about these groups. Furthermore, there has been fewer attempts to tap and release the energies of these associations by building their capabilities to assist and support the sector, which is far more effective and far less expensive.

Since the inception, the ILO project has made it a cornerstone to cooperate and work with the self-help groups. A survey of 86 self-help associations (SHA) was carried out in Quezon City, Kalookan City and the City of Marikina. Information of legal personality, membership, their programmes, their requirements and their own assessments was gathered and discussed during a workshop on 6 July 1995. General issues discussed were on organizational management, and service improvement. It emerged through the study and discussions that the strong point of the self-help

associations was democratic character while its weakness was its lack of capability and management.

An enterprise development programme was being launched with Philippines Enterprise Development Foundation (PEDF) for various groups of self-help organizations for training of the field staff of Self-help associations, NGO's and cooperatives so that they in turn are able to provide business advisory services to the IS operators. On the other hand, a proposal regarding enterprise planning is being examined to determine whether a consensus on the land usage can be arrived at whereby the informal sector market could be planned and developed in a systematic manner in Quezon City. A community organization called Sama Sama and National Government Center Housing Committee have together initiated with the assistance of ILO a plan for the urban land usage with the site for informal sector.

5. FROM LIVELIHOOD TO ENTERPRISE - MAKING A TRANSITION

* The assistance to the informal sector has to go beyond providing livelihood. The informal sector has bred entrepreneurs on numerous occasions. The survival and livelihood related informal sector activities have to be transformed into entrepreneurial activities that would generate incomes beyond survival and jobs beyond livelihood of the owner operator. They have to turn into micro/small enterprises, which can assimilate and link up with the formal sector of the economy eventually. For such transformation to take place inputs of productive resources like credit, raw materials, technology and training have to be accessible to the informal sector operators.

5.1 Access to Credit

Very few (2.4%) informal sectors are able to borrow from formal institutions while most of their financial requirements are met through personal savings and borrowings from friends and relatives. Since the access to credit has been described as the biggest constraint to the operation and expansion of the informal sector activities, an assessment of efficiency and outreach of micro-finance schemes was undertaken under the ILO study. As a part of the assessment, a review of government initiatives in financial services was carried out; and reach and efficiency of credit suppliers were analyzed besides completing 5 case studies of credit suppliers to the informal sector. The findings of the study were the following:

- NGO's and cooperatives have potential to be financial outlet but are weak in credit and financial management. Such weakness is due partly to a lack of control and accountability and partly due to poor quality of management.
- There is virtual absence of linkages with the financial sector.
- Some establishments like pawnshops and the money lenders, operate at or near the optimum efficiency.

The conclusion from the study on the access to credit is that the institutional lenders cannot reach the informal sector because the latter is not considered as bankable while they may be credit worthy. The non-institutional lenders do not have the efficiency and effectiveness of the institutional lenders. Therefore, either the commercial banks need to have their regulations eased to be able to operate at the informal sector level or the NGO's and other organizations have to be upgraded in credit handling and management capability. A workshop was organized on 13 July 1995 after the conclusion of the study and various approaches for addressing the issues were identified. It was determined that a Financial Services Center needs to be established by networking the grassroots organizations active in this area. Two more rounds of discussions have taken place with the NGO's, cooperatives and self-help associations. As a result of which, an action programme has been launched to establish such a center for:

1. undertaking training needs assessment and providing training to various credit suppliers;
2. preparing an inventory of training programmes; and
3. formulating and implementing strategies for the Financial Services Center specially for information dissemination.

5.2 *Access to Technology, Raw Materials and Market*

Outdated technology, difficulty in sourcing quality raw materials and cut-throat competition amongst numerous informal sector operators themselves in limited market have been major impediments in the expansion and improvement of the performance of the informal sector. Informal sector (IS) operates with as minimum capital as possible which limits the access to technology. Usage of simple, rudimentary technology may also have been the result of the ignorance of the IS operators about the latest technologies available. In many cases, the volume of production and the production process in the informal sector does not allow it to fully utilize the machinery.

✚ Therefore, the **Common Facility Center (CFC)** concept was examined under the project, under which the IS operators can share the modern machinery and pay for the cost of using it on the hourly or daily basis. Such CFC could also source quality raw materials by buying in bulk at discounted prices or during the season such materials are available for preserving them for maintaining the quality and then making them available in small quantities to the IS operators. Similarly, support may be provided in marketing, particularly by organizing fairs, in making available market information or providing communication and administrative services, which otherwise would have been very expensive for an IS operator to maintain.

The ILO project has assessed the demand for a common facility center and has undertaken a feasibility study for the establishment of such a center in the City of Marikina. It has involved the local government, government agencies and local federations and has received their enthusiasm and commitment in running the center.

It has been recommended that a center owned by the industry through share capital contribution be established, which then could provide a range of services from bulk buying of raw materials, product design, and providing training for skills training and production.

A consultation meeting on CFC took place on 19 July 1995, which recommended expansion and privatization of the existing common facility center of CITC. It was agreed that the Center will be owned by the members of the industry who will put up capital share. The management of the centre will be handled by the existing Federation of Shoe Manufacturers in Marikina.

Other approaches for accessing technology, raw materials, and market would be * through **subcontracting** and **franchising**. Subcontracting would allow the small enterprises captive market with the principal, who may also provide raw materials, designs and technology to ensure quality. Similarly, franchiser would supply semi-processed or fully-processed products to be sold under the brand names already established in the market place. Entry of IS operators in these arrangements would ensure them linkage with the formal sector thus their own entry into the formal sector.

A study has been completed in Metro Manila in which ninety enterprises were interviewed on their current practices. Some of the findings of the study were that subcontractors must often deal with middle-men who keep a disproportionate share and there are long delays in receiving payments. Several recommendations were made among which were establishment of an information system on sub-contracting and that sub-contracts should not contain any exclusivity arrangement that would prevent the sub-contractor to do business with other principals. In order to prepare ground for the establishment of a private sector managed sub-contracting matching system, it was also recommended that sub-contractor's associations be established and sub-contracting manuals be prepared.

Hence, two action programmes were conceived in this area - one has to do with the formation of associations of furniture, shoe, and garment subcontractors and preparation of the manuals for contractors of each industry to improve knowledge of costing, negotiations, etc. so that the informal sector can gain knowledge about these arrangements before they enter into negotiations. Additionally, franchising of workers' mini-marts and small retail stores through Workers' Fund of TUCP, FFW, LMLC was examined for starting a franchising operation for the benefit of those workers who have been unemployed. An assessment of franchising workers' mini-marts has been completed and now a strategy is being developed for operationalizing the concept.

5.3 *Business Skills Development and Skills Training*

Transformation from a mere means of livelihood to an enterprise would not take place unless the IS operators understand the approaches to be taken in running a business enterprise. In many instances, the IS operators cannot even distinguish between business expenditure and personal consumption. Or, they may simply be unable to maintain financial records that allow them to separate their personal and

business accounts. Similarly, they may need good knowledge of cashflow management, marketing, personnel practice and other basic business skills before they could turn their activities into genuine business undertaking with entrepreneurial spirit of calculated risk taking. Only such spirit can motivate and build enthusiasm among the IS operators to start planning and acting as the entrepreneurs who are willing to take risk. Another ILO study (1994) on micro, small and medium enterprises reported that the micro and small enterprises did not use the financial scheme because they perceived it to be burdensome, which would not have been the thinking if they were true entrepreneurs.

As stated elsewhere, ILO project on urban informal sector implemented through Philippine Enterprise Development Foundation (PEDF) a pilot Enterprise Development Programme for the informal sector through development of modules based learning materials for the extension workers of the NGO's, cooperatives, and self-help associations. The initial training was conducted to 14 extension workers with three modules on micro enterprise development, micro business consulting and training techniques with one week of field work sandwiched between two modules, during which the extension workers carried out field work providing advisory and training services to the IS operators and also developed case materials for discussion in the subsequent modules. Thus the training programme was conducted for a period of five weeks including two weeks of field work. It has been planned that at the end of the programme, programme materials will have been developed and tested for further use in the future.

Similarly, a skills and enterprise development programme was carried out in cooperation with the Quality Consultants Inc. for the food vendors in Quezon City. Two modules of sanitation and entrepreneurship were pilot tested with 17 participants who were food handlers, food preparers, food vendors and caterers. Evaluative assessments of both programmes are being carried out for determining further changes required in the modules before future replication and implementation.

5.4 *Improving the Working Conditions and Providing Social Protection*

Even though informal sector is unorganized and difficult to access in terms of monitoring the working conditions, there is a great deal of potential in reaching the operators through self-help associations. Local Government regulations can also target the issues of the working conditions. During the study of ILO, WISE (Work Improvement in Small Enterprise) checklist was applied to three IS activities and assessed work conditions. It was concluded from the study that:

- Improvement in working conditions is a viable option.
- Simplified version of WISE checklist is more appropriate.
- The approach to improving working conditions should be simple, non-regulatory and result-oriented.
- Policy revisions are needed to cover the informal sector as well.

A workshop on working conditions was held on 20 June 1995 which recommended that DOH (Department of Health) module on OSH (Occupational Safety & Health) needs to be developed and pilot tested. Child care for women has to be provided, which has been mentioned in earlier section. It was also recommended that a task force has to be formed for the implementation and extension of SSS (Social Security Services), Medicare and ECC to the informal sector possibly through linkages to the indigenous schemes. Presently, a comparative analysis of institutional and indigenous schemes is being carried out for developing a strategy for linkages between these two systems.

Two action programmes are being implemented which are designed to demonstrate the possibility of improving the working conditions. These two action programmes are the following:

- (a) OSH for the informal sector operators and retaso (garment factory remnants) workers - OSH module was developed and tested during pilot training of DOH's Community Volunteer Health Workers (numbering 20 participants) for two and half days in cooperation with the Save the Children in Quezon City and Muntinlupa. These participants will be monitored during the field work. The linkage between productivity and safety will also be examined. An impact assessment of previously existing childcare center is being carried out for planning two additional centers for childcare.
- (b) OSH for Stuffed Toy Makers in Taguig - OSH module is being developed and pilot training is being conducted in cooperation with Federation of Free Workers (FFW). A survey of working conditions of 120 stuffed toymakers is being conducted. Medical examination of selected toy makers will provide the basis for the development of a module which will then be used in training.

6. BRINGING TRANSFORMATION FROM INFORMAL TO FORMAL

Ultimately, the informal sector has to be transformed into modern, small businesses in the formal sector, which have to be efficient and productive to generate employment as well as incomes with quality working environment. Such a scenario would not be possible unless the informal sector starts seeing the benefit in formalizing their activities through registration and compliance to the laws and rules. Under the ILO project, a study was undertaken to investigate the process of formalization and informalization. Case studies of 12 enterprises which transformed from informal to formal or vice versa were prepared. Primary reasons for studying the cases are to assess (a) reasons for registration or non-renewal of registration, and (b) effects thereof, especially on labour relations and labour law compliance.

Another study was also simultaneously conducted, under which 90 enterprises were interviewed about reasons for registering or not registering and the benefits

perceived in their actions. Local and national authorities were interviewed for their views. Current national and local regulations were also reviewed. A workshop was held in September in Quezon City to discuss the findings and to prepare policy recommendations for the local government.

Following laws and policies were found to affect the informal sector:

- Registration
- Local Ordinances
- Taxes

Most informal sector firms are not registered because no advantage is seen in registering. Often formal firms with financial difficulty go informal. Firms which succeed eventually turn themselves into formal. Informal entrepreneurs do not necessarily resist taxation as much as the harassment. They do not circumvent regulation for the business reason rather they lack the knowledge and resources to observe them. They find the whole process of registration and compliance to regulations confusing and beyond their ability. Following policy recommendations are made to ensure that the informal sector is gradually integrated into the formal sector:

- Registration processes need to be more flexible and more user friendly.
- Government should have a programme of assistance to the associations of the informal sector for voluntary compliance with the labour laws.
- Tax collection system should be simplified and streamlined to suit the informal sector.

7. SUMMARY OF ACHIEVEMENTS

It would be the policies of the (local) government which would encourage the informal sector to declare themselves as formal businesses. It would be the combined actions of the grassroots organizations in cooperation of the local government that would ensure their success as enterprises. The urban problem of today can be turned into urban solution for employment, income and growth through the understanding of the issues and problems of the informal sector and by creating the environment conducive to the improvement in the informal sector from the viewpoint of improving both income and working conditions. As a matter of fact, the ILO project has made the first attempt to link the improvement in the informal sector incomes with the improvement in conditions of work. In a nutshell, the achievements of the ILO Interdepartmental project on informal sector in Metro Manila can be presented as below:

- Increased awareness of all the parties concerned with the informal sector, including ILO's social partners towards the issues and problems was achieved through studies, workshops and information dissemination.

- A large number of self-help associations, community organizations, and NGO's, including employers' and workers' unions were involved in the studies, discussions, action programme implementation thus creating a network and interaction among these social organizations for the improvement of the informal sector.
- Due to above awareness and networking amongst the social organizations, advocacy for the betterment of the people engaged in the informal sector has been built up. It is expected that the Project Advisory Committee formed during this project would continue to function in the coming years to strengthen such networking and advocacy.
- In cooperation with various community organizations and NGOs, the project implemented several pilot action programmes within the project components for testing the viability of such programmes and demonstrating the possibility of launching similar programmes in the future. These action programmes have offered solutions to the problems that have been bedeviling the informal sector.
- As a result of the studies, workshops, and action programmes, recommendations have been made for implementation by various parties in the informal sector.

8. SUMMARY OF RECOMMENDATIONS

Several recommendations have been put forward during the studies and workshop discussions in each of the components. Even though, it may not be possible to recount all the recommendations that have been given, a summary is presented here for consideration by the ILO seminar in urban informal sector.

8.1 *Informal Sector Statistics*

- Collection of statistics on the informal sector has to be standardized and regularized.
- Dissemination of the information on the informal sector should take place on a regular basis through the networks built during this project implementation.
- Policy and programmes based on the information should be further developed.

8.2 *Laws and Policies Affecting Informal Sector*

- Registration processes need to be more flexible and more user-friendly with various incentives for encouraging the informal sector to formalize and receive the full benefits of a regular business.
- Government needs to assist the associations of informal sector to voluntarily comply with the labour laws.

- Tax collection system needs to be simplified and streamlined to suit the informal sector.

8.3 *Productive Resources*

- Establishment of a micro finance centre needs to be given priority in view of the importance given to this by the informal sector operators for improving their businesses.
- A working group needs to be set up for resolving the outstanding issues relating to the location of CFC (Common Facility Centre).
- With the involvement of the Association of Subcontractors, unions and employers, broad understanding and consensus on subcontracting needs to be developed and steps need to be taken to ensure that the subcontractors are not exploited. A subcontracting manual will be useful for such dialogue.
- DTI (Department of Trade and Industry) needs to investigate the potential for small firms to establish local networks of IS franchisees. Establishment of workers' mart as an autonomous body needs to be pursued.
- Training of extension workers of the self-help associations and NGO's should be expanded.

8.4 *Working Conditions and Social Security*

- Efforts to improve working conditions in the informal sector needs to be integrated to other services such as community health and enterprise development.
- Efforts have to be made by all the parties involved in raising awareness towards the problems of the working conditions and the need for the social protection in the informal sector.
- Municipalities and community organizations need to provide support services for women and children.
- Basic services for urban poor needs to be prioritized by the municipal governments.
- DOLE (Department of Labor and Employment) needs to provide guidelines for OSH standards.
- A task force has to be formed for the implementation and extension of SSS (Social Security Services), Medicare and ECC to the informal sector possibly through linkages to the indigenous schemes. Cooperatives need to be further strengthened for expanding their network amongst the informal sector operators.

- Social security coverage must transcend traditional concepts of work, wages and documentary requirements.

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**ILO Interdepartmental Project on the Urban Informal Sector
Summary of Activities**

Assessment Studies	Action Programmes	
<p>Informal Sector Statistics (to be completed in December)</p> <ul style="list-style-type: none"> conduct survey of 4,000 households in Metro Manila with informal sector operators 		
<p>People with Disabilities</p> <ul style="list-style-type: none"> identified associations of disabled especially in IS and support programmes for disabled 	<ul style="list-style-type: none"> community-based organizing of disabled persons in Marikina (Tahanang Walang Hagdanan in Marikina) community-based organizing of disabled persons in Payatas (Vincentian Fathers in Payatas, Quezon City) 	
<p>Snapshot of Working Conditions in Informal Sector</p> <ul style="list-style-type: none"> assessed work conditions and applicability of WISE to IS 	<ul style="list-style-type: none"> OSH for IS and retaso workers: module development and pilot training of DOH's Community Volunteer Health Workers (Save the Children in QC and Muntinlupa) OSH for stuffed toys makers in Taguig: (Federation of Free Workers) 	<ul style="list-style-type: none"> child care centers for women in the informal sector (Social Development Index in Commonwealth, QC)
<p>Labor Law and Industrial Relations Aspects in IS</p> <ul style="list-style-type: none"> reviewed Philippine labor laws and analyzed applicability to IS 	<ul style="list-style-type: none"> social protection of informal sector (1) linkages between SSS and IS workers and (2) development of complementary (indigenous packages (Workers' Fund with TUCP, FFW, LMLC) 	
<p>Self-Help Associations</p> <ul style="list-style-type: none"> surveyed 86 associations in QC, KC and Marikina case studies on 6 associations 	<ul style="list-style-type: none"> enterprise planning in Commonwealth, Quezon City (Sama-Sama and National Government Center Housing Committee) 	

Assessment Studies	Action Programmes
<ul style="list-style-type: none"> • Assessing Efficiency and Outreach of Micro-Finance Schemes • completed 5 case studies of credit suppliers to IS; lending investors, pawnshops, 2 NGOs, cooperative 	<ul style="list-style-type: none"> • financial service center: preparatory activities: • steering committee for the establishment of the financial or network center • (1) training needs assesement of various credit suppliers; (2) inventory of training programme, and (3) strategies for the financial service center • collaboration among NGOs, cooperatives, Presidential Commission to Fight Poverty, trade unions
<ul style="list-style-type: none"> • Common Facility Center in Marikina • undertook feasibility study for the implementation of the center 	<ul style="list-style-type: none"> • common facility center: spearheaded by local federation with support from CITC and other government agencies.
<ul style="list-style-type: none"> • Child Labor in Footwear Manufacturing • assessed work conditions among children in informal shoe making 	
<ul style="list-style-type: none"> • Subcontracting Study • 90 enterprises interviewed on current practices 	<ul style="list-style-type: none"> • organize associations of furniture, shoe and garments subcontractors • prepare manuals for subcontractors of each industry to improve knowledge of costing negotiations, etc.
<ul style="list-style-type: none"> • Business Registration • 90 enterprises interviewed about reasons for regsitering (or not registering) and benefits perceived 	
<ul style="list-style-type: none"> • Process of Formalization and Informalization • case studies on 12 enterprises which moved from formal to informal or informal to formal 	
<ul style="list-style-type: none"> • Process of Formalization and Informalization • survey of 200 formal establishments using NSO ISS questionnaire 	<ul style="list-style-type: none"> • enterprise development for informal sector activities: development of module for training field staff of NGOs, coops, SHAs, to render enterprise development consultancy services; pilot testing of module and field application (Philippine Enterprise Development Foundation)
<ul style="list-style-type: none"> • Business Skills Development 	<ul style="list-style-type: none"> • street food vendors training: module development on sanitation and entrepreneurship and pilot training (Quality Consultants Inc. in Camp Crame, Quezon City)
<ul style="list-style-type: none"> • Vocational Skills Development 	<ul style="list-style-type: none"> • franchising of workers' mini-marts and small retail stores (Workers' Fund with TUCP, FFW, LMLC)

WORKSHOPS	
Workshop on Work Conditions in Informal Sector	20 June 1995
Workshop on Self-Help Associations	6 July 1995
Workshop on Financial Services in Informal Sector	13 July 1995
Consultation Meeting on Common Facility Center	19 July 1995
Consultation Meeting on Establishing a Financial Service Center	18 August 1995

An Integrative Report on Regulatory Framework and Labor Law Issues

*Dean Rene E. Ofreneo
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1. INTRODUCTION

All of Karen's employees were not Social Security System (SSS) members. She said the employees opted for this arrangement. When she asked them why they would not avail themselves of SSS, they reasoned out they would rather send their monthly SSS payment to their families in the provinces. Besides, they did not bring the necessary papers with them: "Madam, nasa probinsiya po ang aking birth certificate (my birth certificate is in the province)", they would tell Karen.

Karen said she would prefer if they were SSS members because they would find it beneficial in times of sickness, emergency, etc. For sometime, she encouraged them to file for SSS membership. "Until now, they don't go to SSS for help. They go to me for advance payment. I don't think I will be able to afford to respond to such requests all the time. But I could not force them to get SSS membership. It will be their decision", Karen said. Now, she no longer talked to them about it, but she posted an SSS guideline on the wall to serve as a handy reminder.

- Trendsetters, Inc.
Case Study¹

"I had this very frustrating experience when I was operating legally", she explained. "Somebody from the BIR ran after me, asking me to pay ₱7,000 because he said I had understated my earnings. When I could not do anything anymore, I agreed to pay ₱5,000. But I was given a receipt for only ₱200. You can guess where the balance went."

- NCN Steel
Case Study²

¹Lisa Padua, in "Selected Cases on the Informal Sector in the Philippines," prepared by Foundation for Rural Economic Enterprise and Development, Inc. (October 1995).

²Manolita A. Gonzales, "Selected Cases On The Informal Sector In The Philippines", prepared by Foundation For Rural Economic Enterprise and Development, Inc. (October 1995).

The informal sector in the Philippines must be viewed within its own context. Informal, unregulated business in most western countries has connotations of exploitative profits, evasion of moral obligations to customers and workers and generally-shady dealings ("the black economy", "the underground"). In the Philippines, the informal sector is the "normal" way that poor people do business, or at least start business. Informalization is therefore a coping mechanism or a means of survival. Starting in the formal sector is for the large, well-capitalized, professional corporation. When an informal business starts to blossom and become a growth enterprise, it will often formalize in order to take on a wider clientele and expand. When a small, formal business starts to face financial trouble, one of the first expenses to be cast off may be the tax registration or the Mayor's permit.

Yes, labor standards may not be applicable or enforced. True, a deeply-indebted government may be deprived of billions of pesos in needed tax revenue. Social obligations related to protecting the environment or land use planning may be conveniently forgotten. However, the Philippine informal sector is not populated by criminals, even though they may regularly ignore or technically violate applicable laws: they are mostly unprofessional, undercapitalized entrepreneurs who are able to survive, at least initially, by offering customers a lower price and cutting legal corners in a way that their formal competitors cannot.

This report is a summary of three studies of the Philippine informal sector: (1) "Formalization of Enterprises Through Registration" by Allal, Roaring, Roaring and Domingo (2) "Selected Cases On Informal Sector In The Philippines" by the Foundation For Rural Economic Enterprise and Development, Inc. and (3) "Informal Sector: Labor Law and Industrial Relations Aspects" by Rene Ofreneo. The "Formalization Of Enterprises" report reviews and assesses the registration policies of local and national government as they apply to the informal sector and then assesses non-registered and registered firms, with a recommended action plan. The "Selected Cases" report considers 12 case studies in representative subsectors of the informal sector, from enterprises in the Metro Manila area, 6 of which went from the formal to the informal sector and 6 of which went from the informal to the formal sector, drawing inferences about the nature of the informal sector and policy conclusions from the case studies. The "Labor Law and Industrial Relations" report focuses on the inapplicability of much of labor standards and industrial relations law to most workers in informal enterprises, due to its basis on a model of the "employer-employee relationship" which is really applicable only to the formal sector.

2. PROFILE OF THE INFORMAL SECTOR

From the *Terms of Reference* of the Interdepartmental Project on the Urban Informal Sector (LEG/REL, ILO, Geneva), the informal sector is defined and characterized as consisting of --

small scale, self-employed activities, with or without hired workers, typically operating with a low level of organization and technology, with the

primary objective of generating employment and incomes for their participants, to the extent that these activities are carried out without formal approval from the authorities and escape the administrative machinery responsible for enforcing legislation and similar instruments.

Urban informal sector workers are concentrated heavily in Metro Manila. The population of the capital region has grown as quickly as 12.3% in 1980 and 14.1% in 1991. Yet formal employment is for those with education and skills. Those workers who remain outside the formal sector are the recruits for the informal sector.

One survey of Metro Manila's informal sector³ found that 69.8% of household-based enterprises are involved in some form of selling. Most of the enterprises are single proprietorships, with 98.3% using personal savings and loans from friends and relatives for their start-up capital. Half of their employees receive a fixed salary, the rest on a piecework or allowance basis.

The typical owner of the enterprise is older, likely to be female, formerly employed in a large formal enterprise and intending to continue in her enterprise. The typical worker in the enterprise is a young, single male from outside the Metro area, not earning enough to support a family, without experience in the formal sector and having the goal of creating his own informal enterprise.

Work is unpredictable: from 0 to 16 hours in a given day, depending on the demand. In "rush" times, the risk of accidents increases as the children help. **Fewer than 30% of the enterprises earn above the official poverty threshold** for a family of four in the Metro Manila region.

The major problem cited by the enterprise owners is lack of start-up capital and credit: other problems include the small market size and access/cost of raw materials. The Government is generally not perceived as a problem or an asset for the small informal enterprise, but almost half of the owners do not think that Government programs are helpful to them. If they require Government assistance, they would prefer loans and fully-paid on-the-job training.

A survey⁴ of 94 respondents from Kalookan City, Marikina and Taytay, in Metro Manila, presented a rather different picture. This survey found that **45% of the enterprises were conducting business from home**, with an equal number doing so from a commercial site. **40% were in manufacturing, 34% in services and 26% in trading.**

³Based upon a survey of household-based informal enterprises in the cities of Kalookan, Pasig and Taguig, done for this project by the Foundation for Rural Economic Enterprise and Development, Inc.

⁴Allal, M., Roaring, E., Roaring, V., and Domingo, V., "Formalization Of Enterprises Through Registration", Vol. I, done for this project.

Manufacturers are mostly male, more than half are college educated, with a high level of participation in associations. Manufacturing firms have 5-10 workers on average. Most service enterprises had been in business less than 10 years. Trading enterprises are mostly headed by females, with few employees and in the middle range of assets, and are mostly newly-established. Assets were small, with **45% having less than P100 in assets, 25% having P100 to P500 in assets and 12% having more than P500 in assets**. There seems to be some correlation between asset size and number of employees. **90% were single proprietorships. 11% of the enterprises had no workers, while a total of 82% had less than 10 workers.** 73% operate throughout the year: 50% operating 6 days per week and 43% operating 7 days per week, with **48% operating more than 8 hours per day and 43% operating 8 hours per day.**

The National Statistics Office supplies information about another major informal sector group: the homeworkers. Homeworkers are workers engaged in agricultural, industrial or service production in or around their normal places of residence. **There are an estimated 6.3 million homeworkers in the Philippines, 39.7% in the urban areas.** Homeworkers are either subcontracted (12%) or self-employed workers. **Subcontracted homeworkers often barely earn enough to cover the cost of production**, while self-employed workers do rather better by selling directly in the market or through agents. 51% of homeworkers also have a job or occupation outside the home: these are the classic "sideliners". 70% of homeworkers are women, although men dominate some industries like food preparation, furniture, footwear and jewelry. **The homeworkers are relatively young, mostly between ages 25 and 44.** 1.5% are estimated to be under 15 years of age and 80% of these, at least in Metro Manila, are girls. Most children enter the homework as part of a family endeavor.

The informal sector potentially encompasses many different types of enterprises. There are three broad categories of informal activities, however, which can assist discussion and focus:

- (1) entrepreneurial informal business - low-income or cottage enterprises which cannot cope with applicable legal requirements or consider them too difficult to attempt to deal with;
- (2) semi-formal business - profitable firms which participate in the formal sector but do not always comply with all applicable legal requirements, often because they feel that this would put them at a competitive disadvantage;
- (3) true criminality - activities which have no redeeming social value, offend against social and cultural standards of behavior and are prohibited *per se* by the criminal law: this is not a case of a legitimate business which may offend against certain administrative or regulatory laws in the course of normal trade.

Of course, this project is primarily concerned with groups (1) and (2) of informal workers, not those in group (3).

3. FINDINGS ON FORMALIZATION AND INFORMALIZATION

- 1) Informalization is usually a step on the way to formalization, how a business with little capital and trade experience starts: if the business is successful, it formalizes, otherwise it disappears.
- 2) When a formal sector business gets into financial trouble, it often informalizes: whether or not this is a temporary condition depends upon the nature of the financial trouble and how rapidly/completely it is resolved.
- 3) Informalization vs. Formalization is not a complete dichotomy: there are many formal sector firms which have informal characteristics or practices, as well as many informal sector firms which are incompletely formalized.
- 4) Informalization is associated with variables such as low capital, little business experience, small or non-existent workforce, rented or residential premises, long hours of work and operation, low profitability, localized operation, cash-basis of transactions (purchases and sales).

4. LAWS AND POLICIES AFFECTING INFORMAL ENTERPRISES: ISSUES IN GOING FORMAL

A. Regulatory Laws and Policies

Informal enterprises can encounter regulation on a range of issues and levels. Avoiding such regulation is one motivation for informalizing. The formalizing enterprise will face such regulation. Starting "from the bottom up", the enterprise faces the following sorts of requirements:

i. Acquiring Legal Personality

The first step in entering business in the Philippines is to acquire legal personality. Legal personality of a business can be in the form of a corporation, partnership or sole proprietorship.

Most informal enterprises operate as sole proprietorships. To operate lawfully as a sole proprietor, one must first register the business name with the Department of Trade and Industry's Bureau of Trade Regulation and Consumer Protection. Of all of the requirements for formalization, this appears to be the one which informal sector enterprises find the least daunting. There is a flat fee of ₱121, for the application form, the Department of Trade and Industry staff are relatively honest and efficient, and the business names are computerized, which adds to the speed of the process. The process can be completed in about 5 days. At the end of the process, the entrepreneur receives a certificate to be displayed in the premises, good for five (5) years.

ii. Acquiring A Business Permit

Most local government units have now enacted Ordinances or equivalent regulations under the Local Government Code of 1991 for the issuance of business permits.

Informal sector enterprises do not find the local permitting system to be as applicant-friendly as that of the national Department of Trade and Industry. Procedures can be confusing, processing slow, the fees can be high and corruption is not unknown. Penalties for late registration or non-registration can be stiff. Often fees and penalties for the year must be paid in one lump sum.

iii. Taxation

Informal sector enterprises are potentially subject to taxation at every level of government, often overlapping and cumulative. Also, before paying any taxes due, the entrepreneur must undergo the process of registration for the appropriate tax with the appropriate agency.

From the central government, the informal enterprise can be liable to pay:

- **Corporate Income Tax** at up to 35% of net income. However, as most informal enterprises are not organized as corporations, this is probably inapplicable to most of them.
- **Individual Income Tax** at 3% to 30%, progressively with the level of income, as applicable to most informal sector enterprises (self-employed business income). Most informal sector enterprises may benefit from provisions under which an individual whose cost of goods sold and direct costs are difficult to determine may deduct a maximum of 40% from his gross receipts. The entrepreneur must also register: (1) for a tax identification number (TIN) (2) the business name or style (3) the enterprise book of accounts (3) if the enterprise employs workers with taxable incomes, as a withholding agent - all of this with the Bureau of Internal Revenue. No registration fee is chargeable unless the registration is later than 10 days after the Department of Trade and Industry registration, in which case a late penalty of ₱150 for a single proprietorship will be levied (some District offices will waive this penalty). While each of these registrations will take only a few hours, the cumulative effect, depending upon what time of day the applicant begins and the volume of applications for that day, can mean spending 1 or 2 full days at the BIR offices.
- **Value Added Tax and expanded Value-Added Tax** at the rate of 10% of gross receipts plus 2 - 25% percentage taxes of gross receipts if the enterprise is in a taxed business. Carinderias, jeepney owners and contractors and amusement operators are the informal sector operations

most likely to be subject to percentage taxes. However, business establishments whose gross annual sales or receipts do not exceed ₱200,000 in a year will also be subject to percentage taxes unless they elect to pay the 10% Value-Added Tax. The low sales threshold suggests that percentage taxes will be applicable a significant number of informal sector businesses unless they elect to pay the 10% tax. The owner of the single proprietorship will have to register either as a non-VAT payer (likely to take in less than ₱200,000 in the year, but then liable to percentage tax) or a VAT payer (likely to take in more than ₱200,000 in the year but paying VAT in lieu of percentage tax). The application is rather straightforward, but can mean 2 trips to the BIR office: once to file must be posted in the business premises in a conspicuous place. The enterprise owner will also have to register receipts and invoices with the Bureau of Internal Revenue by presenting 4 copies of the Authority To Print Receipt/Invoices and samples before printing and then presenting receipts and invoices for stamping.

- **Excise Taxes**, in addition to Value-Added Tax, apply to goods produced in the Philippines for domestic sale or consumption, or for any other disposition, or for imported goods. The following commodities are subject to excise: distilled spirits, wines fermented, liquor, tobacco products, cigars and cigarettes, manufactured oils and other fuels, fireworks, cinematographic films, saccharine, automobiles, nonessential goods such as jewelry, perfumes and toilet water, yachts and other vessels intended for pleasure sports, mineral products and quarry resources. Exported goods may have applicable excise taxes refunded on application with proof of actual exportation and foreign exchange remittance.
- **Special Business Taxes and Licenses** may affect informal sector enterprises depending upon the trade in which they engage. For example, enterprises dealing in food items may have to be licensed by the National Food Authority, enterprises dealing in medicines, food processing, pharmaceutical and cosmetic manufacture will have to register with the Bureau of Food and Drugs, etc.
- **Social Security and Medicare Contributions** will apply to any informal enterprise which employs "employees". In addition, the informal enterprise owner who earns at least ₱18,000 per annum will be covered as self-employed. The enterprise owner will have to register as employer and/or self-employed, but this procedure takes less than an hour. After registration, the employer will be required to deduct and remit Social Security and Medicare Contributions from employees' salaries, pay the employer portion of such contributions, issuing appropriate receipts and making required reports, advancing sickness and maternity benefits and inform employees about policies and benefits as they change. For social security, the employer pays 5.04% and the employee 3.36% of the first ₱7,000 of each month's salary. For Medicare, the employer and

employee each pays 2.5% of the first ₱3,000 each month's salary. In addition, the employer pays 1% of the first ₱1,000 of each month's salary for employee's compensation.

From the Provincial Government, an informal enterprise would be likely to be subject to:

- **Franchise Tax** at up to 0.5% of gross annual receipts, with a reduced rate in the first year of operation at up to 0.0005% of gross annual receipts.
- **Fixed Tax** of up to ₱500 per delivery of certain goods declared taxable by the Provincial Legislature.

From the Municipality or City (cities may impose 50% higher rates of tax):

- **Wholesalers, Distributors Or Dealers Tax** up to 0.5% of gross receipts with a minimum of ₱18 per article, with a 50% reduction for exported or essential commodities.
- **Retailers Tax** of 2% on gross annual sales up to ₱400,000 and 1% on sales above that level (where the gross annual sales are less than ₱50,000 in a city or ₱30,000 in a municipality, the rate is determined by the Barangay).
- **Contractors Tax** up to 0.5% of gross receipts
- **Peddlers Tax** up to ₱50 per year
- **Other Business Tax** up to 2% of gross sales if the business is already subject to the Value-Added (basic or expanded) or excise tax, as decided by the City Council.
- **Additional Fees and Charges** e.g., for inspections and licensing, sealing of weights and measures, etc.
- **Community Tax** ₱5 plus 1% of income to a maximum of ₱5,000 per year.

iv. Labor Standards

In general, only enterprises which are considered "employers" will be subject to labor standards laws. Many informal sector enterprises use only family members to do work, who are often unpaid except in the form of allowances or piecework: these are not employees. Yet if the enterprise uses workers whose work and time are controlled by the employer, where the employer provides the tools of the job, where the work is reasonably expected to continue over time, etc. then it is likely that the owner of the enterprise will be considered an employer of those workers.

Registration With The Department Of Labor and Employment will apply to informal enterprises in theory, although this is often relaxed in the case of enterprises which are individual or family-controlled.

Wages - all employers must pay the applicable minimum wages to all employees as determined by the Regional Tripartite Wage and Productivity Board. The wages must be in cash, with appropriate deductions for forwarding to the Bureau of Internal Revenue and/or Social Security System. There must be extra pay as prescribed for overtime, holidays and night work. There must also be a 13th month pay for all employees.

Rest - The normal working day is limited to 8 hours. There must be at least 1 day off after every 6 consecutive days of work. There must be a meal period of at least 1 hour per day. After 1 year of service, every employee has the right to service incentive leave of 5 days with pay. There is also a right to maternity leave.

Working Conditions - Every employer must provide first aid and certain other medical supplies or care at the work site. Employment of persons under 15 years of age (under 18 in hazardous occupations) is prohibited without special permission. There are special conditions for working women, homeworkers and househelpers.

Union Organization - Every employee has the right to join a union of his choice. Where the enterprise does not have a collective bargaining agreement or certified bargaining agent, a union claiming to represent the majority of the work force may petition the Department of Labor and Employment for a certification election. Should the union win the certification election, the employer will have a legal duty to bargain over terms and conditions of employment for the workers.

Security of Tenure - Once an employee is hired, he cannot be dismissed without "just cause" (i.e. fault on his part) or "authorized cause" (valid business reasons verified by the Department of Labor and Employment), except in the case of a probationary employee who has not reached the required standard for regular employment and can be dismissed at the end of the probationary period.

B. Incentives and Assistance

- Kalakalan 20 is special legislation (RA 6810) which attempts to formalize "countryside and barangay business enterprises" by exempting them from many taxes and regulations. The enterprise must first register as such an enterprise, which entitles it to a legal personality and exempts it from all taxes, license and building permit fees for 5 years, except import and real property taxes. The enterprise must not have more than 20 employees or assets exceeding ₱500,000. The enterprise must be primarily engaged in production processing or goods manufacturing. The application fee is ₱250 and there are graduated annual fees in lieu of taxes amounting to ₱1,000 to ₱5,000 depending on the enterprise net worth.

The following are not limited to the informal sector, but informal enterprises may be able to avail of these benefits with varying degrees of formalization:

Magna Carta For Small Business or RA 6977 attempts to promote small and medium enterprises by creating a Small and Medium Enterprise Council and a Small Business Guarantee and Finance Corporation. Informal sector enterprises can avail of credit guaranteed by the Corporation and all banks must allocate 5-10% of their loan portfolios to lend to small and medium enterprises.

Board of Investments Registration allows enterprises operating in priority industries to receive tax incentives, simplified importing procedure for certain items and exemption from local taxes.

Philippine Industrial Zone Authority provides incentives should informal enterprises wish to locate in a designated industrial zone or district.

Bureau of Customs offers duty drawback schemes, tax credits and refunds on import duties, as well as operation of bonded warehouses.

Export Development Institution Accreditation allows exporters additional incentives to those offered under the Board of Investments, with special provisions for the garment and textile industries.

In one survey⁵, most informal sector respondents knew that registration was required of businesses, although 42% have difficulty in understanding the rules and conditions. Problems cited include the number and complexity of provisions (15%), the time required to study them (10%) and the language in which they are expressed (13%). Most knowledge of the regulations comes from talks with fellow businessmen, friends and relatives. Of registered firms, 75% registered their first business. 86% of second

⁵Allal, M., Roaring, E., Roaring, V., and Domingo, V., "Formalization Of Enterprises Through Registration", Vol I, done for this project.

businesses went formal. The decision to register was a personal one, influenced more by friends and relatives than by enforcement agencies. Males are slightly more likely to register than females. Education level also has a significant influence on the decision to register, being positively related. Smaller firms are also far less likely to register than large ones. Non-ownership of premises may also inhibit the decision to register. Firms that decided not to register cite smallness of the operation and the absence of benefits from registration. 31% of the unregistered firms report a visit by authorities at least once, but 19% report the visit as "friendly" and 13% as "welcome": in only 6% of the cases was the entrepreneur "harassed" by the visit. 31% of firms do not want further information on registration, 56% are not sure. Yet 50% of the unregistered enterprises plan to register eventually and only 25% have decided not to register.

5. KEY ISSUES AND RECOMMENDATIONS

A. Registration

One of the major differences between formal and informal business is registration: what often makes a business informal is that it is not registered with all relevant agencies and governments. Registration is therefore the major policy issue in determining whether a businesses will be formal or informal.

In theory, a business in a non-regulated industry could be registered in 6-12 days, following the most logical strategy and assuming full information and resources (e.g. application fees). However, there is wide flexibility for the process to be lengthened or shortened depending upon the ability to adjust to and facilitate compliance with requirements for registration. Here, business experience and education level of the entrepreneur becomes a factor. Many documents require notarization, increasing the cost of the process. Finally, there is significant discretion for officials to waive or insist upon various steps in the registration process. Appendix I details specific proposals to change registration procedures in specific agencies, to delete unnecessary steps and documents.

However, there is a general need to make the processes more-flexible, more user-friendly to the uninitiated and more-responsive to the needs of small enterprises.

There is also need for an environmental scanning of the role of the informal sector in its respective industries and markets, including potential and actual demand for the services of informal suppliers. Such knowledge would help to dismantle economic, political and regulatory hostilities to formalization of the sector. Such environmental scanning could also help to modify, amend and make more-participative the process and results of registration and regulation.

B. Taxation

Taxation affecting even the small business is complicated even for the professional, and much more to an entrepreneur with little formal education. The

complexity and burden of taxes is one of the reasons for discouragement for many informal businesses to formalize.

It is believed that many enterprises choose to remain informal, not so much because of hesitance to pay taxes but because of unclear perceptions of the extent of likely tax liability.

Apart from the complexity of the tax system, there is confusion on the purposes of imposition of national and local business taxes. Although double taxation is prohibited in the law, the overlapping taxes of various levels of government make multiple taxation a possibility which those who lack good lawyers and understanding of the system find it difficult to secure against. Also, the practical interpretation of the law has been to find illegal double taxation only when the taxpayer is taxed twice by the same jurisdiction for the same purpose. The taxpayer can thus be legally taxed many times on the same asset by different jurisdictions for the same or different purposes. The basis of computation of liability is often unclear to the taxpayer.

Regarding direct taxation, the Department of Finance estimates that, due to inefficiencies of administration and underreporting, the effective tax rate on income of individuals and corporations is 2.11% on average: yet this is composed of effective rates of 1.35% on corporations, 0.62% for individuals with business income and nil for taxpayers earning below P20,000 per year. The comprehensive tax reform proposals of the government may help to deal with this issue as well as the confusion and overlapping in the tax system, but for now the system seems more random than progressive. While the actual income tax burden for a small enterprise is low, the uncertainty raises the prospective cost of compliance, at least due to the possibility of harassment by tax officials. The actual cost of compliance in terms of recordkeeping by an individual proprietor with little education or capital to pay for accounting support may also be significant.

Regarding indirect taxation, compliance cost with Value-Added Tax registration is high, but seeking exemption may work against the entrepreneur. The transaction costs for VAT payments and refunds can be high. To file a claim for credit or refund, 10 types of documents must be submitted plus photocopies of invoices and receipts and original invoices, and the claim is processed at the head office of the Bureau of Internal Revenue. VAT taxpayers indicated that they would prefer a turnover tax on gross income rather than a tax on value-added.

Local taxes are more-likely to affect the informal business, as informal enterprises generally register with the local government unit even if they register nowhere else. One problem in this area is the widely-varying rates of tax in different municipalities and cities: nowhere is this more clear than in Metro Manila, where indistinguishable neighboring cities can levy very different rates of tax. Also, there is no justification for the many tiers and graduated schedules of local taxes, which create unnecessary complexity in, and aversion to, the local tax system. Many informal sector businesses also complain that all local tax obligations have to be satisfied in the first 20 crucial days of the year. The satisfaction must be in cash, checks, warrants, or money orders, but with improved

technology in the banking system other means of satisfaction should be explored. Finally, uncertainty in the assessment of taxes makes the tax collector an important part of the process. Higher efficiency could be achieved by separating the assessment from the collection function, with simplification of assessment procedures. The experience of the city of Marikina might well be used as a model in this regard. A reward or point reward system could be considered to better motivate the collectors. Processing now takes up too much time both for the assessor and the entrepreneur. Despite all of this difficulty, however, non-payment rates of local taxes are low.

However, it is necessary to bear in mind in these discussions that most informal sector enterprises pay no taxes at all. Informal sector customers are normally not issued with a receipt. Few local authorities audit informal businesses. If there is an audit, it can often be a form of harassment to the businessman. Many of the informal firms which maintain accounting records at all keep two sets of books, one for tax purposes and one for internal use. In the absence of adequate information, tax liability (such as income tax) based on self-assessment is unreliable. Deductions are also inflated to consume taxable income: the ratio of deductions claimed by business income taxpayers range from 28% to 92% of gross income. Finally, corruption is a factor. If tax liability becomes a problem, it can often be extinguished with a bribe to the collector or through friends with personal connections in the taxing authority offices. In certain areas, "fixers" are major players in the tax collection process.

C. Regulation - Labor Laws

Regulation for social protection is not a fact of life for most informal sector firms. In most cases, the informal businessman does not meet the legal tests for being an "employer" of workers in the firm, therefore labor standards and social security do not apply. Extending such protections to informal sector workers will ultimately depend upon the willingness of the workers themselves to enforce the legislation through unionization or litigation, which will then lead to the issue of whether the enterprise should be formalized.

Virtually all informal enterprises consist of less than 10 workers, who have low education and skill levels: the sort of firm which is notoriously difficult to organize. Also, the employers are themselves lacking in financial resources and earning poverty-level wages, so they have little to bargain about. Should policymakers establish a goal of unionization in the informal sector, they have several options: (a) full unionization including collective bargaining and arbitration, which might be feasible in the larger enterprises but probably not practical in the majority of informal enterprises which have less than 10 workers (b) government assistance in the form of registration and financial support to worker organizations for purposes other than collective bargaining such as education, establishing craft standards, etc. (c) cooperativization of informal sector workers, registered through the Bureau of Rural Workers, the Cooperative Development Authority or the Securities and Exchange Commission (as non-profit, non-stock corporations) (d) pressure-group activity through such organizations as a peasants' union, informal workers' federation, etc. However, the choice on these options should come

from the informal workers themselves, with the government providing enabling legislation and assistance.

Regarding related areas of social protection such as social security, Medicare, Housing Mutual Development Fund, etc. the 8.54% employer share of contributions from each worker's income puts these programs out of the reach of most informal sector enterprises. Informal businesses are simply not sufficiently-profitable to meet such a fixed cost. Adding to the problem is the high transaction costs in terms of record-keeping and preparing support documents for worker claims. In practice, the lack of social security in the informal sector is filled by the owners providing personal contributions, loans and advances to workers, which may prove to be a more accessible, rapid and flexible approach.

D. Regulation - Special Commodities

Rules governing the manufacture and distribution of special commodities are very strict and beyond the capacity of small enterprises to comply. The registration process requires many documents which are technical and legalistic, making professional assistance mandatory. Centralization of administration of registration and monitoring both puts access out of reach of most small firms and also prevents effective coverage by authorities. The result is de facto deregulation of wide areas of the market, e.g. food processing where the registered percentage of suppliers is very small.

E. Incentives and Assistance

The "Kalakalan 20" Countryside and Barangay Business Enterprise Act 1989 (RA 6810) is a dead letter which no official wants to discuss in public. There are only 6,085 enterprises registered in the program. Almost half of these registered in the first two years after enactment of the law: only 6% registered in 1994. The fatal logical flaw in the program is offering tax incentives and exemption from regulations to enterprises which are not paying any taxes or complying with any regulations. Only 45% of applications are processed within the 24-hour period required in the legislation. Delays in processing were attributed to voluminous documentary requirements, no available registration forms, and lack of coordination among agencies. Registered enterprises reported that they submitted documents for registration which were not required by the law. Lack of information, both among enterprises and local authorities, about the program is widespread and not all registrants availed of tax exemptions. The delinquency rate for dues contributions is about 20% and false declarations of the asset base for assessment of dues is notable. A similar targeted program earlier, the National Cottage Industry Development Authority, also failed because larger and formal sector firms availed of the assistance by registration or change of name, while real cottage industries were not motivated to grow and develop with the assistance.

However, failure of these targeted programs should serve as learning experiences for designing more-effective and innovative programs to assist the informal sector, rather than discouragements. Policies should focus on empowering the informal entrepreneur to access and control resources. The first life force of the informal enterprise is the

entrepreneur himself. Non-governmental organizations and local governments should take a greater role in such policy-making and implementation. There is a need for manpower development programs to take into account the specific needs of the informal sector. Issues of economies of scale and market dominance should be addressed to make the informal enterprises full-scale commercial operations. There is a need for an overall "orchestrator" to integrate policies and approaches in the informal sector. The goal should be an enterprise project evaluation model that situates the informal sector into the vortex of the formal economy.

Only about 5% of the firms availing of Board of Investment incentives are micro- and small-sized. Registration requirements are very stringent and difficult to comply with, requiring extensive time investment by the owner and hired professionals. Technical experts are needed to justify qualification for the incentives. The incentives only cover a narrow range of projects which change from year-to-year. Documentation and recordkeeping to comply with the incentives program if granted are beyond the reach of most informal sector enterprises.

Export-import incentives through the Board of Investments, Bureau of Customs, Export Development Authority, etc. are beyond the comprehension of informal sector firms. There are so many safeguards to avoid abuse that small firms are unable to comply with the time-consuming, arduous and technical documentation to apply for the incentives. Bonds must be put up and technical assistance will be necessary to provide technical reports, layout and technical plan. Several inspections and follow-up will be necessary after application. Only collective efforts may be successful in this area, for example, a number of informal enterprises joining together to establish a common bonded warehouse or a collective exporting or importing endeavor.

In addition the following recommendations emerged from the Interdep-PAC consultation workshop on November 21, 1995:

- 1) There is a need to encourage informal sector enterprises to register, on a voluntary basis, for purposes of getting support assistance from government and other agencies.
- 2) Procedures for the registration of informal sector enterprises should be simplified, including the setting up of one-stop processing centers
- 3) Where feasible, the Government, through the Local Government Units, should consider the establishment of alternative or localized modes of registration such as barangay registration of informal sector businesses with assets less than ₱100,000 and the group registration of micro- and home-based enterprises to minimize cost and enhance flexibility.
- 4) There is a need to support Rep. Teves' Bill on Small-Scale Enterprises insofar as it seeks to exempt such enterprises from tax and other requirements, specifically in relation to micro- and home-based enterprises exclusively utilizing family labor.

Conclusions

The informal sector is a diffuse world of small and medium enterprises, in a wide range of businesses and from a wide range of backgrounds. The enterprises share the common attributes of small capital, small numbers of workers, low profitability and lack of registration with all government agencies. There is a range of informality, from the totally-unregistered enterprise to the formal enterprise which does not comply with government requirements.

Most informal sector firms are not registered because they perceive no advantage in registering, although they plan to do so eventually. Often formal firms which get into financial difficulty or doubt whether their operations will survive long-term go informal. Firms which "make it" tend to go formal eventually. Informal entrepreneurs do not oppose business taxation and regulation, but rather find the whole process confusing and often lack the resources to meet regulatory and registration requirements.

Regarding labor protection, in the absence of formal sector provisions such as social security and security of tenure, informal enterprises offer help to the workers through advances and loans and seek to motivate and keep workers by paying a fair wage and treating workers with respect. Yet the businesses themselves are barely earning above the poverty line and cannot afford more than that level of social responsibility, in the form of collective bargaining, social security or labor standards. Any form of organization or labor law would require the affirmative desire of the workers concerned and would probably not resemble the labor law or organization in the formal sector. Labor organization might be political, craft-oriented or in the form of a cooperative.

Business regulation in the Philippines is complex, technical, costly in terms of time if not money, and sometimes corrupt. Documentation is unnecessarily extensive, yet discretion is uncontrolled. Informal entrepreneurs lack information and confidence in the system and the system is not friendly to them. Attempts to provide targeted or non-targeted assistance to the informal sector has largely failed, either because it was beyond their capacity to use or because, as non-participants in the regulatory system, they did not require special privileges within that system.

There is a need to review the applicable regulations, with a view toward streamlining, making the system more accessible and providing more certainty and information to businesses which are affected. Such an approach is a pre-condition to any attempt to reduce the distinctions between formal and informal business in the Philippines. Yet any policy will be limited by the facts that informal businesses are fundamentally poor, non-professional and, to some extent, temporary in nature.

APPENDIX

REGULATION AMENDMENTS PROPOSED

FOR SPECIFIC AGENCIES

(which most informal enterprises are likely to deal with)

Kalakalan 20

1. More support from local government officials.
2. Strict adherence to rules and standards for implementation.
3. Establishment as a continuing program.
4. More coordination with other programs.
5. Study fees to reduce burden on assisted enterprises.

Bureau of Trade Regulation and Consumer Protection

1. Adopt a local registration scheme.
2. Deputize local government units for business name registration.
3. Rationalize trade name and business name registration.
4. Initiate and promote registration information in the community.

National Food Authority

1. Review the rationale behind licensing of grain retailers, in light of duplicate regulation by local government units.
2. Make licenses good for 4-5 years.
3. Delete unnecessary requirements like photograph of applicant, technical requirements on location and technical plans in light of verification and site inspection.

Bureau of Food and Drugs

1. Eliminate clearance of business name as duplication with registration of business name or incorporation.
2. Eliminate requirement of authenticated photocopy of contract of lease as duplication of local government application for business license.
3. Pay fees at start or end of application process.
4. Extend license validity to 3 years.
5. Allow regional and provincial staff to approve license.
6. Review site inspection requirements to reduce time and delay.

Social Security System

1. Download payment by exchange of computer disks coursed through banks and consider accrediting banks to accept payment.
2. Publish information on policies and establish inquiry desks, especially on establishing employer-employee relationship.
3. Publication of "How To" materials.

Department of Labor and Employment

1. Intensify enforcement efforts in OSHS, including following up Compliance Orders and Notices of Inspection Results
2. Create information program to encourage voluntary compliance.
3. Improve labor education, especially outside unionized sector and on labor inspection.
4. Review necessity of registration of employers and relevance to improving working conditions.
5. Coordinate enforcement efforts with local governments.

Bureau of Internal Revenue

1. Coordinate records with other registering agencies to obtain information.
2. Establish unified single business registration.
3. Provide guidelines to applicants on registration and disseminate to public.
4. Establish a one-stop processing window.

Improving Access to Productive Resources by the Informal Sector: Findings and Draft Resolutions

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1. ACCESS TO PRODUCTIVE RESOURCES: BACKGROUND AND JUSTIFICATION

Measures for promoting a truly enabling business environment suitable for the characteristics and needs of the informal sector (e.g. through an adjustment and better application of current policies and regulations) are a necessary but not sufficient condition for ensuring the growth, competitiveness and profitability of informal sector units. In addition, informal sector enterprises should be able to acquire the resources they require and access various services at an affordable cost. Like any other enterprise of whatever size, micro enterprises in the informal sector require such resources and services in order to improve their productivity - and therefore, their competitiveness and profitability - as well as to access larger and profitable markets. Achievement of these objectives should also help informal sector operators to join the formal sector of the economy and induce them to improve working conditions and to pay greater attention to international labour standards, including in particular those relating to the abusive use of child labour.

This component of the INTERDEP Project is closely associated to other components. For example, the promotion of more effective associations of the informal sector should also help improve the productivity of their members (e.g., through training and financial services provided by the associations to their members). Similarly, the adoption of appropriate policies should, directly or indirectly, facilitate access to more profitable markets and sources of materials required for production.

Informal sector enterprises face much greater difficulties in accessing resources and services than larger formal sector enterprises for the following reasons.

In both developing and developed countries, access to productive resources and effective services is generally embodied in normal commercial transactions. Equipment manufacturers and suppliers are the main sources of technology transfer since technology is often embodied in the tools and equipment required for the production process. Entrepreneurs also get technological information from privately published magazines and their sectoral organizations, Traders, wholesalers and exporters are the main sources of marketing information, in addition to partly government - subsidized fairs and specialized magazines. Private banks are the main sources of financial services. In other words, mutually-beneficial commercial transactions are the main conduits for most services required by enterprises. The role of government agencies in developed countries is limited to promoting an enabling business environment, disseminating useful information, collecting statistical information on enterprises and running vocational and other training institutions which produce the skilled labour required by enterprises.

In developing countries, such as the Philippines, various studies, including recent ILO studies, clearly show that the large majority (over 90%) of enterprises, both in the formal and informal sectors, use similar commercial transactions for accessing the resources and services they require. However, these studies also indicate that linkages required of such transactions are much stronger among the larger formal sector enterprises than between micro enterprises in the informal sector and the larger enterprises. Weak linkages between these two types of enterprises explain, to a large extent, the great difficulties faced by the informal sector in accessing the resources and services required for its growth and competitiveness. They also explain the low productivity levels achieved by the sector, its limited market opportunities and the low survival rate of enterprises in the informal sector.

In the Philippines, government agencies (particularly DTI), NGOs and LGUs have initiated various programmes for facilitating access to resources and services by the informal sector, particularly in the areas of finance, training and marketing. However, although these organizations have made commendable efforts in these areas, various studies clearly show that their outreach has been fairly limited (5% to 10% of micro-enterprises have availed of services offered), and the quality of services and assistance are often inadequate. Findings of these studies are not altogether surprising, and apply to most developing countries. It would take much more financial resources than those that can be devoted by governments for recruiting the very large number of extension agents required for reaching the majority of informal sector operators. Furthermore, government agencies face great difficulties in attracting and retaining qualified staff familiar with the business world, and must apply bureaucratic procedures which do not allow for a quick and flexible response to demands from clients.

The Government of the Philippines is aware of these problems and has recently initiated various measures which should lead to the gradual transfer of the servicing functions of agencies involved in enterprise development to private and semi-private bodies. These agencies should, in the long-term perform only those functions which are clearly under the government's mandate.

The above considerations lead to the conclusion that the long-term strategy for improving access to productive resources and effective services by informal sector enterprises would be to strengthen linkages between these enterprises and the larger formal ones. Although such linkages should be mutually-beneficial to both groups of enterprises, it is not yet clear how such strengthening can be achieved. This is an area which requires further investigation by the main parties concerned: DTI, employers' organizations, Chambers of Commerce and sectoral organizations. Information campaigns on this issue could also help improve the situation.

It is clear, therefore, that in the short and medium-terms other innovative approaches/strategies would have to be developed and implemented in order to improve access to resources and services by the informal sector. These approaches/strategies should be based on a number of guiding principles.

First, services and assistance should be mostly provided to associations/clusters of the informal sector in order to increase cost-effectiveness, and to promote the financial sustainability of the providers of services. Servicing individual micro enterprises would be prohibitive and would not allow the charging of fees in order to cover the full cost of services. This principle should also induce these enterprises to join associations in order to avail of the services or assistance offered.

Second, a business rather than a social welfare approach should be used vis-a-vis enterprises in the informal sector. Thus, the approach should clearly distinguish between enterprises with good growth prospects and those which belong to social welfare groups. Different organizations should deal with these two groups of clients (e.g. some NGOs and DSWD should not be involved in the promotion of micro enterprises with good growth potential).

Third, NGOs, who wish to continue providing services and assistance to informal sector enterprises should improve their capacity to do so through the recruitment of qualified staff and training of current staff. They should charge fees in order to cover the full cost of services and avoid using a social welfare approach.

Fourth, the establishment of more informal sector associations should be promoted and existing ones should be further professionalized through training of their managers. Associations should increasingly become the main source of services and assistance to informal sector operators.

Fifth, innovative and more effective organizations of production should be developed and test-piloted; such as common facility services, flexible specialization, and micro enterprises "villages."

Finally, all future programmes for improving access to resources and services should be demand-led and should fully involve the target beneficiaries at all stages. A truly participative and consultative process is essential for the success and sustainability of such programmes.

The above approaches/strategies were discussed with the INTERDEP Project local partners and during a number of PAC meetings. Although interest was shown for most of these approaches/strategies, time and resources limitations prevented the project from further developing and test piloting all these approaches/strategies. Priority areas were therefore selected for further action.

For each priority area, a number of action programmes were formulated and initiated. Most of them will be completed this year, and the remaining ones early next year. For some such programmes, it was first necessary to carry-out action-oriented research or feasibility studies. Findings were then presented at various workshops and PAC meetings with a view to reaching a consensus on the content of these programmes and on the way they should be implemented.

The remaining part of this paper briefly reviews the findings of the research activities and studies and progress achieved to-date in relation to each action programme. A number of draft resolutions are also proposed for adoption at this meeting.

2. ACTION PROGRAMMES FOR IMPROVING ACCESS TO LARGER AND MORE PROFITABLE MARKETS

Various standard measures may help informal sector operators access larger and more profitable markets, such as the organization of local fairs, dissemination of market information, etc. The INTERDEP project selected two specific priorities areas in view of their potential for helping achieve the above objective: sub-contracting and franchising.

A. Subcontracting

The issue of sub-contracting between medium/large firms and micro-enterprises in the informal sector was raised a number of times during meetings with associations of this sector. The main complaints aired at these meetings include low profit margins; reliance on middlemen who keep a disproportionate part of the profit; long delays before receiving full payment for the contract; feeling of helplessness in the case of conflict with the principal, etc. While it was clear that urgent action was required in order to improve sub-contracting arrangements, it was felt necessary to further assess the above problems with a view to developing effective and realistic solutions.

Therefore, the INTERDEP project initiated an in-depth study on sub-contracting, focussing on three sectors where sub-contracting is prevalent: garments, footwear and furniture sectors. The study was based on a sample survey of 90 subcontractors. It investigated their characteristics; the type of sub-contracts they were involved in; their reasons for engaging in sub-contracting and benefits derived; their problems, wishes and suggestions for improvement, etc.

Findings from the study indicate that the problems faced by sub-contractors are indeed severe and justify their complaints. Major findings are briefly summarized below:

- A majority of sub-contractors claim that their profit margin is low and that in some cases they barely break-even.
- Half of those interviewed have experienced long delays before being paid while a small fraction did not get paid at all;
- Contrary to expectations, middlemen or agents are involved in a small fraction (22%) of sub-contracting arrangements. While some sub-contractors would prefer to avoid them, others do not mind their involvement;

- Sub-contracting does not help solve the financial problems of sub-contractors since advance payments are not usually made. They must still use their own savings or are forced to borrow money in order to buy the materials required for sub-contracting jobs;
- Most sub-contractors depend heavily on a single principal. This puts them in a relatively weak bargaining position;
- Principals are a marginal source of technology transfer, except for sub-contractors in the garment industry. The main non-financial benefits relate to improvements in quality control and getting new product/design ideas;
- 60% of the enterprises surveyed produce mostly for sub-contracting jobs. Few produce for their own market;
- 70% of sub-contracts are made on the basis of verbal agreements or informal papers. This puts sub-contractors in a weak position in cases of conflicts.

The above findings clearly show that there is an urgent need to improve sub-contracting arrangements in view of their importance as a main source of income for large numbers of sub-contractors in the informal sector.

Draft resolution It is proposed to organize a national workshop on sub-contracting, involving all parties concerned (sub-contractors, principals, relevant government agencies), as soon as feasible (e.g. January/February 1996). The PAC, in collaboration with the ILO, should establish a working group which will be responsible for organizing the workshop. The latter will discuss the various recommendations yielded by the study and make concrete proposals for follow-up action. During the workshop, special consideration should be given to the following proposals:

- Promoting associations of informal sector sub-contractors, such as the one established by sub-contractors in the garment industry (FUGASAR);
- Producing sectoral manuals on sub-contracting with a view to helping informal sector operators to negotiate sub-contracts on more favourable terms;
- Establishing a private, sector-managed sub-contracting matching system, similar to that currently operated by DTI (SUBCONEX); and
- Initiating programmes for helping sub-contractors to diversify their clientele with a view to reducing dependence on a few principals.

B. Franchising

The franchising concept is usually applied to modern sector firms whereby a network of retail outlets sell goods or services under a specific label, supplied by a single company (the franchisor) under specific conditions and terms. Up to now, this concept was rarely applied to informal sector enterprises. Yet, there is, a priori, no particular reasons for not having micro enterprises in the informal sector engage in franchising arrangements.

Franchising could generate substantial benefits for micro enterprises in the informal sector. First, in the case of franchising related to the retailing of goods, they should be able to acquire the latter at lower prices. Second, as a franchisee selling a labelled good at a relatively low price, the enterprise should attract a larger number of clients. Third, the franchisee could benefit from technical assistance provided by the franchisor who must ensure that the enterprise operates the franchise according to the set terms and conditions. Finally, franchising may induce informal sector enterprises to become formal as a result of improved business opportunities, and since they will become more "visible" in view of their franchisee status.

The INTERDEP project discussed this issue in a number of PAC meetings. An action programme on franchising was adopted as a priority area by the PAC when it was found out that one of INTERDEP local partners, the Worker Fund, has already established a Workers Mart which is, to a large extent, based on the concept of franchising. The Workers Mart, which was established in 1994, operates as a warehousing and distribution centre which supplies, at wholesale prices, cooperatives and employees's unions engaged in retailing. It is envisioned that, through the Workers Mart, a network of producers and marketing cooperatives will eventually develop. It is planned to use a specific Workers Mart label. The Workers Mart will also provide advice, training and other support services, with a view to increasing the volume of business of the participating retail outlets.

The Workers Mart is currently facing two major problems: too small number of retailers (15 at present) and difficulties in getting large discounts from suppliers. Furthermore, it is important for the Workers Mart to develop a feasible and realistic long-term plan that would ensure its sustainability and growth. The Worker Fund has therefore requested the INTERDEP Project to finance a feasibility study that would help prepare such a plan.

The study was initiated in October 1995. It should be completed towards the end of November or early December. Subsequently, it is planned to organize a workshop which will validate the Workers Mart business plan, review the franchising concept and approve short and medium-terms implementation plans. The study will cover a number of issues: assessment of needs of current participating outlets; defining the Workers Mart rules, procedures and policies; further development of the franchising concept and adoption of a specific Workers Mart label; and adoption of a business plan covering marketing, financial, legal and organizational aspects.

Draft resolutions

- The franchising concept should be taken into consideration in future programme for informal sector development initiated by NGOs and other bodies;
- The PAC and the ILO should help the Worker Fund to secure the resources it will require for implementing the business plan under preparation;
- The Workers Mart should be operated on a fully autonomous basis, from both a managerial and financial point of view; and
- DTI and/or other agencies should investigate prospects for small and medium firms to initiate franchising arrangements involving informal sector retailers.

3. IMPROVEMENT OF PRODUCTIVITY IN THE INFORMAL SECTOR: FOCUS ON TRAINING

Improvement of productivity is essential for the survival and growth of informal sector units. It is a pre-requisite for their gradual integration into the formal sector of the economy.

Improvement of productivity requires easier access by informal sector operators to the following resources and services: information on appropriate technology; quality materials, tools and equipment available at fair price; skilled workers; appropriate work premises; and consulting services for improving productivity and quality.

In view of time and resources limitations, two priority areas were selected by the PAC on the basis of consultations with the INTERDEP local partners:

- Training of extension workers of NGOs, PVOs and self-help organizations in providing effective business counselling to informal sector operators; and
- Training of street food vendors in basic business skills and in using improved hygiene and sanitation measures in food handling and preparation.

In addition to the above training programmes, the issue of productivity is also taken with consideration in other priority action programmes where productivity improvement is part of an integrated package of services for informal sector operators.

A. Training of extension workers in business counselling for informal sector operators

Like any other enterprise, micro enterprises in the informal sector would also benefit from business counselling/consulting services that would help them improve productivity, access more profitable markets, etc. However, most informal sector

enterprises may not afford commercial consulting services (at least, on an individual basis), or may not value sufficiently such services to the extent that they will be willing to pay for them. Therefore, most business counselling for the informal sector is provided by the extension workers of NGOs, PVOs and self-help organizations, usually free-of-charge or on a highly subsidized basis. However, experience shows that extension workers of the above organizations generally lack the necessary skills for providing quality business counselling/consultancy services.

Under these circumstances, the training of extension workers in business counseling was retained as a priority area for action by the INTERDEP project. Subsequently, a training programme was formulated and initiated by the Philippines Enterprises Development Foundation (PEDF). A training methodology and training materials have been prepared by PEDF for this purpose. The six-week training programme, started in mid-October 1995, will benefit 20 extension workers from a number of selected organizations. The programme includes both class-room and practical training. A complete set of training modules will be provided to the trainees at the end of the training period.

Draft resolutions

- The training materials developed by PEDF should be widely disseminated among other NGOs, LGUs and self-help organizations with a view to replicating the training approach on a wider basis;
- The INTERDEP PAC should also investigate the desirability and feasibility of financing a larger programme for the training of extension workers in business counselling, using the training methodology developed by PEDF. This organization could be sub-contracted for supervising such programme;
- Business counselling/consulting services should be offered to the largest extent possible, for a fee that would cover their full cost. This would ensure their relevancy and sustainability. However, this may require that such services be provided to associations of the informal sector which will then be able to spread the cost among their members (i.e. to offer group rather than individual counselling/services); and
- The PAC should also assess the desirability and feasibility of establishing a Training and Consulting Services Fund which will make loans to associations of the informal sector for availing of training and/or consulting services from both institutional and commercial sources. This approach should promote the spirit of entrepreneurship and expand demand for commercial consulting services.

B. Training of street food vendors

Street food vending is the main source of income for large numbers of informal sector operators. It also plays an important social role since, according to the Food and Nutrition Research institute (FNRI), approximately one-third of the Filipino dietary intake originates from street foods.

However, FNRI studies show that street foods are not up to acceptable standards and may not always be safe for consumption. The main reason is that street food vendors have little knowledge of basic hygiene and sanitation measures required in food handling, preparation and storage. Furthermore, they do not have basic business skills that would help them expand their business and improve their income.

In view of the social and economic importance of this sector, the INTERDEP project initiated an action-programme which will test-pilot a training programme for a selected number of street food vendors in Quezon City. The objective of this programme is to help street food vendors to use improved business skills and to induce them to apply appropriate hygiene and sanitation measures in food handling and preparation. This programme will make use of training modules prepared by Quality Consultants, Inc., in close collaboration with the NGO, *Bukas Loob sa Diyos*, the Department of Health and FNRI.

Draft resolutions

- The training methodology and modules should be made available to other relevant organizations for replicating the training on a larger scale;
- LGUs and other bodies concerned (e.g. FNRI, the Department of Health) should investigate the desirability and feasibility of having street food vendors participate in similar training programmes and being certified before they are allowed to engage in street food vending.

4. ACCESS TO FINANCIAL SERVICES

Easier access to financial services by informal sector operators is the main focus of government agencies and NGOs interventions in favour of the informal sector. Such access is a necessary condition for improving productivity (e.g. through the acquisition of improved equipment), taping more profitable and larger markets (e.g. through securing sufficient working capital), etc. It should also help informal sector enterprises to grow and, eventually, join the formal sector of the economy.

In industrialized countries, small and micro enterprises avail of financial services from commercial banks if they cannot use their own savings for this purpose. In developing countries, such as the Philippines, banks are reluctant to lend money to informal sector enterprises for various, not always justified reasons (e.g. lack of collateral,

high processing costs relative to the amount of money loaned). Although the Government of the Philippines has made commendable efforts for inducing commercial and state banks to increase their volume of loans to the informal sector, such efforts have up to now yielded limited effects. Most informal sector operators still depend on their own savings, or loans from relatives, friends, pawnshops and money lenders.

A small fraction of informal sector operators also benefit from loans provided in the context of credit schemes operated by NGOs, government agencies, cooperatives and associations of the informal sector. However, the effectiveness and outreach of these credit schemes are still fairly limited, and benefit a small minority of informal sector operators.

The long-term solution to this problem would be to promote the establishment of small private local banks which would be better suited for dealing with informal sector operators. The latter should also be induced to open a deposit or cashing account with these banks in order to gradually develop the necessary trust between them and these banks. There may also be a need to adjust banking regulations which would allow the establishment of such banks.

In the short or medium-terms, informal sector operators will still depend on pawnshops and money lenders if they cannot use their own savings or borrow from friends or relatives. Information at hand clearly show that these sources of funding are not adequate, especially pawnshops and money lenders which impose a very high interest rates on loans. The short or medium-terms solution would, therefore, be to improve the effectiveness and outreach of credit schemes currently operated by NGOs, cooperatives and associations of the informal sector.

Achievement of this objective requires first a more in-depth knowledge of financial services available for the informal sector outside commercial and state banks. Therefore, the INTERDEP Project initiated a comprehensive study of financial services (mostly loans) offered by pawnshops, money lenders, cooperatives, NGOs and self-help organizations. This study had two main objectives: assessing the effectiveness and efficiency of the above providers of financial services; and identifying the major constraints which prevent them from reaching the large majority of informal sector operators.

The major findings of this study may be summarized as follows:

- There is no need for intervention in the case of pawnshops and money lenders. The latter operate at or near the optimum efficiency. Although they may use questionable practices (e.g. very high interest rates), little can be done at this stage to induce them to change such practices.
- There is a proliferation of credit schemes operated by NGOs, cooperatives and self-help organizations. However, their performance in both resource mobilization and credit allocation leave much to be desired (e.g. low recovery rates, heavily subsidized loans). This is partly due to the poor

quality of management, partly to a lack of control and accountability, partly to heavy dependence on donors, and a virtual absence of linkages with the financial sector proper.

The findings from the study were presented to a high-level technical meeting during which a consensus emerged on the need to give priority attention to the managerial and institutional capacity building of NGOs, cooperatives and self-help organizations operating credit schemes for the informal sector. It was, therefore, recommended to establish a Micro-Finance Centre to be associated to a large network of NGOs, and other relevant organizations. The Center would focus on information dissemination (e.g. on credit scheme, sources of funds, etc.) and training in the first instance, and should achieve financial sustainability soon after its establishment.

Currently, a follow-up assessment of training needs of those operating credit scheme and of potential training sources is underway. Furthermore, a number of NGOs where the Centre could be located, are being assessed on the basis of a number of selection criteria. Findings from the above assessments will then be used as a basis for preparing a project document for submission to a number of potential donors.

Draft resolutions

- A concrete plan for establishing the Micro-Finance Centre should be presented for discussion and follow-up action at a meeting with representatives of organizations concerned;
- NEDA, in collaboration with the ILO, should help secure funds for the Centre from potential donors; and
- In addition to its two major functions (collecting and disseminating information on credit schemes and sources of funds; training of the managers and extension workers of organizations involved in the operation of credit schemes), the Centre should also play a major role in promotion closer relations between banks (including private local banks) and the informal sector.

5. INTEGRATED APPROACHES TO INFORMAL SECTOR DEVELOPMENT

One of the most effective approaches for promoting the growth and competitiveness of informal sector enterprises is through the provision of an integrated package of services and assistance since individual services may not be effective if not complemented by others (e.g. financial services would be of limited usefulness if, for example, complementary assistance for accessing profitable markets is not also provided).

There are various approaches for providing integrated packages of services and assistance to the informal sector. Some have already proven to be successful while others are still being test-piloted in a number of countries.

On the basis of information collected from its local partners and priority needs expressed by the latter, the INTERDEP project initiated two action-programmes based on some of the above approaches.

A. Establishment of a leathersgoods and footwear Common Facility Centre (CFC) in Marikina

This action-programme was adopted by the PAC after visits to small footwear producers in Marikina. These visits clearly indicated that urgent action on their behalf was required in order to help them sustain stiff competition from larger firms and the substantial increase in imports that would result from the gradual application of the GATT and APEC trade agreements. The Marikina small footwear producers are keenly aware of these problems and welcomed the INTERDEP initiative to help them overcome them. The main problems identified during discussions with the footwear manufacturers include: low productivity; uneven quality; high prices of materials due to the existence of a cartel of suppliers; inappropriate premises; difficulties faced in attracting and retaining skilled workers; dependence on few sub-contractors; and so on.

One effective solution to the above problems would be to establish a Common Facility Centre (CFC) which will offer a package of integrated services to leathersgoods and footwear producers. The CFC will rent expensive equipment which members cannot afford; maintain stocks of materials for sale to members at fair prices; provide skill training to the workers of the enterprises; play the role of a marketing agent (e.g. parcelling out large orders among members); operate a credit scheme, etc.

The INTERDEP project initiated a full-fledged technical and financial feasibility study, and conducted a survey among a sample of leathersgoods and footwear producers with a view to ensuring that the CFC would have the full support of the producers, and would be financially feasible and sustainable. The results of the survey and of the study clearly show that the very large majority of producers fully support the establishment of the CFC, and that the latter could achieve full financial sustainability soon after its establishment.

A number of potential support institutions were also contacted with a view to discussing with them the assistance they could provide to the CFC: the Municipality of Marikina; CITC/Marikina; the Federation of Footwear Cooperatives; DOLE/TESDA (FLIC); and the Office of Congressman R. Candazo. They all indicated that they support, in principle, the establishment of the CFC.

A meeting was subsequently held with all the concerned parties with a view to discussing the findings of the survey and feasibility study, and to formulating a concrete plan of action. During the meeting, it became clear that the CFC should be located in CITC/Marikina, after renovation/expansion of existing buildings. The Federation of

Footwear Cooperatives also agreed to operate and manage the CFC under its responsibility once it has adjusted its mandate for this purpose. The Office of Congressman Candazo offered a total grant of ₱ 3.0 Million to cover local costs. However, the meeting was not able to resolve three outstanding issues: agreement between the Municipality of Marikina and CITC to have the CFC located on CITC grounds; transfer of equipment owned by DOLE/TESDA to the CFC in view of the fact that this equipment, located in FLIC, is under-utilized; and identifying donors for funding the acquisition of additional equipment and working capital.

Draft resolutions

- Maximum efforts should be made for establishing the CFC in view of its importance for the large number of leathergoods and footwear manufacturers who will benefit from such a Centre;
- A working group, made up of the main parties concerned, should be established with a view to resolving the outstanding issues, and to formulating a concrete plan of action for the establishment of the CFC; and
- NEDA, in collaboration with the ILO, should prepare a project document for submission to potential donors with a view to securing the funding required.

B. Area-based enterprise development in Commonwealth, Quezon City

This action-programme, submitted by *Sama-sama* and adopted by the PAC, is of great interest to the INTERDEP project since it integrates most of this project components. The main features of this project include:

- The establishment of a micro-enterprise cluster within a specific area in Commonwealth set aside for development through Presidential Proclamation 137. This cluster is comparable to similar structures established in other countries, such as industrial districts and "micro enterprises villages." Benefits derived from such structures include: access to appropriate premises and various services by informal sector enterprises; possibilities to promote flexible specialization, and therefore, higher productivity levels, etc.;
- Implementation of this project would generate substantial business opportunities for micro contractors and producers of building materials since a large part of the area provided by the government is intended for housing for the urban poor;
- Informal sector enterprises located in the selected area would be induced to improve working conditions and, eventually, to get registered; and
- The cluster of informal sector enterprises should facilitate access to basic goods and services by the surrounding communities.

At the request of *Sama-sama* and the National Government Centre Housing Committee (Commonwealth, Quezon City), the INTERDEP project agreed to fund a full-fledged technical and financial feasibility study, based on a thorough process of consultations with all parties concerned. The study will then be used as a basis for formulating a concrete plan of action for the development of the area (23 has.) allocated for informal sector enterprises development. The study will also yield a housing plan for residents currently located in the above area.

The study is currently underway, and should be completed by mid-February 1996.

Draft Resolutions

- In the process of finalizing the study, special attention should be paid to the following:
 - Possibility of promoting flexible specialization by micro enterprises in the selected area with a view to improving their productivity and profitability;
 - Special efforts should be made for ensuring that small contractors and producers of building materials within the above area be fully involved in the planned construction activities. If necessary, such enterprises should be promoted;
 - Similarly, special efforts should be made to promote associations of the informal sector to which should be sub-contracted various municipal and other services: garbage disposal; street cleaning and repair; maintenance and repair of housing units; maintenance of green areas; etc.
 - Possibility of establishing a privately-managed micro-enterprise promotion Centre as well as common facility centres if there is a high density of micro enterprises involved in the same sector; and
 - Initiating measures for inducing informal sector enterprises to pay greater attention to working conditions and the environment, and to eventually register with the local authorities.
- This project should be evaluated with a view to assessing the feasibility of replicating the same approach in other urban areas.

6. PROMOTING QUALITY AND SUSTAINABLE EMPLOYMENT FOR PEOPLE WITH DISABILITIES (PWDs).

PWDs in the informal sector face additional constraints and problems which further compound those normally faced by operators in this sector. The INTERDEP project initiated a study with a view to better understanding the special problems and

constraints faced by PWDs as a basis for formulating effective action programmes that would help remove or reduce them.

Findings of the study may be summarized as follows :

- PWDs have little access to formal employment opportunities, relying to a large extent on the informal sector for their livelihood;
- There are no sustainable, effective and coordinated mechanisms providing assistance and services to PWDs in the informal sector; and
- Current assistance programmes for PWDs are viewed from a welfare rather than an economic and business perspective.

In view of the above findings, two action-programme were adopted by the INTERDEP partners: one implemented by the Vincentian Missionaries Development Foundation (Payatas), and the other by House With-No-Steps (Marikina).

The first action-programme will support existing and potential self-employment activities of PWDs, through training, advisory services and credit assistance; and will promote the integration of PWDs into regular informal sector development programmes and self-help organizations. The second action-programme will strengthen a community-based approach for promoting employment and entrepreneurship for PWDs; and will institutionalize a programme which would lead to the development of PWDs as partners in community building.

Both action-programmes will be completed by end December 1995.

Draft resolutions

- To undertake an evaluation of the two action-programmes with a view to assessing the effectiveness of the approaches used and their eventual replication on a larger scale by other interested organizations;
- To secure funding for the development and publication of a practical guide for PWDs on how to establish and manage a business in the informal sector; and
- Future INTERDEP activities and programme should ensure that PWDs will be fully taken into consideration.

Improving Working Conditions in the Informal Sector

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1. WORKING CONDITIONS IN THE URBAN INFORMAL SECTOR: OVERVIEW OF THE PROBLEM

The total work force in Metro Manila is estimated at 3.74 million people. The informal sector accounts for at least half of this labor force (Alonzo, 1991; ILO, 1991 and Yu, 1994), or approximately 1.9 million workers. Informal sector operators are involved in a myriad of activities including food and small merchandise vending, auto and machine repairs, the transport industry as tricycle and jeepney drivers, small scale production in garments, shoes and products processed from the waste of formal industries and services including washing laundry and beauty parlors. Informal sector microentrepreneurs and workers run businesses in a fast-changing urban environment where market opportunities can shift in a matter of weeks and competition for materials, resources and customers is fierce. They learn their skills and management techniques informally with a focus on business survival and earning enough daily to meet the basic needs of their families. Their businesses are often located in or around their homes in urban poor communities or on the streets of Metro Manila. Unlike businesses in the formal sector, they rarely receive systematic inputs into safety and optimum working conditions which would both maximize their productivity and provide a humane working environment.

Given these factors, it is not difficult to imagine the hazards and poor working conditions confronting these workers, nor the health problems and decreased productivity caused by these conditions. Yet, the systematic study of working conditions in the informal sector and concrete programs to address this issue are still relatively new. This paper summarizes recent literature and studies on working conditions in the urban informal sector in Metro Manila and current efforts to improve these conditions. Based on an assessment of these efforts, the authors provide points for consideration in future thrusts to improve the working conditions of urban informal sector operators.

Working condition is a general term which may refer to the physical, mental, and even social state a human being is exposed to while at work. Formally, its study is usually confined to the realm of Occupational Safety and Health (ILO, 1983). The conditions studied involve hazards present at work, their recognition or identification and their prevention and cure. This field of science stemmed from studies of industries recognized as belonging to the formal sector. Due to the large and increasing number of workers who make their living in the informal sector, particularly in developing countries, a number of organizations have recognized that this field must be applied to the informal sector in order to make work more humane for this segment of the labor force. It is also recognized that working conditions, particularly in the informal sector,

encompasses more than occupational safety and health. Thus, in its efforts to improve working conditions in the informal sector, the International Labour Organization seeks to address three additional concerns:

- the particular problems of women workers;
- the protection of working children and the elimination of child labor; and
- social protection for workers in the informal sector (ILO Interdep/INF, 1994).

Because the informal sector is large and fluid with poorly defined boundaries in terms of management and economic structures, the common approaches to studying working conditions used in the formal sector are not necessarily applicable to the informal sector (ILO, 1994; Save the Children USA, 1994). The equivalent to formal sector management and union groups are either non-existent or boil down to individuals in the informal sector. They do not have the resources, monetary or otherwise, to launch and maintain health and safety programs commonly seen in big industries (Alonzo, 1991; Gatchalian and Gatchalian, 1992; and Torres, 1994). Consequently, the classic tripartite approach (labor/union - management - government) to improving working conditions and providing social protection must be modified to tackle working conditions problems in the informal sector (Feliciano, 1994; and Rono, 1994).

A. Occupational Health and Safety Hazards in the Informal Sector

A review of current literature on informal sector work reveals a lack of data and studies dealing specifically with occupational health and safety in the informal sector. Although quite a number of papers have already analyzed and discussed the plight of informal sector operators (Arboleda, 1989; Alonzo, 1991; Gatchalian and Gatchalian, 1992; and Yu, 1994 to name a few), most of these deal with socio-economic problems. However, the few available studies provide some insights on the current occupational health and safety hazards in the informal sector and the resulting health problems of informal sector operators.

While problems vary according to occupation, generally the most prevalent problems are poor lighting, lack of ventilation, excessive heat, poor housekeeping, inadequate workspace, poor work tool and workplace designs, awkward postures, exposure to some dangerous chemicals and long work hours. Access to and use of personal protective equipment is very low. Compounding these problems is the blurring of the boundary between home and workplace in an environment of poor housing and inadequate community infrastructure.

As part of her study for Save the Children USA of homebased women workers who make products from garment factory remnants (retaso), Guerrero (1994) mentioned health issues which could be work-related. She referred to the prevalence among working mothers of problems such as muscle pain, allergic reactions and stress. In another study of Save the Children sponsored by the ILO, informal sector working conditions were investigated in five urban poor communities in Metro Manila (Save the Children, 1995). The prevalent work-related problems were poor lighting and ventilation,

heat, chemical hazards particularly dust and fumes, ergonomic difficulties (poor work tool and workplace designs, inadequate workspace, postures which promote physical strain) and fatigue. Subsequent medical examination of one group of informal workers (retaso workers) revealed a high incidence of myalgia (general body pain), low back pain, and fatigue (Save the Children, 1995).

A study by the Institute for Labor Studies (ILS, 1990) relates poor working conditions to productivity. The study states that shopfloors of small businesses can easily be sites of accidents and illnesses from poor working conditions. Abeysekera (1993) explained that under the conditions that prevail in the informal sector, where work is highly individualized and informal, with poor work tool and workplace designs, productivity and work efficiency are inevitably low. But because of the lack of information available on optimum working conditions and because of the limited ability of microentrepreneurs to make investments in long term productivity, informal sector operators rarely prioritize improvement of their working conditions.

Batino (1995) studied the working conditions among workers engaged in small-scale construction, automotive/machinery repair and metalwork in Quezon City. The identified problem areas included housekeeping, work postures and safe use of equipment. Concretely, he observed that most work areas were small and cramped, with unsystematic shopfloor arrangements. Again, ventilation and lighting were inadequate, exposing the workers to undue heat and poor lighting. Workers usually had to assume awkward position due to poor lighting. Stools, benches, and tables were not the proper height. The author also mentioned the lack of regard for safe procedures, and the scarcity of proper personal protective devices (Batino, 1995).

Workers in the informal sector are also subjected to the many health hazards that are common to all urban poor families, including pollution, unsanitary living conditions and poor nutrition. Houses which double as workplaces are small and poorly constructed with inadequate windows and doors. It is often difficult to make a distinction between the health problems which are caused by these conditions and those that are caused specifically from work. Often poor health that may be caused by the general environment in urban poor areas is aggravated by harmful working conditions. For example, a worker's eyesight may be failing due to poor nutrition and the condition is aggravated by working with poor lighting. Often vulnerability to disease and poor health result from the combination of poor living conditions and poor working conditions. Improving work conditions can not be completely separated from improving living conditions and community infrastructure.

B. Women's Working Conditions

Women's involvement in the informal sector covers a variety of activities, but most are engaged in work traditionally identified as work for women. For example, common occupations for women include laundry washing, sewing products from retaso and selling food or small merchandise on the street or in markets. Men are still considered the primary bread winners in the family. Women usually engage in income generating

activities to augment family income, or to enable the family to survive if her husband or father is unemployed or absent. However, culture dictates that regardless of her income earning work, a woman still has the primary responsibility for household management and child care. Thus, there is a gender *double standard*. A woman is expected to satisfactorily fulfill her responsibilities as mother, household manager and income earner with minimal support systems present in the community.

Consequently, women work very long hours and often suffer from psychological stress as they try to balance their various responsibilities. A typical day for a woman homebased worker in the informal sector starts at 4:00 a.m. when she rises to work in her businesses for an hour or two. From 6:00 a.m. until approximately 2:00 p.m., she is engaged in household tasks including preparing meals, cleaning, laundry and collecting water. She works in her businesses again from 2:00 p.m. until 6:00 p.m. when she prepares the evening meal and, afterwards, puts her children to bed. She often tries to work in her businesses for several more hours before she goes to bed herself as late as 12:00 or 1:00 a.m. During the day, she is also trying to combine her work with child care.

Women's informal sector work is more likely than men's to be performed in the home. Houses tend to be cramped with poor lighting and ventilation. Tools are usually inappropriate for women's physical size. Women often disregard their own comfort, considering muscle pain and fatigue an inevitable part of their lives. Despite the fact that many women are able to make their businesses grow and prosper, their work is usually considered a family survival technique which they would quit if the family had enough income from other sources. That the work is assumed to be temporary further decreases the importance of investing in improved working conditions. In reality, women's demand for work in developing countries, particularly work which can be flexibly integrated with household management, is increasing (Feldman).

C. Child Labor and Children's Welfare

In almost all studies about the informal sector, one glaring observation can be noted: there is a high prevalence of children involved in informal work. These children not only suffer from similar or worse working conditions as adult informal sector operators but also the particular psycho-social problems related to child labor.

In a study on child workers in the shoe industry in Marikina, TRENDS-MBL (1995) found a number of working conditions hazards including poor lighting, lack of ventilation, inadequate workspace, poor housekeeping, chemical exposure and long working hours. Health problems reported by children were dizziness, colds and coughs, muscle pain, fatigue and chest pain usually associated with prolonged chemical exposure (rugby). Availability and use of personal protective devices (such as masks and gloves) were very low. Conflicts with schooling and working were also noted. A common reason why these children started and continued to work was the importance of helping their families earn some money (TRENDS-MBL, 1995). The study noted the tendency of working children to be fatalistic about their situation and to prefer working over studying because of the importance and the lure of earning money.

Save the Children's study of retaso workers shows similar results. Interviews confirmed the prevalence of child labor in the industry. Children are introduced to retaso work when they are able to perform simple tasks such as cutting or arranging the retaso. Because the number of hours which children work varies considerably, it was not possible to establish a statistical link between work in the retaso industry and children's health problems. However, in the opinion of the technical specialist of the study, significant psycho-social problems and stress result from the children working many hours. Approximately 20% of the households interviewed in the study showed evidence of deteriorating health conditions of children caused by a vicious cycle of poverty and informal sector work. Because their families' incomes are low, these children are malnourished and have to work many hours to help the family survive. Deteriorating health due to a lack of nutrition is aggravated by the long working hours.

The negative affects of informal sector work on children are not confined only to those who actually work. In urban poor situations where women are engaged in work both as mothers and as income earners, their children are often deprived of maternal care and attention at an early age (Social Development Index, 1995). Children's health and welfare are affected by both the nature and load of women's work as well as the kind of child care support systems available to them. When women try to care for their children and engage in intense work at the same time, children are often not given the support they need to develop their full potential. Informal child care support systems are usually built around neighboring relatives, friends and older siblings. These arrangements frequently do not offer adequate quality care and can result in neglect or abuse of children (Save the Children, 1995). Because the workplace is also the home, children, even if they are not working, are often exposed to the same work hazards, including chemicals and accident-prone work areas, that affect their parents.

D. Social Protection for Informal Sector Workers

Social protection can be defined as "the provision of benefits to households and individuals through public or collective arrangements to protect against low or declining living standards arising from a number of basic risks and needs" (Van Ginneken, 1995). The benefits enable workers and their families to survive through life contingencies which would otherwise force them into significant debt and lowered living standards. Unlike workers in the formal sector, the vast majority of workers in the informal sector are not covered by any kind of social protection scheme.

Yet, workers in the informal sector are particularly vulnerable to the kinds of life contingency for which social protection is designed. Because their incomes are low and irregular, informal sector operators have difficulty dealing with unexpected or large expenses that may result from calamities such as flood or fire and from weddings, funerals, maternity or illness which requires hospitalization. Informal sector operators often do not have savings to enable them to maintain their standard of living during periods of un- or underemployment. However, seasonal unemployment is more prevalent in the informal sector than in the formal sector. The families of informal sector workers do not have any protection against the loss of income which results from the death of an

income earner; families with only one adult income earner in the informal sector are some of the poorest households.

Workers and their families in the informal sector often can not meet routine expenses. They may avoid routine health care because of its costs. However, this practice can lead to sickness which is more debilitating and costly later. Working mothers usually can not afford any type of institutional child care. In the urban areas, informal sector workers also need assistance to rent or acquire housing.

Providing coverage to workers in the informal sector presents a number of challenges. Many informal sector workers are microentrepreneurs and have no employer-employee relationship. In informal sector enterprises, labor relations are also informal with an absence of written contracts (van Ginneken, 1995). Even if they are willing, informal sector enterprises often do not have the resources to consistently pay social security payments. Informal sector workers are often very eager to be covered under a social protection scheme. However, many do not know how to access social protection services. It is estimated that only 26% of informal sector operators in Metro Manila are aware of the government Social Security Scheme for informal sector workers and self-employed workers (Workers Fund, 1995). Even if they are aware of a scheme, workers may not be able to pay contributions consistently and their contributions will be necessarily small. The administration needed to manage the small contributions of numerous workers, often without employers, is formidable.

2. IMPROVING WORKING CONDITIONS IN THE INFORMAL SECTOR

The most common modes of assistance extended to the informal sector by the government and private agencies are credit and training aimed at increasing incomes and improving economic viability (Yu, 1994; and PEDF, 1995). However, the education and training components of these programs deal mainly with the economics, marketing and skills development aspects of the work. Productivity is thus tackled based on a business perspective - least cost, with maximum profit, in the minimum time possible. Health and safety, both as an end in itself and as a vital component of higher productivity, has not gained much attention.

A. Working Conditions and Productivity

While concrete, statistical evidence is lacking, it is clear that a relationship between working conditions and productivity exists. Time and labor are the key assets of a microentrepreneur. Poor working conditions often result in wasted time and long-term harm to workers. Despite the connection, it can be difficult to convince informal sector operators of the value of investing in improved working conditions. Even in the formal sector, showing OHS value in productivity has been a battle. Imada (1992) states that this difficulty is understandable because gauging the effects of improved health and safety in the industrial world is actually measuring *non-occurring events* which affect productivity - the absence of sickness and accidents. Unless, there is a conscious and

persistent effort to monitor changes in these events and educate concerned people about them, it is difficult for management and workers to feel or appreciate the benefits of an effective health and safety program. This can be doubly true in the informal sector where, aside from the lack of capital for OHS investments and the strong need to earn money in the shortest possible time, the informal workers themselves are unaware of the connection between health, safety, and productivity. Consequently, discomfort and pain are viewed as part of the job, a condition that workers just need to get used to.

The particular problems of women and child workers show a similar pattern: short term necessity outweighing long term productivity and well being. The women, faced with the daunting task of fulfilling domestic chores and earning money at the same time, are unwittingly forced to extend their working hours to do both. Pain or discomfort of the body are tolerated as much as possible in order to do more and earn more regardless of the consequences which may harm their productivity in the long term. Children inevitably become involved in work not only as readily available labor to increase output, but also to enable mothers to finish their other tasks at home. TRENDS-MBL found that most parents view their children's work exposure as merely good training for them to become industrious, resilient and productive. Their involvement in the family's work was welcome and encouraged as long as their studies were not affected and they were not exposed to work factors they felt were too difficult or dangerous. These parents added that, like any other parents, they did not intend to harm their children (TRENDS-MBL, 1995). However, adequate knowledge of the severity of work hazards is low and studies of child labor show that working long hours has a strong detrimental affects on children's development.

Productivity is also lessened in the long run by the lack of social protection. A single event such as a short term sickness can put an informal sector operator and her family in a state of permanent debt. Lowered living standards which result from these types of life contingencies can have a permanent debilitating affect on workers and their families. When workers do not invest in routine health care due to cost, they may invite a downward spiral which, in the long run, will significantly harm their productivity.

B. Current Efforts to Improve Working Conditions

While the emphasis of assistance to the informal sector has been on raising incomes, some research and programs by government and international institutions have aimed to improve working conditions and provide social protection. While many non-government agencies have programs to improve health in urban poor communities, there have been few systematic efforts to address occupational health and safety. Documentation of projects which do exist is lacking.

In the early 1990s, the Philippine government through the Department of Labor's Institute for Labor Studies (ILS, 1990) compiled a number of case studies dealing with low-cost improvements in working conditions for small enterprise. Small shops or enterprises were studied to identify different ways they have tried to solve common problems related to working conditions using commonly available resources. Under an

ILO/DANIDA project, DOLE conducted case studies on OHS conditions of homeworkers engaged in handicrafts (basket and slipper making) and jewelry production. However, the extent to which this information was disseminated, promoted and utilized is not clear. In terms of policy, the present government has also reiterated its concern for the informal sector as pronounced in its Social Reform Agenda (Julve, 1995). However, the government's Labour Code is not very specific on how to concretely protect workers and promote reasonable working conditions in the informal sector (Ofreneo, 1995).

In the 1980s, the ILO embarked on a series of projects designed to help different countries improve the situations of informal workers. Under ILO sponsorship, Ong et al (1988) compiled 100 low-cost ways of improving working conditions in Asia including the Philippines, most of which are applicable to the informal sector. The ILO also developed *The WISE Checklist*, for use in small enterprise. Batino used this method in his study in Metro Manila to gain a "snapshot picture" of the working conditions in some small enterprises in Quezon City (Batino, 1995). The *WISE* approach aims to identify the problem areas at work as well as to recommend possible solutions to them. Although Batino acknowledged the usefulness of the checklist, suggestions were given to make the method more applicable for conditions encountered in the informal sector.

A number of government and non-government agencies have started schemes to provide social protection for informal sector workers. The government Social Security Scheme now accepts any private individual with a minimum monthly income of P1,000 per month. Government also has a number of other social protection programs including Medicare, which provides medical care and services, and Pag-Ibig, which provides savings and pension services. Although these programs are mainly directed toward the formal sector, efforts have been made to extend access to informal sector workers and their families. There are a number of successful social protection schemes started by cooperatives and NGOs in the Philippines. These services are tailored toward providing informal sector workers with easier access to benefits. They are often characterized by less paperwork, flexible and lower payments, immediate provision of services and shorter processing times. However, these schemes lack the scale to provide sustainable and comprehensive benefits to workers.

3. THE ILO INTERDEPARTMENTAL PROJECT ON THE URBAN INFORMAL SECTOR

The ILO Interdepartmental Project on the Urban Informal Sector (ILO Interdep/INF) was launched in Manila in 1994. It aims to improve the productivity of workers in the informal sector and their access to social protection and improved working conditions (ILO, 1995). Three basic principles governed the implementation of the working conditions component of the project. First, action programs, rather than research, were given priority. It was deemed more critical to develop examples of successful and practical approaches to improve working conditions than to generate detailed research on the issues. Second, focus was given to the most vulnerable and least organized workers, especially those in the most hazardous informal sector occupations. Third, a participatory or "bottom up" approach was used. The ILO

encouraged government agencies, NGOs and people's organizations which have direct involvement with informal sector workers to develop action programs to improve working conditions in the informal sector.

A. The Assessment Reports

Prior to the start of the action programs, assessment reports were prepared focused on working conditions in general (Batino, 1995); child labor in the shoe industry (TRENDS-MBL, 1995); legal aspects of informal sector work (Ofreneo, 1995); and general suggestions on ways to improve working conditions in the informal sector (Salter, 1995). Salter's paper focused on the alternative roles which government, NGOs and other organizations could play in efforts to improve working conditions in the informal sector. His paper includes a number of suggestions and recommendations for working conditions programs:

- OHS services to the informal sector should be offered through existing local health centers, self-help groups, women's groups, and other NGOs because of the cost and inefficiency of establishing new structures.
- Implementing organizations should emphasize promotive and preventive actions, for example, first aid.
- Labor inspectors may be able to render advisory service to the informal sector workers rather than only performing inspections.
- Inputs on working conditions (in the form of training modules and awareness activities) should be linked to credit and other services offered to the informal sector by extension workers.
- Projects should consider providing access to support systems (such as child care) as well as developing and making available appropriate personal protective equipment that the informal sector workers could use.

B. The Workshop-Seminar

The main objectives of the workshop-seminar were:

- to promote discussion among different interest groups whose concerns included working conditions in the informal sector; and
- to develop a consensus on priority areas for action (ILO, 1995).

These priorities could then be the basis for designing policies and strategies to meet the needs of informal sector workers regarding their working conditions. More than 30 individuals participated in the workshop representing primary health care

organizations, health care management, NGOs, cooperatives, trade unions, and employers confederations.

The discussion covered obstacles anticipated in addressing working conditions in the informal sector, possible roles for different agencies and suggestions for action strategies. The obstacles cited include:

- difficulty in organizing informal sector workers,
- difficulty in linking the informal sector with government and other labor sectors,
- the lack of awareness and information on the effects of poor working conditions,
- limited financial resources, and
- difficulties in coalition building.

Although trade unions play a crucial role in promoting OSH, there could be a range of obstacles to their playing this role in the informal sector including the difficulty of using traditional techniques to organize informal sector workers, trade unions' preference to concentrate on larger groups of workers for strategic and financial reasons and the lack of incentives for informal entrepreneurs to improve working conditions. Regarding standards and regulations, improving work conditions in the informal sector must include conditions within and around homes. However, the lack of legitimacy and residential status of many informal sector groups will present an obstacle to government addressing environmental concerns such as waste disposal, electrical and water supplies. Cost-benefit analysis was mentioned as an important tool for showing which methods could be easily adapted and proven beneficial relative to the cost. Addressing the particular issues of women in the informal sector was also pointed out as a priority area because of the high concentration of women in the informal sector.

C. The Action Programs

The participants at the workshop recommended action programs to address the identified problems including research, organizing, institution building, education and advocacy on working condition concerns. The ILO approved four programs which address working conditions and two which address social protection, all of which are currently in progress.

1. PEDF: Linking working conditions to credit and other training services (PEDF, 1995)

Philippine Enterprise Development Foundation (PEDF) is implementing a project aimed at enhancing the competence of self-help groups, NGOs and LGUs in managing microenterprise projects by enabling their field workers to provide value-based training

and consulting in business. Part of the training will cover providing guidance and counseling on working conditions and how they relate to productivity.

Under the project, approximately 20 participants from LGUs and NGOs are undergoing a staggered 21-day theoretical training interspersed with periods of field practicum. The training is divided into three main modules (I - Overview of Microenterprise Program; II - Guide to Micro Business Consulting and; III - The Theory, Art and Technology of Training). Under Module II, a consultant provided formal input on the relationship between productivity and working conditions. The topics covered under the module were:

- definition of terms on OSH and working conditions,
- principles and concepts of OSH,
- work condition problems encountered in typical microenterprise settings, and,
- possible solutions and advice that participants could offer.

To illustrate the relationship between poor working conditions and productivity, the consultant demonstrated a simple cost analysis of poor working conditions. Participants were asked to identify one common ailment they usually associate with a particular type of microenterprise. The group then computed the average expenses a microentrepreneurs would incur for initial and subsequent medical consultations, for procurement of needed medication, and even costs of possible hospital confinement. The total cost for the whole duration of the illness was compared to the average earnings the microentrepreneur could expect for the same number of days. Results usually showed that the medical costs were much higher than what an average microentrepreneur earns. The exercise concretely and simply showed how prevention can save money.

The consultant gave examples of how simple changes in work tool designs and workspace arrangements can increase output, for example, different work surface heights for different tasks, micropauses and maximizing windows and doors as sources of lighting and ventilation. While the examples were helpful, participants will need to integrate working conditions into their practicums in order to be able to effectively apply the lessons in different types of microenterprises.

The project is creating the critical link between working conditions and other important concerns of the informal sector such as credit and training. The approach could be institutionalized by developing both general and microenterprise-specific modules on work conditions and productivity for NGO and LGU microenterprise development staff. A key challenge will be enabling the staff to gain the skills to formulate practical solutions to problems they see in the actual working conditions of a variety of workplaces.

2. *Save the Children: The role of Community Volunteer Health Workers*
(Save the Children, 1995)

Community volunteer health workers (CVHWs) are one of the pillars of primary health care in the Philippines. Properly trained and organized CVHWs render satisfactory basic health services, especially in marginalized communities. In urban poor communities, where informal work, especially among women, is common and where OHS services are not accessible, CVHWs can become the front line in addressing health problems related to work. Save the Children's project aims to enable Community Volunteer Health Workers to perform this role. Under the project, Save the Children is identifying priority informal sector occupational health and safety concerns, particularly among women, and designing a training module in urban informal sector OHS to enable CVHWs to provide education, advice and basic OHS services to informal sector operators. Save the Children is also designing a sub-module specifically for the retaso (fabric remnants) industry in which approximately 50,000 women work in urban areas of the Philippines. A long term goal is to build the CVHWs' capabilities in integrating OHS into their regular roles and duties.

Save the Children held an awareness seminar in OHS for the CVHWs in 5 urban poor communities prior to conducting a participatory rapid appraisal in working conditions in the informal sector of the same communities. These activities were designed both to introduce the CVHWs to OHS concerns in the informal sector and to give them an idea of the extent of the problems in their own communities. Using a simple, color-coded survey form, the CVHWs collected data on the problems in working conditions among informal workers including those of women, child labor and/or their exposures to occupational hazards. The survey was complemented by an on-site investigation of 20 microenterprises conducted by an OHS specialist and medical examinations of all retaso workers and exposed household members in one community.

Results of the survey show that the majority of the population in the study areas, both male and female, is engaged in some sort of informal work with women dominating in home-based work. Child labor varies in different activities but is common in retaso work. In general, the prevalent problems include poor ventilation, inadequate lighting, excessive heat, and long hours of work. Examination of the retaso workers revealed problems such as generalized body pain, low back pain, fatigue and stress especially for the mothers. In some cases of retaso work, tools were poorly designed and workspaces inadequate

Based on the results of the participatory research, Save the Children designed a training workshop for CVHWs and supporting government health staff of the participating communities on occupational safety and health emphasizing simple, applicable strategies for improving working conditions. The activity will be evaluated using pre- and post-training tests and qualitative evaluation by the participants. Using feedback from the evaluation, Save the Children will package a formal training module which can be used to train CVHWs in other communities. Follow-up assistance and monitoring of the OHS education and services will ensure that the CVHWs are able to perform their new roles and will provide information to improve the approach.

This action program reflects the importance of utilizing present structures to extend services to informal sector workers. The project shows that new or additional structures to meet these needs are not necessary. CVHWs have the potential to effectively address the OHS needs of urban poor communities. Their key roles will be in promoting good working conditions and educating informal sector operators on simple, low cost ways to improve their occupational health and safety. The prospects for wide scale and sustainable impact are promising if other interested groups (LGUs, DOLE, other public health service centers, etc.) become involved in the project and if the Department of Health adopts the OHS training module into the national CVHW curriculum.

3. *Social Development Index: The child care support systems* (Social Development Index, 1995)

Collective action of informal sector workers and support organizations has great potential as a strategy for improving working conditions. Since a big portion of informal sector workers are women with children, support services such as child care in the community are essential. This project aims to study and develop alternative forms of child care arrangements, utilizing collective actions of the concerned groups of LGUs, people's organizations and Social Development Index, a non-governmental organization. The child care arrangements will be designed to suit the needs of women in the informal sector and provide quality care for children. The agencies involved will work together to maintain the child care program.

An important output expected from the project is an assessment of the capacity of the community to manage and sustain a child care center. As in most service programs for marginalized communities, capability-building is indispensable to developing the sustainability of these services. Based on the implementation of the project, SDI aims to formulate recommendations and policy proposals for both local government agencies and concerned communities which will focus on improving operational and financial strategies for child care programs. The goal of the recommendations will be the promotion of sustainable child care programs for women in the informal sector. These recommendations will be critical since government assistance is vital to the long term viability of services extended to the marginalized communities but government resources are limited.

4. *Telefunken Semiconductors Inc. Employees Union: Helping fellow workers* (TSIEU, 1995)

Organized labor in the Philippines is only a small portion of the entire labor force. Direct organization of the informal sector is admittedly daunting, financially burdensome and time-consuming. But when fellow unionists become displaced due to old age or labor disputes and engage in informal work to continue earning some income, the plight of informal sector workers becomes more visible to trade union members. The TSIEU, an affiliate of the Federation of Free Workers (FFW), recognizes that informal sector workers are indeed brothers and sisters in the labor force. In response, the union launched a training project for displaced workers and community residents in FTI, Taguig.

The union conducts skills training in stuffed toys making in cooperation with the local government of Taguig. However, the training did not initially include inputs relating to health and working conditions. This action program aims to develop a model for trade union assistance to the informal sector where working conditions are integrated with current training programs.

A prominent feature of this action program is the utilization of worker educators/promoters trained by the ILO. These workers are trained to tackle OHS and working conditions in the formal sector. Under the project they are adjusting and applying what they have learned to benefit workers in the informal sector. The input of an OHS specialist will help the educators to fine-tune the research and development of a module on OHS for the displaced workers. The specialist will also conduct medical examinations of the stuffed toy makers and other exposed household members to identify ailments which may be caused by work-related hazards.

As part of the project, the trade union will hold a roundtable discussion on trade union initiatives to assist the informal sector. The results of the project and the discussion may encourage and inspire other trade unions to engage in similar activities to assist the informal sector.

5. Workers Fund: Social Protection Strategies in the Informal Sector (Workers Fund, 1995)

While social protection of informal sector workers is still very low, a number of schemes, both government and non-government, attempt to provide services to the informal sector. Workers Fund is conducting a research study to examine both government and indigenous social protection schemes. The study will compare benefits, financing systems, administration, target clients and scale. It will also identify the factors which discourage informal sector workers from registering with the government's SSS. Based on the research, Workers Fund will develop an introductory module on social protection covering the reasons why social protection is important, basic information on the SSS plan for self-employed workers and the features of model indigenous social protection schemes. Workers Fund will provide recommendations to government to make programs more accessible and appropriate for the informal sector and an action plan for preliminary strategies to develop a service cooperative which builds on existing indigenous social protection schemes.

The preliminary results of the study show that the lack of information is a key reason why workers are not covered by any social protection scheme. Other reasons for not joining SSS are lack of time, no collector, no job and a member of the family is already enrolled. The research shows that cooperative schemes are often preferred by informal sector workers because payments are lower and flexible. processing time is shorter, benefits are immediate upon enrollment and cooperatives often offer loans in their benefits package. However, workers are interested in more comprehensive benefits including pensions, maternity, educational loans, utility loans and extension of benefits to dependents. The study also showed a need to improve the administration of schemes to provide quality benefits and insure sustainability of the programs. While NGOs and

cooperatives currently offer services which are more appropriate to the informal sector, in order to achieve greater scale, these programs should to be linked with the larger government program.

Workers Fund is an NGO jointly organized by the Trade Union Congress of the Philippines, the Federation of Free Workers and the Lakas Manggagawa Labor Center. With these strong connections to labor, the organization is in a unique position to advocate for better social protection coverage for informal sector workers.

6. *National Confederation of Labor: Information on Social Protection for Marikina Shoe Workers (NCL, 1995)*

The National Confederation of Labor is targeting the 65,000 "sapateros," or shoeworkers, concentrated in eight barangays of Marikina in Metro Manila. As a labor union, NCL is working both to reach out to workers in the informal sector and to develop an organized constituency which can advocate for the application of social protection schemes to the informal sector. NCL is cooperating with the Fortune Tobacco Labor Union in Marikina to implement the program.

The action programme involves disseminating information to the shoeworkers about SSS, Medicare and Pag-Ibig through seminars and the distribution of materials. The NCL is including the provision of information about cooperativism in the information campaign because evidence shows that schemes which combine both indigenous providers and government are likely to be more appropriate for the informal sector. The NCL will develop ways to facilitate the registration of interested shoeworkers with SSS, Medicare and Pag-Ibig. One possible mechanism will be the establishment of a registration center in the proposed DOLE municipal office in Marikina.

The provision of information is laying the groundwork for a dialogue among workers, representatives of Marikina businesses, government - particularly SSS, the NCL and the ILO to develop action plans to improve the provision of social protection to the shoeworkers. The NCL aims to develop mechanisms through organized labor which will assist informal sector workers to receive adequate social protection in similar ways as are currently operating in the formal sector.

4. FUTURE PRIORITIES: POINTS FOR CONSIDERATION

A. Designing Effective Programs

Additional research and systematic evaluation of the results of the methods used in the action programs is needed to identify the most efficient and effective ways to improve working conditions in the informal sector. However, the efforts to date provide some lessons in designing effective programs.

Efforts to increase the awareness, understanding, and application of ways to improve working conditions can contribute to increased health and safety as well as

productivity in the informal sector. But, practically, these efforts need to take into account the realities and limitations in the informal sector. Working conditions are not a priority of informal sector operators. Efforts to address working conditions should be integrated with efforts to increase income levels and security. Simple cost/benefit analysis is an effective tool for concretely showing the impact of occupational health and safety on the productivity of microentrepreneurs. Promising approaches promote low-cost ways of improving work tools and workplace designs, maximizing available workspaces to bring about minimal discomfort or pain and exposure to hazardous elements of work.

Improvement in working condition should involve not only OHS concerns, but also issues pertaining to women and children. Providing support to women trying to balance multiple roles is critical to concretely improving informal sector working conditions and productivity. Programs should not increase women's burden by requiring long hours of training but should be designed to fit with women's schedules and enable women to lessen their working hours. Programs which aim to protect working children and eliminate child labor, increase the availability and quality of child care and improve home-based working conditions are vital to improving the well-being of children.

Working conditions in the informal sector can not be addressed in isolation from living conditions of the urban poor. When basic services and adequate housing are lacking, working conditions are inevitably poor. Efforts to improve working conditions should be integrated with efforts to improve the environment of urban poor communities including housing, sanitation and access to water and electricity. Improvements in working conditions are a good indicator for improvements in the overall situations of urban poor people.

By definition, the informal sector operates outside government regulation. Efforts to enforce regulations on working conditions in the informal sector will be costly, difficult to implement and strongly resisted by the informal sector itself. A more effective approach might be to focus on providing guidelines on reasonable working conditions in the informal sector and promoting self-regulation by people's organizations and associations of informal sector workers.

In order to create appropriate and sustainable social protection programs which can reach large numbers of informal sector workers, government and non-government organizations need to cooperate and develop ways to link their programs.

B. Roles of support agencies

Because of the diversity of the informal sector, no one agency or single method will be sufficient to adequately address the needs of informal sector workers to improve their working conditions. A coordinated effort among national and local government agencies, NGOs, trade unions, academe, the health profession and people's organizations using complementary methods will be more effective than a single effort. To achieve sustained improvements in working conditions over the long term, programs and services must be institutionalized within permanent structures. Suggestions for the

roles that various organizations and agencies could play in order to improve working conditions follow. These roles should be integrated with current activities and build on existing programs.

Self-help Associations and Organizations of Informal Sector Workers:

- organize informal sector workers;
- raise awareness about the importance of working conditions and social protection among informal sector operators;
- promote self-regulation of working conditions;
- collectively advocate for assistance in addressing priority working condition concerns.

Non-Government Organizations:

- assist POs to organize informal sector workers;
- develop the capacity of microenterprise staff to integrate assistance in working conditions with other services;
- cooperate with OHS specialists to develop effective training programs on informal sector OHS;
- test and document alternative methods of assistance.

Local Government Units:

- provide child care facilities in cooperation with communities;
- equip health centers with the capacity to provide OHS services;
- prioritize the physical improvement of urban poor communities.

Department of Health:

- incorporate OHS into the national training curriculum for CVHWs.

Department of Labor and Employment:

- gather data on working conditions in the informal sector;
- conduct research to illuminate the relationship between degree of working hazards and damage to health and the connection of these to productivity;
- conduct research on occupation-specific hazards in growing informal sector industries;
- collect literature and information about programs on working conditions and provide these materials to other organizations and agencies;
- establish guidelines for occupational health and safety standards in the informal sector and disseminate them to NGOs, self-help associations and other concerned organizations;
- foster links between government and non-government organizations in the provision of social protection.

Trade Unions:

- develop expertise on informal sector working conditions;
- develop technical assistance systems to improve working conditions in the informal sector;

- provide support to displaced and retired workers who enter the informal sector.

Academe:

- evaluate the impact of current efforts to address working conditions;
- provide assistance to DOLE in other research.

Employers (who subcontract work):

- develop initiatives to help subcontractors improve working conditions;
- provide advisory services and financial support to subcontractors to enable them to improve work tools and workplace designs;
- provide subcontractors with safe working materials.

The Health Profession:

- develop ergonomic standards for male and female Filipinos;
- cooperate with NGOs to design training programs in OHS;
- increase awareness of and sensitivity to the conditions and limitations of informal sector workers among health professionals;
- promote health services appropriate to low-income communities.

International Labour Organization:

- facilitate exchange of information and lessons learned with agencies in other countries;
- leverage resources for programs which address working conditions in the informal sector.

C. Recommendations of the INTERDEP Partners

During the meeting of the Project Advisory Council and other project partners, the following recommendations were selected as most critical:

1. Self-help associations should encourage and undertake organization of informal sector workers, raise awareness on the importance of working conditions and promote self-regulation among their members on maintaining safe and healthy work conditions.
2. Non-government organizations, trade unions and the health profession should develop their capacities to integrate working conditions assistance into their current programs and test appropriate methods for improving working conditions.
3. Local government units should prioritize provision of basic services for urban poor communities and support services for women and children.
4. National government agencies should concretely integrate efforts to address working conditions on a national scale under their current programs.

5. Both the formal and informal sectors should explore and study further expansion and extension of the institutional social protection system to the informal sector.

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