



**Women's  
Priority  
Legislative  
Agenda  
for the 18th Congress**

# Enacting a Magna Carta of Workers in the Informal Economy

# 10

*This policy brief provides the rationale and recommendations for upholding the rights of workers in the informal economy, particularly women informal workers and other marginalized groups, and for providing measures for their transition from the informal to the formal economy towards the realization of decent work for all.*

## WHAT IS THE ISSUE? WHY IS THE ISSUE IMPORTANT?

Globally, around two billion people aged 15 and over, representing 61.2 % of the world's employed population, earn their living in the informal economy.<sup>i</sup> Informal work is a greater source of employment for men (63 percent) than for women (58 percent) across the globe, but women are more often to be found in the more vulnerable and low-paying categories of work, such as domestic workers, street vendors or self-employed home-based workers.<sup>ii</sup>

The International Labour Organization (ILO) broadly defines the informal economy as referring to “all economic activities by workers and economic units that are – in law or practice – not covered or insufficiently covered by formal arrangements.”<sup>iii</sup> Work informality exists in all countries, although it is more prevalent in developing countries, which includes the Philippines.<sup>iv</sup>

The entry of workers into the informal economy is driven mostly by the need to survive, rather than the worker's option or choice.<sup>v</sup> The informal economy cushions the impact of economic crises and provides jobs and economic opportunities to workers that cannot be absorbed into the formal economy. In particular, women working in the informal economy are faced with structural barriers that prevent them from accessing decent paid work; the most glaring of which is the traditionally assigned role of women to unpaid care and domestic work.<sup>vi</sup> Thus, most of them are driven into taking on low-quality jobs that allow them to attend to care responsibilities.<sup>vii</sup>

Despite the contributions of the informal economy and its workers, it is discriminated against and “stigmatized” as “illegal, non-productive [and] a symptom of bad governance.”<sup>viii</sup> A rethinking of the informal economy as a “broad base of the economy generating growth from below despite a harsh environment” and informal workers as the “broad base of the workforce who produce goods and services for the local, national and global economies without legal and social protection” is needed.<sup>ix</sup>

Informal workers provide a huge reserve of productive, talented and skilled to semi-skilled labor. The potential of the informal economy as a driver of economic growth can be realized with the removal of obstacles and discrimination, as well as the creation of an enabling environment supportive of informal workers. Enhancing their access to productive resources, social protection, technology, skills development, and enhancement contribute to poverty reduction and realize social justice and equality for all workers.

### *Situation of workers in the informal economy*

**Varying levels of informality.** Workers in the informal economy encompass a broad section of workers engaged in different kinds of productive activities and employment. The “informal sector” is defined under the National Statistics Coordination Board (NSCB) Resolution No. 15, series of 2002, as “household unincorporated enterprises which consists of both informal own-account enterprises and enterprises of informal employers.”

Workers in the informal economy are not a homogenous group. The differences are due to employment, gender, educational attainment, occupational group and location of work. According to the 2008 ISS, there are 10.5 million informal sector operators who are either self-employed (without any paid employee) or employer in own-family operated farm or business. The self-employed stands at 9.1 million while the employer is at 1.3 million. About two-thirds of informal workers surveyed were male, and 75% are in the age group 35 years and over. 41.3% of informal sector operators are engaged in agriculture, hunting, and forestry, while 29.6% are found in wholesale and retail trade and 10% are in transport, storage, and communications.

The Bureau of Workers with Special Concerns of the Department of Labor and Employment (DOLE) noted the need for updating the definition of informal sector workers, as it does not “aggregate” workers from new kinds of sectors like the home-based online workers, and Transport Network Vehicle Services (TNVs).<sup>x</sup>

**Gender Segmentation.** Women and men are distributed unevenly in the informal workforce structure

by status in employment, branch of economic activity and place of work.<sup>xi</sup> Women in informal employment are more likely to be self-employed than men.<sup>xii</sup>

Women make up “a large portion of the Philippine informal sector and are mostly found in small home businesses, contractual jobs in the manufacturing and service sectors, and other underdeveloped sector of the economy.”<sup>xiii</sup> In 2012, women make up 37 percent (8 million) of total wage and salary workers in the country wherein 4.76 million work in private establishments and 1.68 million work as helpers in private households with compensation below minimum wage.<sup>xiv</sup> About 4 million self-employed Filipino women workers are into “home businesses or ‘sari-sari stores’, home-based work for garments and shoemakers, direct selling and personal services.” Home-based subcontracting is on the rise, where women homeworkers are “engaged in various low-paying and back-breaking production work in garments, handicraft, shoes, and toy manufacturing; food processing; metal craft, leathercraft, and furniture making.”<sup>xv</sup>

Both women and men informal workers encounter challenges that are often multiple and overlapping. The vulnerabilities faced by informal workers, particularly of women, stem from their limited or lack of formal work arrangements. Women informal workers have intersecting roles “as informal workers [who are either] wage, self-employed or sub-contracted workers, and as members of poor households and disadvantaged communities.”<sup>xvi</sup> Housing is “doubly important” for home-based workers “both as a place of residence and place of work,” and, thus, need “to secure tenure, basic infrastructure services in the home and capital to improve the home-as-workplace.”<sup>xvii</sup>

Most informal workers lack information, capital and other resources for their entrepreneurial activity.<sup>xviii</sup> They also do not have representation and voice in structures and processes of economic decision-making. Further, women informal workers who accept jobs that “offer substandard wages, very long hours of work, and poor working conditions” expose them to “occupational health and safety hazards including sexual harassment, with little or no access to security and [social] protection.”<sup>xix</sup>

**Invisibility.** The Informal Sector Survey (ISS) conducted in 2018 estimated the number of persons employed in the informal sector in the Philippines to be at 15.68 million. There are no follow-up surveys conducted to update the statistics on informal workers in the country. At present, the Philippine Statistics Authority (PSA) uses the proxy indicator on self-employed and unpaid family workers of the Labor Force Survey to provide current estimates.<sup>xx</sup> Collecting data and statistics on informal workers and economic units that are not recognized nor registered have proven to be difficult and costly. The lack of official data “limit government policymaking and programming” as the lack of data constrain the development of interventions to sufficiently and “appropriately” respond to the challenges of workers and economic units in the informal economy.

## WHAT ARE THE EXISTING LAWS OR POLICIES RELATED TO THE ISSUE?

Laws and policies have been enacted to support workers in the informal economy. Article II, Section 9 of the Philippine Constitution provides for the “(promotion of) just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.”

Republic Act (R.A.) No. 8425 or the Social Reform and Poverty Alleviation Act recognizes the informal sector as one of its 14 basic sectors, and defines workers in the informal sector as “poor individuals who operate businesses that are very small in scale and are not registered with any national government agency, and to the workers in such enterprises who sell their services in exchange for subsistence-level wages or other forms of compensation.” It provides for the participation of the informal sector in “planning, decision-making, implementation, monitoring and evaluation of the Security Reform Agenda at various levels of government.”

R.A. No. 9710 or the Magna Carta of Women identifies women workers in the informal economy among the marginalized sectors “who shall be given particular attention, to guarantee that their human rights shall be respected, protected, fulfilled, and promoted.” It calls on the State to “provide for the realization of decent work standards for women that involve the creation of jobs of acceptable quality in conditions of freedom, equity, security, and human dignity.

R.A. No. 10606 or the National Health Insurance Act of 2013, and R.A. No. 11223 or the Universal Health Care Act mandate social health insurance coverage for all Filipinos.

The Social Security Act of 2018 “(promotes) social justice through savings, and (ensures) meaningful social security protection to members and their beneficiaries”, especially “against the hazards of disability, sickness, maternity, old age, death, and other contingencies resulting in loss of income or financial burden.”

Laws that support the transition of segments or sectors of the informal economy to the formal economy include R.A. No. 10361 or the Kasambahay Law, which recognizes domestic workers as similar to those in the formal sector; R.A. No. 9178 or the Barangay Micro Business Enterprises (BMBEs) Act of 2002, which encourages the formation and growth of BMBEs as well as the integration of informal sector enterprises to the mainstream economy; and R.A. No. 10644 or the Go Negosyo Act, which provides assistance for budding enterprises through Negosyo Centers that provide information, training and credit facilities, among others, to women entrepreneurs.

## POLICY RECOMMENDATIONS

To respond to decent work deficits of workers in the informal economy, a coherent and integrated policy framework is necessary to protect labor rights; provide adequate social protection, entrepreneurial support and skills development; facilitate the creation of a favorable regulatory environment; and strengthen social dialogue to transition workers and economic units from the informal to the formal economy.

Consistent with international standards as stipulated under ILO Recommendation 204, the PCW supports the enactment of a law with the following measures:

1. Provide a conceptual and operational definition of the informal economy and its components in the Philippine context based on the framework and parameters of internationally-agreed definitions put forward by ILO;
2. Recognize the roles and contributions of workers in the informal economy, including women involved in care work and other broad sections and segments of informal workers;
3. Generate data on informal workers for policy-making and programming purposes by
  4. Promote, protect and fulfill the rights of every worker in the informal economy to decent work, which include but are not limited to, adequate earnings and productive work, decent working time, stability and security of work, equal opportunity and treatment in employment, safe work environment, access to social protection, and self-organization and representation.
  5. Develop and expand the entrepreneurial potential, creativity, dynamism, skills and innovative capacities of workers and economic units in the informal economy during the transition to the formal economy;
  6. Promote gender equality and eliminate gender-based discrimination in entrepreneurship and employment to ensure equal access of women and men to economic resources and to realize equal pay for equal work of equal value; and
  7. Pay special attention to those who are especially vulnerable to the most serious decent work deficits in the informal economy, including but not limited to women, young people, migrants, older people, indigenous peoples, persons living with HIV.

<sup>i</sup> International Labour Office (ILO), "Chapter 2: Statistical overview relating to the informal economy," in *Women and Men in the Informal Economy: A Statistical Picture*, 13.

<sup>ii</sup> ILO, "Empowering women working in the informal economy," ILO Issue Brief # 4 (2018), 1.

<sup>iii</sup> ILO, *2002 ILC Resolution and Conclusions on Decent Work and Informal Economy*, <https://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm>

<sup>iv</sup> Ibid.

<sup>v</sup> ILO, *Women and Men in the Informal Economy: A Statistical Picture*, 1.

<sup>vi</sup> ILO, "Empowering women working in the informal economy," 1.

<sup>vii</sup> Ibid.

<sup>viii</sup> Chen, Martha Alter. (2016). "Expanding the Economic Potential of Women Informal Workers." A Background Paper for the United Nations Secretary-General's High-Level Panel On Women's Economic Empowerment. December 2016. p.21-22. Available at <http://www.wiego.org/sites/default/files/resources/files/WIEGO-expanding-econ-potential-informal-workers.pdf>

<sup>ix</sup> Ibid

<sup>x</sup> Ibid.

<sup>xi</sup> Martha Alter Chen, "Expanding the Economic Potential of Women Informal Workers." A Background Paper For The UN Secretary-General's High-Level Panel On Women's Economic Empowerment. December 2016. Available at <http://www.wiego.org/sites/default/files/resources/files/WIEGO-expanding-econ-potential-informal-workers.pdf>

<sup>xii</sup> Ibid.

<sup>xiii</sup> Ecumenical Institute for Labor Education and Research, Inc. "Action Research on the Multi-dimensional Vulnerabilities of Women Workers in the Informal Sector." Philippines. June 2015. Available at <https://amrc.org.hk/sites/default/files/EILER-PH-Vulnerabilities%20of%20Women%20Workers%20in%20Urban%20Poor%20communities.pdf>

<sup>xiv</sup> Ibid.

<sup>xv</sup> Ibid.

<sup>xvi</sup> Martha Alter Chen, "Expanding the Economic Potential of Women Informal Workers."

<sup>xvii</sup> Ibid.

<sup>xviii</sup> Lucita Lazo, "Challenges in the Economic Participation of women as entrepreneurs," PIDS Policy Notes No. 2015-03; retrieved from [https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1503\\_rev.pdf](https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1503_rev.pdf).

<sup>xix</sup> Ibid.

<sup>xx</sup> Samuel P. Medenilla, "Government 'blind' to informal workers' true numbers." *Business Mirror*, March 28, 2019. Retrieved from <https://businessmirror.com.ph/2019/03/28/government-blind-to-informal-workers-true-numbers/> last June 28, 2019.