

THEMATIC PAPER 3

**THE FUTURE OF THE WORKERS IN THE INFORMAL SECTOR:
TOWARDS FULFILLING THE CONSTITUTIONAL MANDATE OF SOCIAL
JUSTICE AND HUMAN RIGHTS IN THE INFORMAL SECTOR.**

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For

Economic, Social and Cultural Rights-Asia (ESCR-ASIA)

In cooperation with GOP-United Nations Development Program – Fostering Democratic
Governance
and the University of the Philippines-National College for Public Administration and
Governance (UP-NCPAG)

Acknowledgements

This study wishes to acknowledge many existing works in the form of researches by various scholars, advocates and groups among them, scholars of the School of Labor and Relations (SOLAIR) of the University of the Philippines (UP) and men and women of the Homenet Philippines and PAMATABA who have done a lot on the issues of the informal sector and their recommendations. Their works are made as references to this study.

While these recommendations do not readily promise a significant difference in the lives of the informal sector both in the short and long terms, they could offer, at the very least, some points for discussion in various civil society initiated policy forums and hopefully, some light to inspire advocates of the rights of the informal sector.

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EXECUTIVE SUMMARY

Social Justice and Human Rights Under the 1987 Constitution

The 1987 Constitution, more than those of the 1935 and 1973 charters, is the most pro-labor and pro-people of all the fundamental laws ever ordained by the Filipino people.¹

In Section 1 of Article XIII, it directs that Congress must give the highest priority to the enactment of measures that protect and enhance the rights of all people to human dignity; reduce social, economic and political inequalities and remove cultural inequities by diffusing wealth and political power for the common good.²

The 1987 Constitution vigorously, more than ever, put forward the pursuit of social justice and human rights in the country. Unfortunately, contrary to such mandate, the Government still has much to do towards fulfilling such high mandate.

Thus, it is significant that State and Society take stock of the situation of the informal sector in order to give flesh and meaning to the fullness and essence of the mandate for Social Justice and Human Rights.

Significance of the Informal Sector.

More than a hundred years back, the majority of workers had already been those in the informal sector.³ Today, they remain to be so.

This segment of society is not only the largest segment in the labor force but appears to be growing. Prior to 2003, it was estimated that about 50 percent⁴ of the country's entire labor force comes from the informal sector. In 2003, it was estimated to be about 65 percent of the total employed labor force and in fact grew by 2 million in that year.⁵

Most importantly, the activities in the informal sector serves as the coping mechanism of the poor to survive⁶ in this society which has been unable develop the formal sector. In other words, as the formal sector fails to absorb more workers, the informal sector is increasing. The informal sector is veritably the absorber of workers unable to go into the formal sector or displaced from the formal sector. The sector's role in the overall productive capacity and the viability of the entire productive forces within the local economy has been critical. It is also worth noting that some workers in the informal sector are getting richer through their businesses and at the same time taking advantage of their co-workers in the informal sector.

Reason for its Existence

The informal sector arose mainly out of underdevelopment and poverty in the country especially in the rural areas. In pursuing its brand of industrial development, rapid urbanization took place. With it, fresh labor force in the countryside was attracted by the urban areas.

While in the urban centers, displaced farmers and their families contend for whatever sort of livelihood and employment they could find in the unfamiliar urban territories. In the process, this has created a population of marginalized and vulnerable sectors whose income is inadequate and protection and amenities are quite low.

Legal Disempowerment of the Informal Sector

Neglected and taken for granted, the informal sector is excluded from effective labor relations strategies and most especially, in the enforcement of minimum labor standards.

This sector is largely unorganized and thus, not fully represented in critical decision and policy making bodies, both in private and local governments.

Actions and Initiatives from Trade Unions, Civil Society and the Government

Some trade unions, already suffering from a shrinking membership, have taken greater interest to address the plight of the informal sector. Trade unions have been rethinking its traditional/classical strategies and approaches in organizing work. Overall, however, initiatives of trade unions have been limited and minimal.

Civil society on the other hand, has done various initiatives and actions promoting the interests of the informal sector in terms of research, advocacy, lobbying and livelihood programs. On the part of government, different levels of initiatives have been made.

The pursuit of these actions and initiatives for the informal sector cannot be left to the trade unions. The interests of the informal sector can best be sustained using a multi-dimensional approach based on a social partnership⁷ with the government – national and the local government units, civil society and the trade unions.

Problems and Obstacles

The move to bring the informal sector into the mainstream of society's economic productivity engine is sound and timely. With widespread poverty and low economic productivity, it is imperative. However, this effort may eventually pose more challenges than opportunities given the following factors:

- The weaknesses of the country's legal framework in addressing informal sector concerns, specifically on issue of labor rights;
- The difficulties of established institutions that champions labor causes, such as trade unions in responding to the needs of the informal sector; and
- The lackadaisical effort on the part of the government to bring forward the concerns of the informal sector into the arena of policy dialogue and reforms.

Studies on the Informal Sector

Over the last several years, studies and analyses on the informal sector have been carried out by eminent scholars in various academic institutions in the country, the civil society and trade unions. These studies and analysis remain relevant. They have been very lucid in their analyses and emphatic in their recommendations in support of a serious, comprehensive, holistic and urgent intervention in the informal sector.

The rich experiences gained by trade unions, civil society and the government through the years offer great insight and wisdom on the measures needed by the informal sector. It is thus timely that these actions and initiatives are consolidated and made as the basis for more actions and interventions.

Recommendations

The following comprise the recommendations of this particular study:

- Initiate a nation-wide leveling-off consultation process involving the informal sector representatives, the government, the private sector, non-governmental organizations involved in community based and/or sectoral self-help programs and other key

- Carry out a substantial review of the prevailing legal framework and assessment on all related institutional mechanisms that are relevant to the concerns of the informal sector;
- Promote informal sector issues to LGUs, national line agencies and civil society groups and institutions;
- Undertake widespread public education campaign to generate public sentiments and support to the informal sector as a whole.

More specifically, concrete programmatic interventions will have to be in place within the government's institutional mechanism in collaboration with civil society groups and their corresponding institutions. These could be in the form of:

- *Capacity building for informal sector workers* through an expanded supplementary manpower or technical skills training program to informal sector workers for the purpose of preparing them for jobs in formal sector;⁸
- *Entrepreneurial capacity enhancement to informal sector entrepreneurs* through business development and management skills (with special stress on marketing) training to informal sector business owners;
- *Establish working coordinative linkages with the organized informal sector groups* so that empirical studies, validation of issues and concerns, building a lasting institutional consultative mechanisms; and other organizational concerns can be undertaken;
- *Create a central fund to support informal sector concerns ranging from institution capability building to microfinance services* which can be done in various levels of government hierarchy, that is, at the local level to the national level. Those who will access these funds will have to undergo registration/accreditation.

I. INTRODUCTION

A. Background

The significance of the informal sector rests on the fact that since the last 100 years, at least, and up to the present, it still comprises the majority of workers.⁹

Prior to 2003, it accounted for about 50 percent of the entire Philippine labor force, according to a study by Litong, et al. in 2002 and Yu, 1999. This figure was finally arrived at by using statistical instruments based on labor force categories which approximate the typical features such as “own-account work and unpaid family labor”.¹⁰

In 2003, using the residual methodology, and utilizing NSO Labor Force surveys and Annual Survey of Philippine business and Industry, it was estimated to be about 65 percent of the total employed labor force and in fact grew by two million in that year¹¹.

Mistakenly thought to be merely a transitory feature of a characteristically developing economy, the informal sector has remained a permanent feature of the Philippine economy for the past two decades.¹² Indications point that this feature will continue for some time.

Currently under stress of globalization, the labor market is seeing more informalization and contractualization of jobs. This is the reason why the formal sector’s absorption of labor is decreasing while the informal sector is increasing.¹³ Indeed, if in the past, self-employment, casual work, contractual employment and part-time jobs were the typical form of employment, presently, these are becoming typical work arrangements for an increasing number of people.¹⁴

Bach Macaraya shares this same observation that regular employees have been dwindling through the years and that there is a growth of flexible work arrangements represented by contractual, part-time, casual, commission paid, boundary and home workers¹⁵.

Given this trend, there is an urgent need to closely determine the dynamics of the informal sector. There is a need to surface the various critical issues affecting the informal sector and analyze them in the context historical and current socioeconomic, socio-political and cultural trends. There is also need to assess the current legal framework and determine what possible workable reform measures and approaches should be done to broaden the country’s legal perspectives.

⁹ Bonifacio Macaranas, Ma. Catalina Tolentino and Prof. Jorge Sibal in the article “the Informal Sector: Empowered after a century of the labor movement?”, 2001

¹⁰ According to the same source: “Another method of measuring the economic outputs of the informal sector is called the *residual* approach. It takes the economy-wide employment from the household-based labor force survey and the Census of Establishments or the Annual Survey of Establishment which covers enterprises with recognizable and fixed locations. The difference between the household-based and the enterprise-based data is presumed to represent informal sector employment. Based on this approach, informal sector employment was found in 1988 to account for 85 to 90 percent of the total employment in the private sector and, in 1993, from 80 to 91 percent of the trade services and

B. Significance of the Study

While there have been several noteworthy works on the informal sector, there is a need to distill their contents into a document that highlights various critical labor-related issues, their respective analysis, and recommendations. Notably, several issues involving the informal sector have not been deeply assessed and evaluated yet. It is imperative to continue such researches to be able to fully grasp said issues.

Two such issues are the existence of specific labor rights and the social protection available to the informal sector. Another is the determination of the various sub-sectors of the informal sector since the informal sector is by nature heterogeneous. So far, most studies that have been the subject of readings are of general application.

Further, there is a need to bring these concerns into the arena of public opinion to instill wider awareness and popular support to the issues and concerns of the informal sector. The reasons behind these moves are increasingly becoming more urgent in the light of the prevailing economic difficulties and helplessness of both national and local economies and the imperatives of addressing widespread poverty and productivity in the country.

Hopefully, this paper may contribute further to the process of discussion and dialogue to enrich the country's legal framework to be able to respond to the issues and concerns of the informal sector.

C. Objectives of the Study

The main objective of this study is to examine further and instill deeper understanding of the informal sector in the light of current local and international socio-economic and socio-political contexts that directly impact its growth and development.

More specifically, this would include the following:

- 1) To carry out an analysis of the various critical issues affecting the informal sector;
- 2) To assess the relevance and effectiveness of existing laws under the current legal framework;
- 3) To arrive at broader mindsets and perspectives in situating the issues affecting the informal sector within the larger scope of social reality, such as economic globalization;
- 4) To identify certain measures that can protect the collective interests of the informal sector within the context of the prevailing legal framework;
- 5) To foster a renewed and high-spirited dialogue on the critical issues affecting the informal sector in the arena of public discourse.

Like in other previous works, the writers hope that this endeavor “may form part of the basis in formulating feasible rights-based interventions for the sector.”¹⁶

D. Methodology

This paper is largely based on secondary information and few key informants. Much as it was desired to conduct a survey to accurately determine various issues involving labor rights and social protection for the informal sector, this was not feasible in view of the limited time

E. Scope and Limitations

This paper is an effort to examine further the issue of labor rights and social protection of the informal sector based mainly from the mandate for Social Justice and Human Rights of the 1987 Constitution in relation to the provisions of the Labor Code of the Philippines.

This perspective of Social Justice and Human Rights should be made the foundation of the assessment of the existence or non-existence of labor rights and social protection, or the shortcomings thereof, not the provisions of the Labor Code alone. Basing the determination of such questions on the Labor Code would not only be insufficient but misleading. Correlating the provisions of the Labor Code vis-à-vis the informal sector with the provisions of the Constitution gives more basis to a better appreciation of what labor rights and social protection are accorded to and not accorded to Filipinos in terms of legislations. On this basis, one can easily pinpoint what needs to be legislated in terms of social justice and human rights and what needs to be pursued in terms of programs.

It must be stressed that what may not be provided by the Labor Code as labor rights and social protection, do not exist as rights. This is so because the Constitution provides rights which may not be in the Labor Code. Among these rights are those enumerated under Article XIII of the Constitution.

This paper focuses on the issue of the existence of labor rights and social protection of the informal sector. In doing this, this paper is constrained to based on the two (2) major classifications of the informal sector; wage employee and own account/self-employed.

It has been pointed out that among the two (2) classifications of the wage employee, informal worker and the self-employed/own account, there are so many other sub-classifications such as home-based/non-home based; male/female, etc. Certainly, it would have been the best and the most fruitful undertaking to consider the many classification of each and every informal worker. On the basis of such comprehensive classifications of the different sub-sectors of the informal sector, a more detailed discussion of the rights would have proceeded. However, time constraints and resources prevented this.

This paper includes an attempt to make a classification of the different sub-classifications but is mainly focused on the two (2) major classifications.

II. A CLOSER LOOK ON THE INFORMAL SECTOR

A. Perspectives

A deeper analysis of the situation of the informal sector can be developed by using different perspectives on the informal sector. The study entitled *An Assessment of the Situation of the Informal Sector in the Philippines: a Human Rights Perspective* by Glenda Litong, Resurreccion Lao and Jerry Apolonio, employed two (2) of those, namely: historical and socio-analytical perspective.

The historical perspective provides an overview of the significant milestones in the past that marked major developments that relate on the present situation of the informal sector. On the other hand, the socio-analytical perspective explains the various sociological factors that facilitated the emergence of the informal economy.

1. Historical Perspective

This portion takes a critical look at the various stages of more recent history that could shed light on the origins of the informal sector and the factors that led to the growth of the underground economy.

The Post-War Era.

The study of Litong, et al., traces the growth of the informal sector on the years following the Second World War. It states that the aftermath of the war left the Philippines largely devastated and by mid-1945, the then newly formed government carried out massive rural reconstruction work. To rebuild the country's crippled economy, the government embarked into livelihood programs and in extending employment incentives. Although the main objective of the post-war reconstruction effort was focused on the rural areas where most of the country's population then resides, the main thrust was directed at facilitating industrialization. Known as the 'import substitution' strategy, it sought for the restricted importation of consumer goods but at the same time encouraged the mass production of the same goods.¹⁷ This resulted to the development of urban-based and capital-intensive industries.

Despite the large-scale support given by government to the whole effort, the period was characterized by sluggish and retarded growth in the domestic market. This is largely due to the fact that most of government resources were poured into the thriving manufacturing industry in the urban areas while agricultural development was left out of the process. Whatever government assistance intended for the agricultural sector was directed for the production of cash crops such as sugar and coconut, leaving out the production of basic food products such as rice and corn to the fate of the country's impoverished rural population. This then brought about large scale migration of the country's rural folks into the urban centers.

The growth of the industrial sector and the corresponding stagnation of the agricultural sector strengthened unequal development which brought about the concentration of economic power to a few wealthy industrialists. This led to the marginalization of small-scale enterprises,¹⁸ which in the long run stifled employment creation.

At the agricultural front, the introduction of modern farm machines and implements to

about the widespread dislocation of rural migrants into the country's urban areas since they could not easily find jobs in the industrial sector.

The Marcos Era.

The attempt “to revise the ‘import substitution’ began during the Marcos Era in the implementation of the export-oriented strategy,” according to the Litong et al study in 2002. This led to the extraordinary rise of the country's GNP and GDP, which is largely attributed to the ballooning of external debt throughout the decade of 1970s. Within the decade, unemployment and under-employment trends played a major role in the health of the national economy. Unemployment and under-employment continued to persist throughout the decade reaching up to 18.9 percent in 1977. This was then coupled with the growing uncertainty in the world economy due to the stranglehold of powerful monopolies among oil industries of the Middle East. These twin factors slowed down the national economy and by the turn of the decade, the Philippines “was already heavily dependent on the Middle Eastern petroleum for its energy needs.”¹⁹

The economic liberalization strategy in the 1980s which was intended to generate and distribute economic opportunities throughout the country gave hope to small-scale businesses. “But the political turmoil of the time proved to be [such] a strong force to contend with.” By 1982, the Philippine economy was in a much worse financial situation since the end of the Second World War in 1945. The assassination of former Senator Benigno Aquino in 1983, a staunch Marcos critic and the most popular opposition personality at that time, further fanned out the political turmoil leading to the widespread unpopularity of the Marcos regime. “The increased insurgency and uncertainty of the Marcos regime brought the country a period of severe [economic] recession from 1983 to 1985.” At this time, the country's economic players were plunged into stiff competition among themselves—of course, to the detriment of small-scale industries. And even among local big players, they were “experiencing difficulties with the entry of multinational companies.”

The significance of the Marcos Era is aptly summarized as follows:

“...Thus, any amount of economic development did not lead to the [massive] creation of job opportunities. The country's employment status remained stagnant, if not continually eroding. Alonzo (1991) pointed out that at that time of economic crisis in the 80s, as heavily protected industries collapsed, workers laid off from their jobs sought refuge in self-employment that could not offer the same security as their former jobs.”²⁰

Continuing Trade Liberalization.

Throughout the decade of the 1990s, trade liberalization has been the over-riding strategy to attain industrialization and economic development as consistently reflected in the economic policies pursued by the Aquino Administration. In spite these, the country's GNP slid down during the early years of the decade largely due to the “economic slowdown of major export markets.” The repeated attempts to topple the Aquino Administration by rival political personalities and politically motivated disgruntled military personnel, the devastating natural calamities and energy shortages that eventually led to the spiraling increases in oil products further aggravated the situation. These “resulted in investors' lack of confidence in the Philippine market.”

The relative respite from political upheaval during the Ramos Administration gave a boost to trade liberalization. In fast-tracking trade liberalization programs, the Ramos Administration

prevailed at that time proved to be too severe for small business.”²² According to a very recent study focusing on the basic rights of the players of the informal sector:

“... records of the DOLE in 1998, [in just] over a period of five months, the country recorded 64,859 layoffs immediately following the first rush of the late 1997 crisis. This figure surpassed even that recorded for the entire year of 1997, which were only 62,736. By the end of 1998, 150,000 workers were displaced.”²³

As trade liberalization persists up this present time, Litong et al. adequately captured the description of the current situation in relation to the plight of the informal sector:

“... with a strengthened civil society in the country, the debate is to whether or not the government should maintain its policy pushing for an economic strategy based on trade liberalization without adequate measure to address the situation of those who are negatively affected by it. The lessons from the recent administration stand: the so-called economic recovery in 1994 indicated by high growth rates was not able to address the pressing need for employment in the country. Jobs continued to be scarce and the quality of available work deteriorated. Furthermore, the financial and political crisis in the country, in the region of the world at present provides for a context of mass layoffs and the persistence of higher unemployment and underemployment rates—and as a result, the growth and development of the Philippine informal sector.”²⁴

2. Socio-analytical Perspective

A sociological perspective looks at the situation of the informal sector “in terms of the social structure persisting in the country.” In addition, it will try to trace how the concept of the informal sector came about and ‘the differentiation and conflict that result from such understanding.’”

The Informal Sector as it is. Being part of the informal sector one would have to contend with the stigma of being illegitimate. According to Litong et al the informal sector is:

“...borne out of a social setting characterized by [the] lack of employment opportunities, soaring demand for services, and economic policies that encourage competition to the detriment of small-scale enterprises, aside from a structure of burdensome bureaucratic regulation and prevalent poverty. Government bureaucracies in a developing country such as the Philippines are unable to respond to increased requests for licenses and services, therefore forcing legitimate entrepreneurs to go underground. To a certain extent, the activities within the informal economies are legitimate—being shaped and influenced by existing market forces and yet, due to its unregistered and unregulated character, have been regarded as illegitimate.”²⁵

The inadequacy of the local economy to absorb most of the country’s labor force and massive displacement of workers brought about a significant portion of the population that “...has no other option but to participate in economic activities that have been defined as ‘underground’, ‘informal’, or ‘unregulated’. And yet in the aspiration for better living, these people find themselves in yet another situation that often takes advantage of them and treats them unfairly. Highly inequitable and dangerous working conditions, low income, little or no job security, and rare enforcement of safety and health standards are indicators that this undertaking is indeed hazardous. More so, the people who participate in the informal

However, while the informal sector has continued to thrive over the years, the mainstream society or more specifically, the influential social and economic forces that propel the formal economy would eventually exert effort to stifle the growth development of the informal sector as a whole:

“... as the informal economy developed and started to have its own dynamics in the society that bred it, the structure present [would] impose[d] itself upon the informal economy and impede[d] its growth for the benefit of the few. The problematic nature of the informal economies at the present can be attributed to this process of *decoupling*.²⁷”

The Social Phenomenon of the Informal Sector.

The emergence of the underground economy as a “viable option for [the] unemployed and underemployed” created a dichotomy within the local economy—that is, one *formal*; the other one *informal*. Being informal would have to mean being “separate from the mainstream social categories.”

In describing the informal sector the ILO “offers a clearer understanding as to who are the actors of the informal economies as stipulated in its 1993 document:²⁸

“...very small-scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers in urban areas of developing countries, some of whom also employ family labor and/or a few hired workers or apprentices; which operate with very little capital, or none at all; which utilize a low level of technology and skills, which therefore operate at a low level of productivity; and which generally provide very low and irregular incomes and highly unstable employment to those who work in it. They are informal in the sense that they are for the most part unregistered and unrecorded in official statistics; they tend to have little or no access to organized markets, to credit institutions, to formal education and training institutions, or to many public services and amenities; they are not recognized, supported or regulated by the government; they are often compelled by circumstances to operate outside the framework of the law, and even where they are registered and respect certain aspects of the law that are almost invariably beyond the pale of social protection, labor legislation and protective measures at the workplace.”

On this basis, the concept of the informal sector can be summarized as:²⁹

- 1) Economic activities which are smaller in scale, capital and productivity;
- 2) They are not registered or formally approved by authorities;
- 3) They are not recorded in official statistics; and
- 4) Their contributions to the nation are rarely acknowledged.

Given these descriptions, the mainstream economy largely harbors a negative perception on the informal sector as *unrecognized*, hence *illegal*—although many of their economic activities are within the bounds of the law. For the mere fact that they are “labeled” as *informal* they are excluded in various democratic processes as “their concerns are rarely considered in national legislations, they are excluded in various service-oriented programs of government agencies, and no mechanism that would safeguard them as economic actors.”³⁰

According to Darrell E.L. Sampang in a comprehensive thesis entitled “*Rationalization of the Basic Rights of Those in the Informal Sector, Using the Human Rights Based Approach of Development, Towards the Creation of a Legal Framework for their Social and Economic Integration*,”³¹ the term informal sector was coined in 1971 by Mr. Keith Hart in a report entitled *Informal Income Opportunities and Urban Employment in Ghana*.

As the title suggests, the article “served as an additional boost to the already growing dualist thinking of the time with respect to the growing division between actors involved in economic activity and employment”, which is principally distinguished as either formal or informal income opportunities, “whether or not one was a wage earner or self-employed.” In Hart’s mind, self-employment “was largely a result of the lack of regular employment in private corporations and the insufficiency of government facilitation.”³²

In adapting his findings, the ILO expanded Hart’s definition of informal sector by listing the following seven criteria:

- 1) Ease of entry;
- 2) Reliance on indigenous resources;
- 3) Family ownership of enterprise;
- 4) Small scale operation;
- 5) Labor-intensive and adapted technology;
- 6) Skills acquired outside the formal school system; and
- 7) Unregulated competitive markets.³³

The ILO also argued that its activities “are largely ignored, rarely supported, often regulated, and sometimes actively discouraged.” Thus, in delineating the formal and informal sectors, “the ILO aligned the informal sector with poverty and called for massive governmental support through technical assistance, training, credit, and simplified licensing procedures.”³⁴

2. In Terms of Legal Definition

The Social Reform and Poverty Alleviation Act of 1988 (RA 9485) defines 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 workers in such enterprises who sell their services in exchange for subsistence level wages or other forms of compensation x x x,”

On the other hand, the National Statistical Coordination Board (NSCB), defined the informal sector as follows

: “x x x

Conceptual definition

The informal sector consists of “units” engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons concerned in order to earn a living.

These units typically operate at a low level of organization, with little or no

Labor relations, where they exist, are based on causal employment, kinship or personal and social relations rather than formal or contractual arrangements.

Operational Definition

For statistical purposes, the informal sector shall refer to household unincorporated enterprises which consist of both informal own-account enterprises and enterprises of informal employers.

Informal own-account enterprises are household unincorporated enterprises owned and operated by own-account workers, either alone or in partnership with member/s of the same or other households which may employ unpaid family workers as well as occasionally/seasonally hired workers but do not employ employees on continuous basis.

Enterprises of informal employers are household unincorporated enterprises owned and operated by own-account workers, either alone or in partnership with members of the same or other households which employ one or more employees on a continuous basis. x x x ”

3. In Terms of Economic Activities

During the Informal Sector Assembly held at the TESDA Women’s Center on December 17-18, 2001, participants enumerated the occupations encompassed by the informal sector as follows:³⁵

- 1) Home-based workers;
- 2) Vendors;
- 3) Small-scale transport operators;
- 4) Non-corporate construction workers;
- 5) Others—that would include: small miners; rural workers; agricultural workers; waste recyclers; domestic helpers; scavengers; repair shops, sari-sari stores, and *carenderia*; photocopiers; contactors and sub-contractors.

4. In Terms of Individual Roles/Functions

Consistent with the foregoing definitions of the informal sector, there are mainly two types of roles/functions of the informal sector, and they are: (1) the owner of business who would have to employ a limited number of people to work for him in his small scale business (Own Account\Self-employed) ; and (2) those people that are employed in the informal businesses (Subsistence\Marginal employment).

The following matrix would illustrate both similar and differing conditions of the two roles:

Table 1.

PREVAILING	OWN-ACCOUNT/SELF	SUBSISTENCE
------------	------------------	-------------

	hostilities of the authorities.	his/her own business.
4) Access to productive resources	Capital credit may be available at staggering costs.	Personal credit may be available provided if income is somehow regular and/or predictable.
5) Safety in the workplace	Uncertain	Uncertain

5. Other Sub-Classifications

The informal sector represents a vast number of operators and workers who are involved in different kinds of economic activities. These enterprises vary by nature of activity, size, degree of informality, operation characteristics, viability and the types of problems and constraints they face.³⁶

Within the two (2) classifications of the wage/marginal employee and the self-employed/own account worker, there are several other informal sectors having different features.

These sub-classifications equally merit studies as their needs may be different and therefore, the understanding of their labor rights and social protection may also be different. Among the sub-classifications of these two (2) groups are as follows:

5.1. In terms of Geography

5.1.1. Urban based³⁷

5.1.2. Rural based³⁸

5.2. In terms of Premises

5.2.1. Home based³⁹

5.2.2. Non Home based⁴⁰

5.2.2.1. Private premises⁴¹

5.2.2.2. Public premises⁴²

5.3. In terms of Gender

5.3.1. Male⁴³

5.3.2. Female⁴⁴

5.3.3. Third Sex⁴⁵

5.4. In terms of Vulnerability

5.4.1. Children⁴⁶

³⁶ Simplicio Endaya and Antoniete Bolanos, A Background on the Informal Sector in the Philippines cited by Myrna Feliciano in Review of Policy and Legal Framework affecting the Informal Sector, 2002

5.4.2. Person with Disability (PWD)⁴⁷

5.5. In terms of Industry

5.5.1. Industrial

5.5.2. Commercial

5.5.3. Services

5.5.4. Agricultural

5.6. In terms of Occupation

5.6.1. Fisherfolks

5.6.2. Farmers

5.6.3. Construction

5.6.4. Drivers

5.6.5. Vendors

5.6.6. Laborer

5.6.7. Sales personnel

5.7. In terms of the Nature of Employment

5.7.1. Casual

5.7.2. Contractual

5.7.3. Seasonal

5.7.4. Permanent/Regular

5.7.5. Pakyaw/Commission Basis/Boundary system

5.8. In terms of Nature of Means

5.8.1. Criminal⁴⁸

5.8.2. Non-criminal⁴⁹

6. Typical Example of Informal Sector Workers

The best examples informal sector workers would come from home-based businesses or 'cottage industries' and small shops. These workers are any of the following: immediate or extended members of the family or apprentices or non-relative hired hands. They are either paid on a daily basis with below minimum wages or in terms of fixed percentages for every piece of work they do. Essentially, the manifestation of employer-employee relations is somehow present but being informal that is, being small with hardly any capital and government registration such relations remain unclear.

would often live in the same abode, which both serves as family quarters and working area at the same time.

Authority or more precisely, *absolute authority* rests on the operators and hardly any one from the workers would question such authority. Rewards and sanctions, on the one hand, is the sole prerogative of the informal operators—and such prerogative is absolute. While rewards could seldom be in monetary forms or if ever there are monetary considerations involved, they are shared among the rest of the workers and the families of the operators in the form of eating junkets with heavy drinking or sometimes workers' pays are raised—all depending on the sole decision of the informal business operator.

Sanctions on the other hand could also be dispensed with easily and liberally in the form ranging from verbal abuse to corporal physical punishment. These forms of punishment are an essential means for informal business operators to assert his/her authority. From vulcanizing shops that hires able bodied boys with ages ranging from 12 to 18 years old to beauty salons that employs older male gays—workers in these types of informal sector business are subject to such forms rewards and punishments.

C. Summary of issues affecting the Informal Sector

Taking into consideration the various points raised with regards to the features, characteristics, behavior or manifestations of the informal sector, the core issues directly affecting said sector can be described as follows:

- a) ***Institutional inconsistency in recognizing the existence and rights of the informal sector workers*** – The various institutions in society look at the issues of the informal sector inconsistently. For instance, while social institutions like the local communities and their corresponding LGUs and even some national line agencies are somehow aware of the activities and concerns of the informal sector (since the informal sector is very well integrated in the local communities), the country's legal institutions are at a loss as to how to deal with them. Being mainly outside of the purview of the country's legal framework, jurisprudence on the informal sector has remained sparse and inadequate in recognizing the inherent labor rights of the informal sector workers.
- b) ***Inadequacy of the prevailing working understanding of the phenomena of the informal sector*** – Being 'labeled' as informal somehow would have to mean being outside of the mainstream economic activities—even if such activities are not outside the bounds of the law. This understanding has reinforced the following development philosophy: (1) that the Philippine local economy exist in a dichotomy—one for formal and another one informal and there is not much we can do about it; and (2) that the informal sector is an aberration of economic development and is largely temporary in nature as the economy will, in the long term correct itself. In either way both schools of thought imply that development efforts will not be able to make the necessary difference in the long run since the local economy is on autopilot. Hence, any development intervention directed at the informal sector would be largely palliative or more precisely alleviatory (such as, poverty alleviation) for the mean time, since the economy is still in the process of stirring towards the right course.
- c) ***Inadequacy of some poverty alleviation strategies.*** – Such strategies are doomed to backfire especially if the main target for such alleviation strategies is not poverty itself. Alleviation strategies are largely directed at alleviating the 'pain' of poverty but

and despair' of poverty to actually searching for ways and means to reduce the incidence of poverty by providing opportunities for poor families to escape the clutches of poverty.

III. LABOR RIGHTS AND SOCIAL PROTECTION OF THE INFORMAL SECTOR IN THE PHILIPPINE LEGAL SYSTEM

A. Labor Law and Social Legislations vis-à-vis the Informal Sector In General

Philippine labor laws refers to statutes, rules and jurisprudence governing the workers, more particularly, relations between capital and labor by providing certain standards of terms and conditions of employment and providing a legal framework with which these terms and conditions are negotiated or adjusted.

Philippine labor laws are divided into two (2) kinds:

1. Labor Relations. They refer to rules which define the status, rights and duties and the institutional mechanisms that govern the interaction of employers, employees or their representatives;
2. Labor Standards and Social Protection.

Labor standards refer to minimum requirements prescribed by existing laws relative to wages, hours of work, and other monetary and welfare benefits

Social Legislations refer to rules requiring payment from government agencies to the worker or his family when work is interrupted due to illness, disability, old age, death and similar hazards.

These laws emanate from the following sources:

1. 1987 Constitution
2. Labor Code and other Statutes
3. Jurisprudence
4. Treaties and conventions
5. Implementing rules and regulations
6. Local Government Code and Local Ordinances
7. Local customs and traditions and principles of justice and equity

B. Constitutional and State Policies

The 1987 Constitution is the highest law of the land. All other laws are subordinate.

The 1987 Constitution declares the form of the Philippines State as democratic and republican⁵⁰. It states that the objective of the State is to promote a just and dynamic social order that will ensure prosperity and independence of the nation and free the people from poverty⁵¹. It also declares that the state shall promote social justice in all phases of national development as a state policy⁵².

Unlike in previous constitutions, the 1987 Constitution devotes an entire article on Social

The concept of Social Justice stresses the imperative of giving priority to the interests of the common good rather than the interests of a few. The concept of human rights gives primacy to human dignity of individuals rather than the interests of groups.

With respect to labor, it states that “the state should afford full protection to labor and the promotion of full employment and equality opportunities for all,”⁵³ without any kind of distinction between formal and informal workers.

In the same article, it also states that it “shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations, and peaceful concerted activities. They are also entitled to security of tenure, humane conditions of work, and a living wage. They shall also participate in policy and decision-making processes affecting their rights and benefits as may be provided by law “xxx.”

C. The Labor Code of the Philippines and Special Statutes Relating to Labor

1. Labor Code of the Philippines

1.1. Preliminary

The Labor Code of the Philippines (LCP) is the main statute regulating the relations of labor and capital. It was promulgated on May 01, 1974.

The provisions thereof are divided into seven (7) areas or Books, namely:

Table 2

Book	Title	Subject
Book I	Pre-Employment	Training of workers and their recruitment for overseas employment
Book II	Human Resources Development	Training of workers (apprentices, learners and handicapped workers)
Book III	Conditions of Employment	Minimum standards for employment
Book IV	Health, Safety and Social Welfare Benefits	Health and safety laws and social welfare benefits particularly the SSS and Employees Compensation Commission and State Insurance Fund
Book V	Labor Relations	Right to unions, collective bargaining and negotiations, unfair labor practices and to strike/lock-out
Book VI	Post-Employment	Security of tenure of workers and retirement
Book VII	Prescription, Transitory and Final Provisions	Periods to complain/take action and penalties

workers and employer. The state shall assure the rights of workers to self-organization, collective bargaining, security of tenure and just and humane conditions of work x x x”⁵⁴

1.1.2. Bundle of Rights

Labor laws are divided into 2 categories of rights: Labor Rights and Labor Standards and Social Protection Rights.

1.1.2.1. Labor Relations

These rights are intended to empower the capacity of the workers to deal with employers with respect to bargaining and negotiations involving the terms and conditions of their work and as well as to provide the proper mechanisms to resolve their disputes.

Specifically, these rights are as follows:

1.1.2.1.1. Right to unionism and workers associations

Employees or formal workers are allowed to forms union for collective bargaining and negotiations while non-employees or the informal employees are only allowed to form workers associations for purposes of mutual aid and protection.

Violations of these rights are not only administrative or civil but criminal as well and subject to imprisonment or payment of fines.⁵⁵

1.1.2.1.2. Right to peaceful concerted activities

Employees or formal workers organized under legitimate labor organizations (duly registered unions) enjoy certain rights not enjoyed by an ordinary workers’ association such as the right to hold strikes while non-employees or the informal workers are allowed only to picket or hold assemblies pursuant to the Bill of Rights of the Constitution.⁵⁶

This right is intended to afford labor the means to enforce its legitimate demands.

1.1.2.1.3. Right to participation in policy making processes involving labor rights

This right ensures the right of labor to participate in decision and policy making processes in the work enterprise affecting their rights, duties and welfare.⁵⁷

1.1.2.1.4. Right to security of tenure

This right ensures that workers are not arbitrarily deprived of their right of employment without due process of law.⁵⁸

1.1.2.2. Labor Standards

Labor Standards are the minimum standards of the terms and conditions of employment of employers which employers are mandated to follow. This means that these provisions apply to employees.

Certain employees however are exempted from labor standards such as government employees, managerial employees, field personnel, members of the family of the employer, domestic helpers, person in the service of another, piece rate workers.⁵⁹

These labor standards consist of the following:

1.1.2.2.2. Wages

1.1.2.2.3. Working conditions for special groups (Women, Minors, Domestic Helpers, Home workers)

1.1.2.2.4. Health and Safety

The right to health of workers consists of the medical and dental services and facilities provided for by the employers to the workers⁶⁰ to afford immediate treatment to the latter.

The right to safety refers to safety and health standards in the workplace in order to eliminate or reduce occupational hazards or dangers of injuries, sickness or death.⁶¹

1.1.2.3. Social Protection

Social protection has been defined as “the development, delivery and promotion of work-related standards and projects that would cushion the impact of unemployment, lack of access to basic social services, including the occurrence of calamities and force majeure. It is now increasingly recognized that social protection is a basic human right which is an inalienable part of work itself and an important component of basic labor standards.

Social protection provides households and individuals protection from a number of basic risks and needs through public or collective arrangements against low or declining living standards. The benefits enable workers and their families to survive situations which would otherwise force them into significant debt and lowered living standards.

Philippine law currently provides for four (4) modes of social protection, namely: (1) social security, (2) workmen’s compensation, (3) health insurance, and (4) housing.

Social Security

Social Security is governed by R.A. 8282 or the Social Security Act⁶² which provides protection to the employee and his/her family “against the hazards of disability, sickness, old age, and death, with a view to promoting their well-being in the spirit of social justice.” This coverage has been extended “to self-employed individuals, particularly targeting the informal sector.”⁶³

Workmen’s Compensation

Workmen’s compensation is governed by Title II, Book IV of the Labor Code and provides protection to workers by providing benefits in the event of work connected disability or death.⁶⁴

Health Insurance

Health insurance is governed by R.A. 7875 or the National Health Insurance Act of 1995. This aims to improve the implementation and coverage of the old Medicare program by including the self-employed and the poor who cannot otherwise avail of health insurance,” by giving priority to “the underprivileged, sick, elderly, disabled, women, and children.”⁶⁵

Housing

an integrated, nation-wide savings system.” Pag-IBIG coverage is “mandatory upon all SSS and GSIS member-employees and their employers, although coverage of employees whose monthly compensation is less than PhP4,000.00 (a month) is merely voluntary.”⁶⁶

1.3. Applicability

The provisions of the Labor Code do not apply equally to Filipino workers. The application of the law varies ranging from full⁶⁷ application, limited⁶⁸ to none at all.⁶⁹ The application rests primarily on the status as worker on whether or not he/she is an employee or not. This means that a worker who is at the same time an employee enjoys certain rights which a non-employee does not.

1.3.1..Respect to the Subsistence/Vulnerable Wage Employees (Temporary employees, home workers, domestic workers, casuals, etc.)

Table 3

Book	Title	Subject	Sub-Topic	Applicability
Book I	Pre-Employment	Training of workers and their recruitment for overseas employment		Limited application
Book II	Human Resources Development	Training of human resources especially special workers		Limited application
Book III	Conditions of Employment	Minimum standards for employment	Hours of Work	Limited application
			Weekly Rest Periods	Limited application
			Holidays	Limited application
			Service Incentive Leaves	Limited application
			Service Charges	Limited application (hotel and restaurant businesses only)

Book	Title	Subject	Sub-Topic	Applicability
			Wages	Limited application Domestic workers/home workers are receiving less pay Workers under employers who are exempt from wage laws due to BMBE;
			On Women	Applicable
			On Minors	Limited application
			On House helpers	Limited application
			On Home workers	Limited application
Book IV	Health, Safety and Social Welfare Benefits	Health and safety laws and social welfare benefits particularly the SSS and GSIS and state insurance fund	Medical Services	Limited application
			Dental Services	Limited application
			Occupational Health and Safety	Limited application
			Employees Compensation	Limited application
			Adult Education	Limited application
Book V	Labor Relations	Right to unions and to strike	Right to Form Unions and Associations	Limited application
			Right to Collective Bargaining/Mutual Aid and Protection	Limited application
			Unfair Labor Practices	Limited application
			Strikes and Lock-Outs	Limited application
Book VI	Post-Employment	Security of tenure of workers	Termination	Limited application
			Retirement	Limited application
Book VII	Prescription, Transitory and Final Provisions	Periods to complain/take action and penalties		Limited application

In the case of labor standards, while they have rights to labor standards, owing to being family members or their being based in a home, there is difficulty enforcing labor standards.

1.3.2. With respect to Own Account/Self employed informal sector

Table 4

Book	Title	Subject	Sub-Topic	Applicability
Book I	Pre-Employment	Training of workers and their recruitment for overseas employment		Limited application
Book II	Human Resources Development	Training of human resources especially special workers		Not Applicable
Book III	Conditions of Employment	Minimum standards for employment ⁷⁰	Hours of Work	Not Applicable
			Weekly Rest Periods	Not Applicable
			Holidays	Not Applicable
			Service Incentive Leaves	Not Applicable
			Service Charges	Not Applicable (hotel and restaurant businesses)
			Wages	Not Applicable
			On Women	Not Applicable
			On Minors	Not Applicable
			On House helpers	Not Applicable
On Home workers	Not Applicable			
Book IV	Health, Safety and Social Welfare Benefits	Health and safety laws and social welfare benefits particularly the SSS and GSIS and state insurance fund	Medical Services	Not Applicable
			Dental Services	Not Applicable
			Occupational Health and Safety	Not Applicable
			Employees Compensation	Applicable

Book	Title	Subject	Sub-Topic	Applicability
71 Book V	Labor Relations	Right to unions and to strike	Right to Form Unions and Associations	Limited Application (only associations/cooperatives)
			Right to Collective Bargaining/Mutual Aid and Protection	Limited Application. (only for mutual aid and protection)
			Unfair Labor Practices	Not Applicable
			Strikes and Lock-Outs	Not Applicable
Book VI	Post-Employment	Security of tenure of workers	Termination	Not Applicable
			Retirement	Not Applicable
Book VII	Prescription, Transitory and Final Provisions	Periods to complain\take action and penalties		Not Applicable

Labor standards are mainly not applicable to self-employed/own account workers because the labor standards apply only to a relation of an employer-employee.

With respect to labor relations, it is limited because under the law, they may form workers associations or cooperatives for their mutual aid and benefit.

1.3.2. By way of summary, the applicability of the provisions of the Labor Code is as follows:

Table 5

Book	Title	Subject	Workers Covered		
			Formal	Informal	
				Subsistence Employees	Own Account/Self-Employed
Book I	Pre-Employment	Training of workers and their recruitment for overseas employment	Applicable	Limited application	Limited application

Book	Title	Subject	Workers Covered		
			Formal	Informal	
				Subsistence Employees	Own Account/Self-Employed
II	Development	resources especially special workers		application	Applicable
Book III	Conditions of Employment	Minimum standards for employment	Applicable	Limited application	Not Applicable
Book IV	Health, Safety and Social Welfare Benefits	Health and safety laws and social welfare benefits particularly the SSS and GSIS and state insurance fund	Applicable	Limited application	Limited application
Book V	Labor Relations	Right to unions and to strike	Applicable	Limited application	Limited application
Book VI	Post-Employment	Security of tenure of workers	Applicable	Limited application	Not Applicable
Book VII	Prescription, Transitory and Final Provisions	Periods to complain\take action and penalties	Applicable	Limited applicable	Not Applicable

2. Special Statutory Laws related to labor

Other than the Labor Code, Congress had passed various special laws that relate to the rights of labor.

2.1. TESDA Act of 1994 (R.A. 7796)

In 1994, Republic Act No. 7796 otherwise known as the Technical Education and Skills Development Act of 1994, provides for technical education and skills development

This law mandates all government finance institutions (GFIs) in coordination with the National Anti-Poverty Commission in setting a window for micro-financing services.⁷³ This led to the establishment of the People's Credit and Finance Corporation, a government-controlled corporation registered under the SEC to provide wholesale funds for the microfinance sector, specifically the micro-finance institutions that deal with the poor.⁷⁴

The following are other relevant laws and credit facilities that “may directly or indirectly affect the human rights of the heterogeneous informal sector.”⁷⁵

2.3. The Comprehensive Agrarian Reform Law (RA 6657)

This law provides for the “welfare of landless and farm workers; protection of the rights of subsistence fishermen; and providing for support through adequate financial, production and marketing assistance and other services.”

2.4. The Sugar Amelioration Act of 1991 (RA 6282)

This law provides sugar workers “social amelioration benefits and opportunities for livelihood and income generating projects”

2.5. An Act Providing Assistance to Women Engaging in Micro and Cottage Business Enterprise (RA 7882)

This law provides for loan assistance for established women micro-entrepreneurs who underwent training with TESDA or any government accredited training institution⁷⁶

2.6. The Magna Carta of Small Enterprise (RA 8289 amending RA 6977)

This law “provides for assistance, counseling, incentives and promotion for micro-enterprises in industry, services, tourism, and agribusiness provided that these are registered with the office of the municipal or city treasurer.” In addition, “it also establishes a ‘minimal set of rules and simplification of procedures and requirements’ and the role of the private sector, including the participation and organization and establishment of small and medium enterprise industry associations.”⁷⁷

2.7. The Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) (RA 7393)

This law provides a credit support mechanism for the benefit of farmers, fishermen, retailers, whole sellers and primary processors of agricultural and aquatic commodities. It also implements a guarantee system to promote inventory financing of agri-aqua commodities; establishment of production and post-production facilities; acquisition of farm and fishery machineries, equipment and implements, and investments in production inputs and labor.⁷⁸

D. Department Orders: DOLE and related Executive Orders

The Department of Labor and Employment (DOLE) is the main agency promoting the rights of workers in the country.

From time to time, in the exercise of its executive functions, it issues guidelines and implementing rules and regulations in the form of department orders and executive orders. These orders are intended to provide the details of the statutes which are generally silent in details.

The DOLE has issued several Department Orders involving the informal sector. Among these are as follows:

1. Department Order No. 5 (1992)

Department Order No. 5 was enacted on 4 February 1992 and is Rule XIV of the Rules Implementing Book III of the Labor Code on Employment of Home Workers. Said Department Order covers all workers who perform industrial home work and provides standards for, among others, registration and duties of employers, contractors and subcontracts; wages, deductions conditions for payment, and standard rates, and prohibitions on who may be employed and what kind of work can be done.

2. Department Order No. 13 (1998)

Department Order No. 13 laid down guidelines governing Occupational Safety and Health in the Construction Industry, which is one industry where a good number of workers are under informal work arrangements. It applies to “all operations and undertakings in the construction industry and its subdivisions (namely, general building construction, general engineering construction and specialty trade construction) and provides guidelines for the formulation of a Construction Safety and Health Program for every construction project. It likewise stipulates the employers’ responsibilities such as training of safe personnel on construction safety and health concepts, preparation of safety health reports, and provision of workers’ welfare facilities.”⁷⁹

3. Department Order No. 18 (Series of 2002)

This Order regulates subcontracting and further amends Department Order No. 10, Series of 1997. It provides guidelines for registration of subcontractors.

4. Department Order No. 19 (Series of 1993)

This Order regulates workers in the construction industry.

5. Department Order No. 04 (Series of 1999)

This Order provides guidelines on hazardous work and activities to persons below 18 years of age.

7. Department Order No. 40 (Series of 2003)

This Order provides guidelines for registration of workers associations among others.

The Office of the President is another office in the executive branch that issues such guidelines. Among these guidelines are:

8. Executive Order 452 (1997).

This created a system of for registration and issuance of permits to vendors to protect their rights. It further provides support necessary for the self-development of

9. Executive Order No. 138 (dated August 10, 1999).

It directed government entities involved in the implementation of credit program to adopt the credit policy guidelines formulated by the National Credit Council, which is anchored on the following principles: (1) greater role of the private sector in the provision of financial services; (2) adoption of market-oriented financial and credit policies; (3) for government to provide enabling policy environment, critical support services, and capability building services that will facilitate the increase participation of the private sector in the delivery of credit services; (4) non-participation of government non-financial agencies and government-owned and controlled corporations in the implementation of credit programs.⁸⁰

D. Jurisprudence

Judicial decisions applying or interpreting the laws or the Constitution form part of the legal system of the Philippines.⁸¹ The totality of the judicial decisions is referred to as jurisprudence. Decisions have the force and effect of laws.⁸²

The Supreme Court is empowered to apply the law and in cases where ambiguities exist or the applicable amounts to a defective way, it is tasked to interpret the law. Thus, in the main its decisions are limited the extent of carrying out the policies of the law which are crafted by the legislative branch.

There have been some instances, however, when the Supreme Court made use of judicial statesmanship, activism or initiative, that is, render decisions not based on law or custom.⁸³ This is rarely done. As one justice put it, this happens from the molar to the molecular.

E. International Conventions

While ILO documents are not automatically binding to all its member states, the ILO Declaration on Fundamental Principles and Rights at work stipulates: “all members, even if they have not ratified the convention in question, have an obligation arising from the very fact of membership in the Organization, to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are subject to those Conventions, namely: (1) freedom of association and the effective recognition of the right to collective bargaining; (2) the elimination of all forms of forced or compulsory labor; (3) the effective abolition of child labor and (4) the elimination of discrimination in respect of employment and occupation.”⁸⁴

In various ILO documents, the following universal rights are recognized.⁸⁵

- 1) Free choice of employment;
- 2) Right to just and favorable conditions of work, which includes:
 - The right to just and favorable remuneration ensuring for him/her self and his/her family an existence worth of human dignity, and supplemented, if necessary, by other means of social protection;
 - The right to equal pay for equal work;
 - The right to decent living for themselves and their families;
- 3) The right to safe and healthy working condition; and

Having ratified all pertinent international instruments relating to the right to work and rights at work, the Philippines “has the obligation to enact domestic legislation, which would not only respect, promote and protect but also facilitate and fulfill these rights, both in favor of formal and informal labor.”⁸⁶ In expounding the weight of this provision, lawyer Glenda Litong et al., (2002) put forward the following explanation:

“These rights are entitlements, [and] not mere aspirations, of all workers in the Philippines, including the informal sector, borne out the dignity and integrity of human beings. The basic principle of government domestic application of international human rights treaties is the States [when becoming a party of an international treaty] who are deemed to submit themselves to a legal order in which they, for the common good, assume various obligations, not in relation to other States, but towards all individuals within their jurisdiction.”⁸⁷

F. Local Government Code and Local Ordinances

Regulation at lower levels of government is undertaken by the local government units by virtue of the Local Government Code of 1991 (RA 7061).⁸⁸ In addition to its taxation mandate, the local government units (LGUs) are empowered to work collaboratively with “people’s organizations and nongovernmental organizations to develop local enterprises designed to improve productivity and income and enhance the economic and social well-being of the people.”

Under this law, the local government units are mandated to set up their own Local Development Councils that are tasked to:⁸⁹

- a) Formulate long-term, medium-term and annual socioeconomic development plans and policies;
- b) Formulate the medium-term and annual public investment programs;
- c) Appraise and prioritize socioeconomic development programs and projects;
- d) Formulate local investment incentives to promote the inflow and direction of private investment capital;
- e) Coordinate, monitor and evaluate the implementation of development programs and projects.

In addition, the LGUs are mandated to provide a wide range of basic services from the barangay (village), municipal, provincial and city levels. These services would include:

- a) Agricultural support;
- b) Information services – for investment and job placement information services including taxation, marketing, etc;
- c) Tourism facilities and other tourist attractions;
- d) Investment support;
- e) Upgrading and modernizing tax information and collection services;
- f) Inter-municipal telecommunications;

In playing an important role in the registration and regulation of the informal sector, “particularly on the promotion, protection, facilitation and fulfillment of its constituent’s right to development,” the LGUs are really of great help to the informal sector.⁹⁰

In the case of urban centers, LGUs, such as in the National Capital Region (NCR) and other prominent urban areas such as Metro Cebu, Davao City and others, maintain a service center for its urban poor population. In times when certain urban poor areas are subject to demolitions, the city through its registry, can account for affected families and may be able to assist them in the negotiation process in order to secure important concessions such as relocations, disturbance costs, and others.

G. Local customs and traditions

Seldom mentioned but equally true is that local customs and traditions are sources of rights and obligations.⁹¹ Violation of the same is subject to payment of damages.⁹²

A custom is a rule of human action (conduct) established by repeated acts, and uniformly observed or practiced as a rule of society, through the implicit approval of the law makers, which is therefore generally obligatory and legally binding.⁹³

While ordinarily a law is written, consciously made, and enacted by Congress, a custom is unwritten, spontaneous, and comes from society. Moreover, a law is superior to a custom as a source of a right. While the Court takes cognizance of local laws there can be no judicial notice.⁹⁴

Although local customs and traditions have not been collated, several instances of local customs that involve recognition of rights of the informal sector can be cited.

One of these local traditions in the country is the community fair and markets (*tabo*) held not just on special occasions but on a regular basis. For this purpose, the area is exempted from the normal traffic rules and regulations allowing the informal sector to perform their work.

IV. INITIATIVES, ACTIONS AND PERSPECTIVES OF TRADE UNION MOVEMENT, CIVIL SOCIETY AND GOVERNMENT

A. *The Trade Union Movement*

1. *Addressing the Informal Sector's Concerns*

1.1. Rethinking Within the Trade Union Movement

In her work dealing with the Philippine trade union movement with regards to informal sector concerns, Sandra Yu (2001) highlights the current rethinking process within the ranks of trade union leadership. As articulated by Antonio Asper of the Federation of Free Workers (FFW) with regards to its role amid the changing character of work and in FFW's decade-long effort to become a trade union social movement, Yu notes:

“[FFW’s aspiration is] to achieve empowerment not only of workers in the formal setting, but also workers in all sectors of society, including the urban poor, the disabled and the elderly, and to integrate them into the trade union mandate and structure. This thrust gains relevance today as companies are downsizing and adopting more flexible arrangements. Such measures mean that trade unions not only have to worry about being responsive to the needs of displaced workers, but must also consider the long-term and practical consequences of such trend: [such as] falling membership and their eventual loss of political influence and financial base. Furthermore, trade unions risk becoming elitist if they choose to remain focused only on the fast-shrinking pool of rank-and-file workers. [Nevertheless] this orientation to the basic sector of society represents, in fact, is a return to the roots of trade unionism which began as a mass movement. [In order to manifest this move at the institutional level], FFW amended its constitution in October 1998 to allow non-traditional types of workers access to membership.”⁹⁵

On the part of the Alliance of Progressive Labor (APL) in collaboration with the Labor Education and Research Network (LEARN) it “likewise notes the failure of traditional unionism to include the vast majority of casual, informal sector and overseas workers, and is propagating the broader framework of what it calls *working people*.”

“This re-conceptualization seeks to include heretofore excluded sectors, namely non-wage informal labor, reserves of casual or contract labor, overseas contract workers, house workers who are mostly women, and the unemployed. Like FFW, it calls its brand of unionism *social movement unionism* and identifies itself as a multiform labor center that accommodates registered unions, area-based or industry-based alliances, national unions, general federations, community and trade association, and working women’s organization.

“Already, its affiliates include associations of jeepney drivers, vendors and construction workers. To provide a legal framework for a multiform unionism, APL has actively supported the passing of Department Order 9 which... provides for the registration of workers’ association with the DOLE, especially among own-account and contractual workers. This provision also enables 52 workers employed in various small enterprises to organize themselves unto a single union (but again, for purposes other than collective bargaining).”⁹⁶

- b) National Federation of Labor (NFL) – has been working among agricultural workers who have become small landowners as a result of the agrarian reform program of the government;
- c) Lakas Manggagawa Labor Center (LMLC) – is faced with the urgency of assisting its displaced members, and has been mulling over the prospects of forming craft unions;
- d) Trade Union of the Philippines and Allied Services (TUPAS) – while participating policy discussion on the informal sector and assisting intermittently in training groups of vendors within the vicinity of its offices, is faced with the imperative of responding institutionally to the needs of the displaced members within its membership and proposes, as a starting point for their expansion into the informal sector, reaching out to its unemployed members.

1.2. Learning from Past Experiences

The fast changing face of capitalism has not largely deterred the Philippine trade union movement to seek out learning from both the past and present and adapt new ways of doing things. As pointed out by Yu (2001), trade unions throughout the country are well aware that the current “labor market can no longer accommodate a sizeable number of permanent workers... rather it is becoming segmented and atomized [and because of this] labor organizations need to offer creative responses if they are to remain effective defenders of workers’ interests.”⁹⁸

In a similar plane, trade unions would have to expand their definition of labor, which according to Yu would have to demand “more intense level of involvement and commitment.” While traditional trade unions would have to be adept in “three basic levels of engagement, namely: (1) dealing with the employers by way of collective bargaining agreements; (2) dealing with government in terms of participation in governance; and (3) dealing with themselves through mutual aid systems, nowadays they have to expand the arenas of struggle. One area of opportunity is to establish and maintain a “foothold among the informal sector workers.” Another is to develop capacity “to help workers secure remunerative incomes through the latter’s own productive efforts.” And “still another is their ability to help ensure adequate protection for workers and self-employed through innovative strategies.”⁹⁹

2. Major Challenges of Trade Unions vis-à-vis the Informal Sector

The prevailing challenges of the trade union movement in relation to the informal sector may basically include: (1) the transition to a new set of clientele—mainly the operators of the informal sector; (2) organizational adjustments; and (3) in coming up with the necessary adjustments and competences in carrying out such transition process.”¹⁰⁰

2.1. Clarity in direction

Among trade unions themselves there is resistance on the part of their leaderships especially from among the ranks of older and more conservative personalities largely due to the fact that it would be difficult to collect union membership dues among the informal sector. Secondly, with its financial base being threatened due to the preceding factor, there might be what Yu referred to as the *competition for resources* within the unions themselves, for example, in making decisions on allocating scarce resources for mounting legal battles to defend threatened workers as against undertaking developmental programs for the informal sector.

2.2. Distinction between formal and informal

The inherent distinctions between the informal and formal sectors “have caused resistance not only within the trade union structures [which have also divided workers’ ranks] who should otherwise join forces to achieve common employment goals.” Yu pointed out the reasons for these, namely:¹⁰¹

- a) Ideological difference among various labor groups and/or resistance on the part of neutral groupings, including community associations;
- b) The lack of inclination among workers in the informal sector, for instance women, in subsistence activities to engage in mobilization and political action largely due to the common perception that trade unions advocate wage issues which are inherently irrelevant to non-wage workers;
- c) The programs of the government and the non-governmental organizations have unwittingly accentuated the distinctions between the two sectors that had caused unwillingness among some informal sector representatives to participate in labor activities and encouraged them to establish and guard their separate identity. “APL is trying to dissolve such distinctions through the propagation of the *working people* concept, and by encouraging trade union federations to apply the same set of membership principles to both formal and informal sectors;”¹⁰²

2.3. Inability to pay dues

While this is a valid concern, trade unions do admit that the coercive measures for such purpose are not the solution. In order to achieve this goal, trade unions would have to attain increased levels of efficiency in terms of their services “so as to enhance the members’ capacity to pay and to elicit the members’ desire to secure union membership.” From the point of view of the informal sector, the effectiveness of trade unions “relies on its ability to provide business support services, which incidentally can be a fund generator for the union.” The NFL example is such a case in point—it “earns from providing business support services to its cooperative members such as bulk buying of raw materials.” However, as pointed out by Yu, NFL is forming a separate non-profit organization for the purpose. “This option is an alternative to integrating the informal sector immediately as regular members of the unions with the same dues-paying abilities.”¹⁰³

2.4. Lack of technical capacity

Although equipped with the skills in organizational development, trade unions still lack technical capacity especially in the field of business development and management—specifically in marketing. As pointed by NFL’s Bong Malonzo, there is a “need among workers to be good tradesmen, to sell their competence well, [in order] to be good players in the labor market.” Although this orientation “is an imperative that has been lost among workers and unions”, it is market forces that have displaced workers in the first place and, at the same time, have to be understood and utilized “to enhance the productivity and their markets.” As cited by Yu, Prof. Jorge Sibal took note of “some excellent products of some trade union members, including the food catered by the NUWDECO. But while the workers are good in production the union should scale up its marketing forces since [only a] few people are aware of their products.”¹⁰⁴

2.5. Attitude of the informal sector

“wage workers operate within the structure with a definite system of rewards and sanctions while the self-employed would have to be motivated and driven from within.”¹⁰⁵

3. Inherent Strength of Trade Unions

As pointed out by Yu, the trade unions “bring with them definite advantages and strengths which have underpinned their work with the informal sector.”

3.1. Organizational Discipline

Equipped with the talents and experiences of organizational management which can be an indispensable resource in the promotion of craft unions and associations among the informal sector, trade unions would have such an adequate and formidable medium for such purposes. However, as pointed out by Yu, what is really “needed is entrepreneurial competence”. Nevertheless, the democratic processes and structures that are well funded in the trade unions would “lend themselves well to organizing in the informal sector were the workers’ capacity for self-management as association must [still] be further developed.”¹⁰⁶

3.2. Linkages with Displaced Workers

Trade union members who were displaced and have found work opportunities within the informal sector do maintain working links with their respective organizations. According to Yu, it would be “easier for trade unions to maintain relations with [trade unions] and to maintain their [established] networks.”¹⁰⁷

3.3. Linkages with Government and Private Sector

Following the fall of the Marcos Dictatorship in the mid-1980s, more and more trade union organizations have forged and maintained links with government and even with the business sector, over the years. This, as pointed out by Yu, can be “a[n] [essential] characteristic which facilitates advocacy work in the informal sector.” As illustrated by Yu’s paper, these linkages are exemplified for instance by the appointment of FFW’s Oliveros as commissioner of the SSS and as board representative in the PAG-IBIG. Given the wide influence of patronage politics all throughout the country, such linkages would not escape the slightest form of suspicion from the general public. However, as pointed out by Yu, such linkage “facilitated the work of TUCP under the Informal Sector Project (ISP) in securing agreements from government financial institutions to remove collateral requirements from micro-loans, and from the SSS for accrediting collecting agents within their coalition.” In addition, “such a link which has facilitated the advocacy and eventual issuance of Department Orders 5, 9 and 10, which set in place the mechanism for worker protection, including that in the informal sector.” This leads to more offers of help to FFW “in their efforts to assist the informal sector which in turn benefited IFBWW in the form of favorable agreements to its construction worker members with the Philippine Construction Association.”¹⁰⁸

3.4. Name Recall

Trade unions names or title are common household conversational items especially among their members.¹⁰⁹ However as cited by Yu, TUCP’s Cedric Bagtas thinks that such can “help in forging links with the sector ... but it can also work the other way, which ... [can] turn away some people.” In addressing this, Yu pointed out, “trade unions should allow other organizations to spearhead some activities even as the former provide support from behind the scenes”¹¹⁰

4. Bracing for the Future

Given a new level of playing field in the near future, trade unions are now in the thick of all the necessary preparations to build capacity in the form of skills and competencies in order to serve the informal sector more effectively.

4.1. Polices and Services for Informal Sector

As cited by Yu, “labor federations ... need to be more acquainted with appropriate services for workers in marginalized sectors and for the self-employed.” Adept in their traditional services in the realm of “labor relations, dispute settlement and collective bargaining on behalf of wage workers, trade unions cite the need for a better understanding of the issue and approaches relevant to small-scale producers, craftsmen and self-employed workers.” More specifically, trade unions expressed the “need to understand the strategic options for intervening in the areas of improving productivity and worker protection in the informal sector.” In addition, trade unions “also need a clearer understanding of macroeconomic policies and their impact on micro-level realities of the informal sector as well as their consistency with laws and regulations—as they relate to sectoral interests as well as common interests of *working people* as a whole.”¹¹¹

4.2. Technical Competence

This need is situated within the realm of business and cooperative development—specifically the whole gamut of enterprise development and cooperative formation. In addition, trade unions are also in need of “technical guidance in the monitoring and benchmarking of a cooperative’s performance.”¹¹²

4.3. Organizing Schemes

As trade unions rethink their own brand of organizing strategy, which off hand is harnessing a great deal of insights in craft unionism, “it may be useful to learn from the experiences of other countries in this area.” As pointed out by Yu, such exposure to other experiences would allow trade union organizers an appreciation of the “positive examples of trade union centers and federations which have successfully combined informal and formal sector workers within their constituency would provide inspiration and guidance to worker organizations.” As cited by Bong Malonzo, “the labor movement in Israel ... has successfully brought together political parties, cooperatives, unions and worker-managed enterprises.”¹¹³

4.4. Popularizing Debates on the Economy, Evolving Work Systems and Common Bases for Cooperation

As pointed by Yu, “there is a need for more participation in the debates¹¹⁴ on the economy especially in terms of its impact on households and work systems, and for clarifying issues which concern informal sector workers.” This would have to “go hand in hand with need to popularize economic issues so that workers may understand how the latter impinged on their working lives.” In relation to this, there is also a need to bring the process to the grassroots level.¹¹⁵

B. The Civil Society

Civil society organizations (non-government and non-profit organizations) have taken several initiatives and programs to promote the rights of the informal sector. These initiatives took various forms; research, advocacy, lobbying and implementing socio-economic programs.

Blazing these initiatives is Homenet Southeast Asia, a regional network of home based workers in Thailand, Indonesia and the Philippines. This network grew out of the International Labor Organization – DANIDA project in the 1988-1996. It was formed in June 1997.

One of the organizations of Homenet Asia is PATAMABA (National Network of Informal Workers), which is mainly based in Luzon, and has a membership of more than 15,000 members as of 2005.

Together, through the years, Homenet and PATAMABA engaged in research work using case studies and surveys on various social protection schemes including indigenous ones, advocacy and lobbying for passage of laws (such as Magna Carta for Informal Sector and Women) and engaging in many socio-economic projects that supported informal sectors in times of sickness and other related incidents (unemployment, child allowances, etc.)

The practices of Homenet Asia and PATAMABA deserve nationwide replication and awareness which unfortunately has not been done.

In Cebu, various non-government organizations (NGOs) have been into organizing the growing informal sector like the CECUVA (Association of Urban Poor Vendors in Cebu City), Bantay Banay, Lihok Pilipina Foundation, Fellowship for Organizing Endeavors (FORGE), Share A Child Movement and many more. Their engagements range from livelihood programs to alternative education and their beneficiaries from children to firecrackers production workers.

Cooperatives like VICTO of the Visayas and MASSPECC in Mindanao have gained tremendous cooperativism which provided benefits to the informal sector.

Although lesser in scope, various organizations have also given significant contributions for the informal sector.¹¹⁶ These contributions, although small, create impact on the informal sector.

¹¹⁶ One case in point is with regards to the thriving pyrotechnic industry based in Barangay Babag, Lapulapu City (located in Mactan Island about 12 kilometers from the heart of Cebu City and a component city of the Metropolitan Cebu). The industry is basically a cottage industry and is highly informal and one time illegal until the government finally came up with regulations to standardize pyrotechnic products for the purpose of insuring public safety. The industry is run by a growing number of families with their relatives and neighbors as workers. The methods used are crude with barely any safety measures. The manual mixing of unstable substances, which involve nitrates, phosphorus and sulfur had been the main causes of accidents that involve explosions and fire. In the assembly line for pyrotechnic products one can see children helping with the work in bare hands and without any facial protection for both the nose and eyes. The industry is year-round since the demand for pyrotechnic products has increased over the years. Since then, there had been reports of fatal accident involving young children, women and the elderly. Having worked with the industry operators in the area of legal services, the Public Interest Advocacy and

C. The Government

The Department of Labor and Employment (DOLE) and other government agencies have taken some steps to close the gap and disparity of the informal sector through initiatives of their own.

These initiatives are in the form of guidelines and other programs such as employment fairs, trainings and the like.

Other government institutions such as NAPC, QUEDANCOR, DOLE, DTI, DSWD, and CDA have also initiatives and programs in the form of access to productive resources through credit and financial services and access to banks and other sources. Their programs and services range from assurance representation in the government to accessing loans from banks and other sources.

Notwithstanding these initiatives, it is observed that the government needs to do more to consolidate its policies and programs towards the informal sector.

VI. ANALYSIS

A. *The Role of the Informal Sector*

The informal sector plays the role of a natural social and economic *safety net* of the poor. This is so because workers, not being allowed to benefit from the formal sector for lack of employment thereat or for lack of needed capital or investments, have no other means to survive than to stick it out in the informal sector to gain income.

In the context of widespread poverty, the economic activities of the informal sector comprise the aggregate and tremendous efforts of the poor to survive in the midst of hostile and unfavorable economic conditions as well as failure of the State and Society to provide for them the opportunities to work decently and to gain adequate income.

As the informal workers continue to work, the economy benefits. Thus, instead of going down the drain, the local economy somehow managed to hang on as the informal sector gains leverage on labor productivity and alternative/informal business and commercial activities.¹¹⁷

Evidently, the issues of the informal sector reflect the problems of the entire economy in the country. They also reflect the relation of the phenomenon of widespread poverty and the capacity and potential of the economy to ensure productivity.

B. *The Problem of Informality*

If informality is an antithesis of formality, then both terms are *contradictory*. In dealing with contradictory ideas, the human mind may be able to make sense of the existence of both realities by proposing that *reality* itself is a dichotomy.¹¹⁸ However, the dichotomy of *formality* and *informality* is hardly within the same level of the dichotomy between the *body* and *soul*, where both aspects of such existence are equally known and recognized. In the case of the dichotomy of the *formal* and the *informal*, being formal is much more desired as a way out of poverty and, at the same time, to arrive or attain a new level of perfection where certain individual rights are recognized and protected by law. Hence, being *informal* is inherently problematic and largely wanting of the much needed opportunities for economic self-fulfillment.

Outside the mainstream of economic processes, the informal sector is beyond the purview of the country's existing legal framework. Hardly recognized by law as a potent economic force, the informal sector workers are practically devoid of labor rights similar to those the workers in the formal sector have. The lack of established employer-employee relations within the informal sector precludes the informal sector workers from the minimum labor standard requirement as mandated by the Labor Code of the Philippines.

Social protection within the minimum labor standard requirement is slowly becoming available to the informal sector in the form of voluntary membership with the SSS and the PhilHealth. However, being an individual option and an unorganized prerogative on the part of informal sector workers, informal sector membership to these institutions is still minimal and with a great deal of inconsistency and/or irregularity in the payment of dues. The SSS and the PhilHealth may have opened their doors to the informal sector, but they are by and large wary of the members from the informal sector due to the inconsistency of membership and irregularity of payments.

Furthermore, the process of formalization, which is the rationale behind Executive Order 452 which provides for the registration and the regulation vendors, is not even largely welcomed by some in the informal sector. As Sampang pointed out, registration "... is the granting of legal imprimatur ... a bestowal of active business personality... also being a grant from the government through the Inter-Agency Council on the Security of Registered Vendors."¹¹⁹ "Members of the informal sector have, on numerous occasions, found government registration procedures in many cases too cumbersome and difficult."¹²⁰

C. Poverty Alleviation or Poverty Reduction Paradigms

As had been said earlier, *poverty alleviation* is mainly to *alleviate* or ease the *pain* of poverty, *poverty reduction*, on the other hand, is to *reduce* the incidence of poverty. However, on the one hand, poverty alleviation is not entirely unimportant; its value rest on various humanitarian considerations especially during disasters, in providing essential basic services such as primary health care, potable water, education, and infrastructure such as public conveyance (roads and bridges), and others. On the other hand, poverty reduction is directed at bringing down the number of indigent families by offering alternative and practical measures to increase family/household incomes in the form of employment or facilitating livelihood activities, access to basic services and education, etc. While alleviation offers temporary respite from the sufferings associated with poverty, poverty reduction, on the other hand, offers a more lasting option to deal with the stranglehold of poverty.

The country's legal framework has not been effective in making a clear distinction between poverty alleviation and poverty reduction—in most instances, both terms had been used interchangeably to mean one and the same thing. And this seemed to be the case for the concepts of *welfare* and *development*. Among government bureaucrats on the one hand, especially those working within the lower portion of the echelon, the front-liners in the field, more often than once, does not care to emphasize such distinction. On the other hand, among those personalities on the upper crust of government bureaucracy, many of them have already realized the need to put forward such distinction.

One specific area where the current legal and institutional environment is not responsive to is on occupational health and safety. As pointed out by Vanessa S. Sator and Marilou Renales, addressing such concern would entail the following strategies:¹²¹

- 1) Enforcement of existing laws;
- 2) Training and education. For the integration of occupational health standards into enterprise development training and into public health and barangay health workers training;
- 3) Research.

D. The Future of the Informal Sector

Based on the prevailing climate and health of the country's economy, the informal sector will remain for a long time.

As observed, the growth of the informal sector is attributed to the lackluster performance of the economy resulting to widespread poverty. Hence, the increase in poverty incidence spurs growth in the informal sector as the sector received growing number of displaced workers from the formal sector.

However, in the case of the Philippines, as pointed out by the works of Litong et al. and Yu,

practically ignored the largely agricultural character of the Philippine economy. This has compromised the potentials of the Philippine agricultural sector which led to massive displacement of farming communities, which in the long-term, generated a constant flow of displaced workers that cannot even be absorbed by the thriving industrial sector in the urban centers due to the lack of skills and educational attainment.

The constant influx of rural population into the urban centers has generated a large and undetermined pool of displaced workers that had to find means of subsistence in the urban jungle—these workers now largely comprise the informal sector. As in all thriving urban centers all throughout the country, urban growth is *not* only characterized by flourishing commercial and industrial activities but also the expansion of slum communities that bloom along side commercial and industrial establishments. For instance, in Cebu City, slum communities would have addresses like Back-Rubberworld or Side-Rubberworld (meaning a squatters' community located just behind or at the side of walls of the Rubberworld Corp., a firm that manufactures Adidas shoes).

Having attained some form of resiliency in finding various means of survival in the urban jungle, the informal sector will continue to thrive even during times of economic hardships. In fact, the arrival of displaced workers from the formal sector is another major factor in the increase of the informal sector's ranks over the years. And in such times of economic stagnation, the local economy would have to be run by the informal sector—as the formal sector would have to surrender its dominance on the local economy to the informal sector largely due to business failures and the drying up of investment capital.

And even during times of economic boom, the informal sector would still be expected to increase as their participation in a bullish economic setting would be more profitable and would encourage their ranks to increase their stake in the process. Being a permanent fixture of the Philippine local economy, the informal sector has cornered a significant share of the economic productivity pie.¹²³ Hence, when the pie grows, so does the relative share of the informal sector.

E. Shortfalls of the 1987 Constitution and Labor Code Legal Framework of Labor Justice and Social Protection

The 1987 Constitution provides full protection to all workers, organized and unorganized, overseas or domestic, formal or informal.

In line with these provisions, the Constitution provides workers the following labor rights:

1. The right to self-organization
2. The right to collective bargaining and negotiations;
3. The right to peaceful concerted activities;
4. The right to security of tenure;
5. The right to humane conditions of work;
6. The right to a living wage;
7. The right to participate in policy and decision making processes.

It must be emphasized that these comprehensive rights are not limited to or to be enjoyed

1. Bias towards the formal sector

Indubitably, the Labor Code is biased towards the formal workers or the employees. This is clearly shown in the provisions of the Labor Code, from Books I, II, III, V, VI and VII which are made to apply only to employees. Only Book VI applies to the greater number of members of the informal sector.

In this regard, the informal sector are largely excluded from the application of the minimum conditions of employment (statutory minimum daily rates, yearly incentive leave with pay, night shift differential pay, holiday pay, meal and rest periods, 13th month pay, and other benefits), from the provisions of labor relations (self-organization, collective bargaining, unfair labor practice, voluntary arbitration and strikes and the provisions on post-employment (security of tenure).

2 Absence of Much Needed Distinctions Between Formal and Informal Sector

The Labor Code does not distinguish formal workers from informal workers. Veritably the concept of an informal sector is confusing, if not, unintelligible to many.

Article 13 of the Labor Code defines a worker as any member of the labor force, whether employed or unemployed. There is no mention of an informal employee.

Article 97 of the Labor Code which deals with wages does not mention informal employees, but it only mentions employees. Article 167 which deals with employees' compensation and state insurance fund also does the same.

Moreover, Article 212 of the Labor Code, Definition of Terms, Letter I, Labor Disputes clearly states that it includes any controversy or matter concerning terms or conditions of employment or the association or representation of persons in negotiating, fixing, maintaining, changing or arranging the terms and conditions of employment, regardless of whether the disputants stand in the proximate relation of employer and employee. It is clearly stated that there should be an employer-employee relationship.

It must be pointed however, that while no distinction is made, the basic policy of the Labor Code is to afford protection to labor, promote full employment, ensure equal work opportunities regardless of sex, race, or creed, regulate the relations between workers and employers, and ensure the right of workers to just and humane conditions of work, whether formal and informal..

It is highly ironic and unfair that the bulk of the workers in the Philippines are not given their just place in the Labor Code. It is only recently with the passage of the Social Poverty and Alleviation Act that this concept received institutional recognition and definition.

3. Lack of Substantive Provisions for the Informal Sector

The bias towards the formal sector and the lack of recognition of the concept of the informal sector has led to the lack of substantive provisions in favor of the informal sector.

Myrna Feliciano stated it succinctly: Labor legislation constitutes a mere theoretical form of regulation to the informal sector. Informal sector firms employ many casual or seasonal employees and the enforcement of employee rights under an unregistered establishment passes considerable burdens to the employees who must contend with the increased difficulty of proving the legal existence of the firm under which he was employed. By the very nature of the employment, informal sector workers are beyond the scope and reach of

3.1. Labor Relations

In terms of labor relations, the informal sector own account/self-employed workers can only organize into workers associations for purposes of mutual aid and protection. Thus, it is devoid of the right to collective bargaining negotiations, to unfair labor practices, to strike and to security of tenure. Politically therefore, informal sector have inferior rights in labor.

While the wage subsistence employees can technically organize into unions, this is hardly implemented as they are usually left out of the bargaining unit and thus, remains unorganized. Because of the difficulty of organizing these kinds of employees, trade unions have given them less importance or priority.

3.2. Labor Standards

The Labor Code is unclear and indecisive in terms of how to protect workers and how to provide reasonable working conditions in the informal sector.

Title I, Book Three of the Labor Code which lays the standards regarding hours of work, weekly rest periods, holidays, service incentive leaves and service charges do not apply to “government employees, field personnel, members of the family of the employer who are dependent on him for support, domestic helpers and workers who are paid by results.”¹²⁵ This statement effectively excludes informal sector workers. Title II of Book Three which governs the payment of wages does not apply to “farm tenancy or leasehold, domestic service and persons working in their respective homes in needle work or in any cottage industry duly registered in accordance with law.”¹²⁶ (Review of Policy and Legal Framework Affecting The Informal Sector by Myrna S Feliciano, p 24)

The worst situation in terms of denial or suppression of labor rights is that of the self-employed/own account informal sector. Except for social protection rights and labor relations which rights which are limited in nature, they have no labor standards rights for the reason that they have no employer from whom they can demand observance from.

With respect to health and safety of workers, Rule 1012.01 entitled “Work Conditions or Practices Not Covered by Standards” states that “any specific rule applicable to a condition, practice, means, methods, operations or processes shall also apply to other similar work conditions for which no specific rule has been established.” Thus, despite the lack of a specific reference to the informal sector, this provision nonetheless affirms the notion that the body of standards has universal application and is not limited to the formal sector alone. However, this has yet to be tested and applied in practice. Moreover, even assuming that these standards are applicable to the informal sector, it is very difficult to enforce them since the DOLE only monitors those firms that are registered with them, usually formal enterprises having at least five workers and clear employer-employee contracts.

3.3. Social Protection

What the informal sector does not have in terms of labor relations and labor standards are enjoyed by them, notwithstanding its limited manner, in terms of social protection – from social security, health, housing and employees’ compensation.

The problem however is that whatever is given to them is taken away in the system of protection which is designed primarily for formal sector employees.¹²⁷

Several factors hamper the enrollment of informal sector workers into the system such as lack of awareness of social security rights, complexity of requirements, and low income.

3. Limited Scope of Initiatives of Executive and Judicial Branches

It is observed that the initiatives of government agencies are subordinated and limited to the constraints and parameters of the Labor Code that requires that labor rights and social protection to be based on the existence of employer-employee relations which in effect, excludes the informal sector from enjoying such benefits.

There is clearly a need for legislations from Congress to review and amend the Labor Code to create more labor rights and social protection for the informal sector.

2. Towards Providing Greater Labor and Social Protection Through Legislation and Enforcement of Laws, Not Less.

In view of the plight of the informal sector, there is certainly a need to provide stronger labor and social protection to the informal sector.

In this regard, leaving the informal sector to fend on its own by not exercising the duty to intervene as a *parens patriae*¹²⁸ (do nothing) or worse, going hard on the informal sector by going after them for reasons of failure to strictly adhere to existing rules and regulations of the State are not steps toward the right direction..

It is submitted that it is to the best interest of the State to promote the welfare of the informal sector by providing said sector the highest priority in terms of labor and social protection.

2.1. Basis

Consistent with the Social Justice and Human Rights mandate of the 1987 Constitution, the State is obliged to promote the creation of a 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.¹²⁹ In the language of the 1935 Constitution, it means justice for the common *tao*; in the shibboleth of the 1973 Constitution, those who have less in life must have more in law.¹³⁰

All workers, whether organized and unorganized and whether formal or informal are within this full protection clause of the State pursuant to the 1987 Constitution. In this regard, none is above nor below this protection. This protection is universal and thus, entitled to all workers, regardless of status or tenurial arrangement.

Again, the informal sector is by no means synonymous to being illegitimate as sometimes some sectors perceive it to be. The informal sector is engaged in activities which are legitimate and within the ambit of what the law allows. To the groups like the WIEGO and Homenet Thailand, “informal work is normal work and those who work informally have the right to measures of social protection.”¹³¹

Most importantly, it must be said that while the informal sector in the Philippines may not be as productive, as it should or could have, owing to constraints in resources or lack of sophistication, the informal sector is a vital link to the process or chain of production of goods and services in the economy and in providing needed livelihood and sustenance to families. Again, although generally overlooked, the economic contributions of the informal sector in the chain of value of products and services, domestically and globally, are tremendous.¹³²

2.2. Securing the Rights of the Informal Sectors through Vigorous Enforcement and the Enhancement of Labor Rights and Social Protection.

All laws, from national to local bodies, must be made consistent with the mandate of the Philippine State enshrined in the 1987 Constitution. For this reason, all actions and initiatives should be geared towards giving the highest priority to enactment of measures that would promote social justice and human rights in the country.

On this premise, there is a need to pursue the following directions in terms of legislation and enforcement of laws:

Table 6

Nature of Informality	Nature of Shortfall of Labor Rights and Social Protection	Nature of Direction of Intervention
1. Wage Informal Employee	Limited Application	Enhance the rights of labor through vigorous and creative enforcement of existing labor rights and social protection and creating the conditions for compliance
2. Own Account/Self-Employed Informal Employee	Limited Application or no application at all.	<p>Enhance the rights of labor through vigorous and creative enforcement of rights and creation of conditions for compliance as well as Providing greater and expanded labor Rights and social protection</p> <p>Specifically:</p> <p>1. On Social Protection</p> <p>There must be more efforts to cover wider field of payors from the informal sector through aggressive registration and collections efforts.</p> <p>2. On Labor Relations</p> <p>There must be passing of new legislations strengthening the political rights of the informal sector.</p> <p>2.1. Self-organization</p> <p>Allow informal sector to organize into workers associations and other appropriate labor organizations;</p> <p>2.2. Participation in policy-making</p>

Nature of Informality	Nature of Shortfall of Labor Rights and Social Protection	Nature of Direction of Intervention
		ejection from spaces or termination of agreements.

F. On the Need for New Approaches in the Informal Sector

Different folks, different strokes. This saying cannot be more appropriate in the organizing and development of the informal sector.

Except for subsistence wage earners, the informal sector which is a small fraction of the labor force, is bereft of the classic line of employer-employees relations. For this reason, traditional concepts of collective bargaining and its attendant concepts on unfair labor practice and strikes and lock-outs cannot apply.

1. Primacy of Political Bargaining for Mutual Aid and Protection Over Welfare Rights

What exist in the informal sector are the relations between the public and the government regulators, which is normally the realm of civil and political relations. Thus, what needs to be done is to strengthen the capacity of the informal sector as an organization for mutual aid and protection as well as political representation.

The existence of organizations for mutual aid and protection and political representation among the informal sector becomes the basis to secure more rights and recognition from the public and the government, local and national. This will allow them to attain a position to deal better with the government and the public and even business.

Hopefully, these organizations of the informal sector would lead to political representation at the policy-making levels (national government) and the local government units (administrative).

With a process which is inclusive and empowering, certainly, the informal sector would be enticed, directly and indirectly, to adopt desirable and necessary practices, namely: to register and adopt a higher level of standards with respect to services and goods, health and safety, payment of taxes and social premiums. Likewise, with this process of inclusion and integration, the owners of capital will also be enticed to register and employ legal, if not higher labor standards and social protection. As observed, the presence of unions in workplaces in the formal sector has led to a high level of compliance to labor standards.¹³³ On the other hand, better products by subcontractors such as in the fashion accessories and furniture businesses led to more demand and thus, production by employers.

As pointed out by Myrna Feliciano, Prof. Sibal and Macaranas, the cooperative is an important vehicle for the informal sector as it is provided with preferential rights in terms of the right to supply government institutions and agencies with agricultural commodities, the management of markets and/or lease of public market facilities, stalls or spaces, exemptions from bidding requirements and access to certain credit and special protection programs.

2. Voluntary Compliance and Modes of Settlement over Coercive and Compulsory Modes

It is envisioned that the politics of inclusion and integration is conducive to voluntary

In the first place, the greater number of workers is not part of any union. An even greater number is not covered by any collective bargaining agreement.¹³⁴

In cases where, the trade unions take active part in organizing the informal sector, it has two (2) options: (1) to form separate organizations for the informal sector that is outside the main formation of the trade union such as in the case of NFL which forms a separate association to manage the retrenched workers from Sime Darby, a rubber plantation in Basilan; (2) or to form an association that is an organic part of the trade union itself such as in the case of APL Cebu which adheres to the concept of social movement unionism. In effect, there is no hard and fast rule in organizing the informal sector.

As shown by many actions and initiatives by government and civil society, it is instructive that these actions and initiatives towards organizing the informal sector can be done in various forms on the basis of a kind of social partnership¹³⁵ with the government – national and the local government units, civil society and the trade unions.

Along this concept, various lines of organizing can be employed which may entail the following:

1. Employment of varied forms of organizations such as:

- 1.1. Workers associations and cooperatives,
- 1.2. Tri-partite councils;
- 1.3. Crafts and guilds;
- 1.4. Labor centers;
- 1.5. Political parties;
- 1.6. Community organizations;
- 1.7. Cooperatives and loan associations;
- 1.8. Political organization;
- 1.9. Civic and religious organizations
- 1.10. International linkages

2. Employment of varied forms of methods such as:

- 2.1. Social accords and covenants with employers, business groups and political parties (ECOP and FFW, etc)
- 2.2 Campaigns for decent work (APL, etc) ;
- 2.3. Social movement unionism, parliamentary struggles and pressure politics (sectoral campaigns by drivers, farmers, urban poor, consumers, health workers and OFWs) by the more political groups (Akbayan, etc) ;
- 2.4. Patronage campaigns by nationalist and patriotic businessmen and employer (NEPA, etc);
- 2.5. Civic campaigns (Rotary, etc);
- 2.6. Corporate responsibility formations among employers and business (PBSP, etc);
- 2.7. Cooperatives (NATCCO, etc)
- 2.8. Religious formations (CBCP, etc)

VII. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

A. Summary

It is submitted that the poor performance the Philippine economy is *not* the only significant factor that spurred the growth of the informal sector. Another more disturbing cause is the direction and thrust being pursued by government in the quest to become an industrializing country in the shortest time possible. Such option cannot just ignore the agricultural character of the Philippine economy and should be able in both the short and long terms to address issues in the agricultural sector. In short, the agricultural sector should be able to recover its productivity potential as a potent economic force while at the same time bring to a halt the continuing displacement of agricultural workers.

The move to bring the informal sector into the mainstream of society's economic productivity engine is both a sound and timely effort as a strategic response to widespread poverty and low economic productivity. However, this effort may eventually pose more challenges than opportunities given (1) the weaknesses of the country's legal framework in addressing informal sector concerns, specifically on issue of labor rights; (2) the difficulties of established institutions that champions labor causes, such as trade unions in responding to the needs of the informal sector; and the (3) the insufficient effort on the part of the government to bring forward the concerns of the informal sector into the arena of policy dialogue and reforms.

While this is not the end of the whole game with more choices and options left that need to be assessed and a variety of venues to take up informal sector issues more comprehensively, the issue of the labor rights of the informal sector workers still remains.

The way it appears now, this issue will have to remain as it is while the prevailing legal framework persists. Hence, there is a need to reform the country's legal framework or if not, interject more salient working provisions within the spirit of the Social Reform and Poverty Act (RA 8425) and Executive Order 452. However, such provisions should be more expansive to include not just the vendors but the entire informal sector as a whole.

Moreover, the concept of labor rights needs to be contextualized into the situation of the informal sector—being an inherent feature of the formal labor. The absence of employer-employee relations has been the main obstacle in getting the idea of labor rights into the informal sector agenda.

But Social Justice and Human Rights approach espoused in the 1987 Constitution or the human rights approach espoused by Litong, *et al* (2002), Sampang (2006) and Feliciano (2002), proved to be effective in addressing legal barriers as defined in the Philippine Labor Code— at least, at the level of discussion and more effective exchange of ideas.

B. Conclusion

Given the significance of the informal sector to the overall labor productivity of the entire Philippine economy, the prevailing concerns in how to bridge the gap between the formal and informal sector are valid and timely. The mandate of Social Justice and Human Rights demand the same.

Towards this end, major reforms must be made on the existing legal framework to enforce, clarify and strengthen the rights of the informal sector to labor and social protection and in

Indeed, the move to ‘formalize’ the informal sector requires creative approaches in government registration/accreditation, social protection and taxation.

This concern is much more delicate since it is the informal sector that is fundamentally not happy to have closer ties with local authorities. Being of low priority in the eyes of the government, the informal sector has been reaping certain advantages by way of circumventing the law through tax avoidance and getting away from regulatory measures. But for more mature organizations within the informal sector, working relations with local authorities have been more advantageous rather than a pain in the neck. Such relationship as exemplified by a long-time established vendors’ organization in Cebu City worked to the advantage of the organization, especially during legal tussles with the city government.¹³⁶

Finally, the trade unions, being at the forefront of organizing the working men, are learning and must continue to learn new and innovative approaches to organize informal sector workers for it to be relevant to the informal sector.

C. Recommendations

1. General Recommendations

The following are the recommendations of this particular study:

- 1.1. Initiate a nation-wide leveling-off consultation process involving the informal sector representatives, the government, the private sector, and non-governmental organizations involved in community-based and/or sectoral self-help programs and other key players in civil society such as trade union organizations;
- 1.2. Come up with a working understanding of informal sector issues and concerns;
- 1.3. Formulate a development road map to bridge the gap between the informal and formal sectors; (c) identify policy gaps and action points to address such gaps; (d) provide institutional capability building to the informal sector;
- 1.4. Carry out a substantial review of the prevailing legal framework and assessment on all related institutional mechanisms that are relevant to the concerns of the informal sector;
- 1.5. Promote informal sector issues to LGUs, national line agencies and civil society groups and institutions;
- 1.6. Undertake widespread public education campaign with the end in view of generating public sentiments and support to the informal sector as a whole;
- 1.7. Conduct capacity building for informal sector workers. This could be in the form of an expanded supplementary manpower or technical skills training program to informal sector workers for the purpose of preparing them for jobs in formal sector;¹³⁷
- 1.8. Conduct entrepreneurial capacity enhancement to informal sector entrepreneurs. This could take the form of business development and management skills (with special stress on marketing) training to informal sector business owners;

¹³⁶ When some of their members were facing the prospects of demolition by the city government, the Cebu City United Vendors Association or CCUVA (established in 1984; a federation of about 60 vendors

1.9. Establish working coordinative linkages with the organized informal sector groups. This could be done for the purpose of undertaking empirical studies, validation of issues and concerns, building lasting institutional consultative mechanisms; and other organizational concerns;

1.10. Create a central fund to support informal sector concerns ranging from institution capability building to microfinance services. This can be in various levels of government hierarchy, that is, at the local level to the national level. Those who will access these funds will have to undergo registration/accreditation.

2. Recommendations by Dean Jorge Sibal

At this point, this study finds it instructive to cite the observations and recommendations of Professor Jorge Sibal, OIC, Dean of the SOLAIR, who obviously is one of the experts on the issues and concerns of the informal sector. He puts forward the following recommendations, among which are:

- 2.1. Promote accord with employers group and government
- 2.2. Campaign for the decent work agenda of workers and the ILO
- 2.3. Pursue social movement unionism, parliamentary struggles and pressure politics;
- 2.4. Promote Philippine made products;
- 2.5. Promote involvement by corporations, churches and academe in projects and programs for the informal sector
- 2.6. Promote good local governance practices on:
 - 2.6.1. LGU registration procedures
 - 2.6.2. Tax structure and collection system
 - 2.6.3. Promotional and inspection strategies
 - 2.6.4. Economic incentives to encourage registration
 - 2.6.5. Facilitating membership in the SSS, Philhealth, etc.
 - 2.6.6. Assisting in informal social protection schemes
 - 2.6.7. Establishing Tri-partite Councils
 - 2.6.8. Promoting customs and traditions/indigenous practices

3. Recommendations and Advocacies of the Homenet Philippines and PAMATABA

This paper also finds it fitting to cite the observations and recommendations made by the Homenet and PATAMABA, which has devoted considerable time and effort in research and advocacy of the rights of the informal sector, among which are as follows:

- 3.1. Enact Magna Carta for the Informal Sector
- 3.2. Require ten percent allocation in both national and local budgets for informal sector
- 3.3. Require social protection for informal sectors through SSS and Philhealth

3.13. Enact Magna Carta of Women

4. Recommendations of Mrs. Myrna Feliciano

Finally, this paper would like to cite the recommendations of Mrs. Myrna Feliciano, among which are:

On the Informal Sector

- 4.1. Promote /create organizations in the informal sector;
- 4.2. Encourage cooperatives in the informal sector

National Government

- 4.3. Restructure the DOLE to include a specific unit for the informal sector, either by executive order or by statute;

Local Government

- 4.4. Provide incentives for registration;
- 4.5. Publish directory of sub-sectors of the informal sector;
- 4.6. Implement EO 452 and Ra 8435
- 4.7. Encourage private sector and NGO participation in the local government unit;

All of these recommendations are geared towards fulfilling the mandate of the Constitution for social justice and human rights. It is submitted that this is the direction and the framework which must be pursued in order to secure the labor rights and social protection for the informal sector.

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