

Measuring the Contribution of the Informal Sector to the Philippine Economy: Current Practices and Challenges¹

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Outline of Presentation

- Motivation
- Main Challenge
- Framework
- Methodology
- Some Results
- Some initiatives

Motivation

- Philippines' adoption of official operational definition of informal sector in 2002-2003
- Philippine commitment to meeting the Sustainable Development Goals in 2015
- Demand for measurement from various sectors

Main Challenge

- Data gaps
- Solution – measure the “unorganized sector” instead

Framework

- informal sector = household unincorporated enterprises, both informal own-account enterprises and enterprises of informal employers.
- Informal own-account enterprises:
 - owned and operated by own-account workers
 - either alone or in partnership with members of the same or other households
 - may employ unpaid family workers and seasonally hired workers
 - but do not employ employees on a continuous basis.

Framework

- Enterprises of informal employers
 - owned and operated by own-account workers
 - either alone or in partnership with members of the same or other households
 - employ one or more employees on a continuous basis
 - Exclusions: corporations, quasi-corporations, units with ten or more employees, corporate farms, commercial livestock raising and commercial fishing.

Framework

- Criteria to operationalize:
 - Enterprise Ownership - Household;
 - Legal Organization - Household enterprises which refers to unincorporated enterprises owned by household, are units engaged in the production of goods/services that are not constituted as legal entities independent of the households or the household members that own them;
 - Type of Accounts - No complete set of accounts that will distinguish production activities, flows of income and capital between the households and the enterprises

Framework

- Characteristics Relative to Employment
 - Informal own-account enterprises household enterprises owned and operated by own-account workers, either alone or in partnership with members of the same or other households, which may employ contributing family workers and employees on an occasional basis, but do not employ employees on a continuous basis;
 - Enterprises of Informal Employers - household enterprises owned and operated by employers, either alone or in partnership with member of the same or other households, which employ one or more employees on a continuous basis;
- Product Destination – at least some market; hence not entirely for market output

Framework

- Definition of unorganized sector
- The unorganized sector refers to the sector not covered by establishment surveys of the Philippine Statistical System (Virola and de Perio 2000).
- The report on unorganized sector is based on an indirect estimation using the Labor Input Method as suggested by Humans and Mehran(1989) .

Framework

In capturing the unorganized, the following are described under various industries:

a. Agriculture, Hunting, Forestry and Fishing (AHFF)

- activities undertaken by household such as planting, harvesting, hauling, grading and packing of agricultural crops; rearing of farm animals; and the production of its by-products such as milk, cheese and eggs.
- covers production of agriculture-based products such as wine, vinegar, copra, among others
- mostly municipal fishing and gathering of seashells, mollusks, seaweeds and other fishery products.
- own-account activities such as logging, afforestation/reforestation, on-farm charcoal making and gathering of firewood and other forestry products.

Framework

b. Mining and Quarrying (MAQ)

- output of gold panning activities that are not sold to the Philippines' Central Bank, the Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines
- stone quarrying and mining of other non-metallics

c. Manufacturing (MFG)

- manufacture of consumer goods by household enterprises such as
 - food(meat processing, home baking, milk, and other dairy products);
 - textile (hand weaving, needlework, knitting, smocking, and subcontracting of garments manufacturing);
 - woods;
 - furniture; publishing and printing; leather; chemicals;
 - non-metallic mineral products; metal products; and,
 - miscellaneous manufacturing (e.g. toys).

Framework

d. Construction (CNS)

- produced by the owner-occupiers and the household unincorporated enterprises in producing housing services such as minor repairs and maintenance.

e. Electricity, Gas and Water Supply (EGWS)

- household use of tubed/piped deep and shallow wells.

f. Transport, Storage and Communication (TSC)

- includes jeepney, tricycle, pedicab, and unregistered commuter vehicles for the public; school bus services; and pump boat operations.

g. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods (TRD)

- selling in household-operated sari-sari (variety) stores;
- selling raw and cooked foods by households either in their homes or on the streets; wholesale and retail of vegetables, rice, livestock, poultry and other agricultural products by households or small scale establishments;
- repair of motor vehicles; and,
- personal and household goods by individual shop-owners in the premises of their homes or on the streets.

Framework

h. Financial Intermediation (FIn)

- money-lending activities under non-bank financial intermediation such as “5-6” lending (lending operations with exorbitantly high surcharges).

i. Real Estate, Renting and Business Activities (RERBA)

- letting and leasing operations of the households (room and board, room for rent, bed space); ownership of dwellings; services of sub-agent for real estate, among others.

j. Other Services (OS)

- eateries (“carinderia”) operations, cooked food street vending (commonly, fish ball, beverages, banana barbecue, peanuts, etc.);
- home-service beauticians and barbers
- shop operations,
- home-based tutorial services, household help services, and other service activities.

Data Sources

- Censuses
 - *Census of Philippine Business and Industry (CPBI) every 5 years*
 - *Census of Population and Housing (CPH) every 10 years*
 - *Census of Agriculture and Fisheries (CAF) every 10 years*

Data Sources

- Surveys
 - *Annual Survey of Philippine Business and Industry (ASPBI)*
 - *Quarterly Labor Force Survey (LFS)*
 - *Triennial Family Income and Expenditure Survey (FIES)*
 - *Palay and Corn Production Survey*
 - *Crops Production Survey*
 - *Livestock and Poultry Survey*
 - *Survey of Commercial and Municipal Fishing*
 - *Survey of Jeepney Operators*

Data Sources

- Administrative-based data
 - forest charges from the Forest Management Bureau (FMB), cost of hog production from the Bureau of Animal Industry (BAI), cost of coconut production from the Philippine Coconut Authority (PCA), irrigation fees from the National Irrigation Administration (NIA), number of sugar planters from the Sugar Regulatory Administration (SRA), reported output of gold panning from the Bangko Sentral ng Pilipinas (BSP), number of professionals by type from the Professional Regulation Commission (PRC), income data from the Bureau of Internal Revenue (BIR), prices of waters from the Local Water Utilities Administration (LWUA), and the gold panning data from the Bangko Sentral ng Pilipinas, published by the Mines and Geosciences Bureau (MGB).

General Estimators

- $GVA_i = O_i * (1 - ICR_{SE})$

where:

- GVA_i = *gross value added, unorganized, of sector i*
- ICR_{SE} = *intermediate consumption ratio of small establishments*

General Estimators

- $O_i = E_i * OPW_{SE}$
- $E_i = E_{LFS} - E_{ES}$

where:

O_i =output, unorganized, of sector i

E_i =employment, unorganized, of sector i

E_{LFS} =employment from the Labor Force Survey

E_{ES} =employment from the establishment survey

OPW_{SE} =output per worker of small establishments

Sector Specific Estimators

Sector specific methods in estimating the Gross Output

a. Agriculture, Hunting, Forestry and Fishing

Using PSA data, which are assumed to be household-based, the Gross Output (GO) is computed as follows:

$$GO = \sum_{\forall i_s} (P_i \times Q_i)$$

where:

GO = Gross Output of the unorganized activities at current prices of the i^{th} commodity;

Q_i = volume of production the i^{th} commodity; and

P_i = average farmgate price the i^{th} commodity.

Intermediate consumption is based from the updated cost of production of agricultural commodities.

Sector Specific Estimators

Intermediate consumption is based from the updated cost of production of agricultural commodities.

$$IC = \sum_{\forall ij_s} (GO_{ij} \times ICr_{ij})$$

where:

IC = intermediate consumption of the unorganized activities;

ICr_{ij} = ratio of IC to the GO of the i^{th} commodity based from the cost of production and result of the ASPBI/CPBI;

GO_{ij} = gross output at current prices of the i^{th} commodity.

Some Results

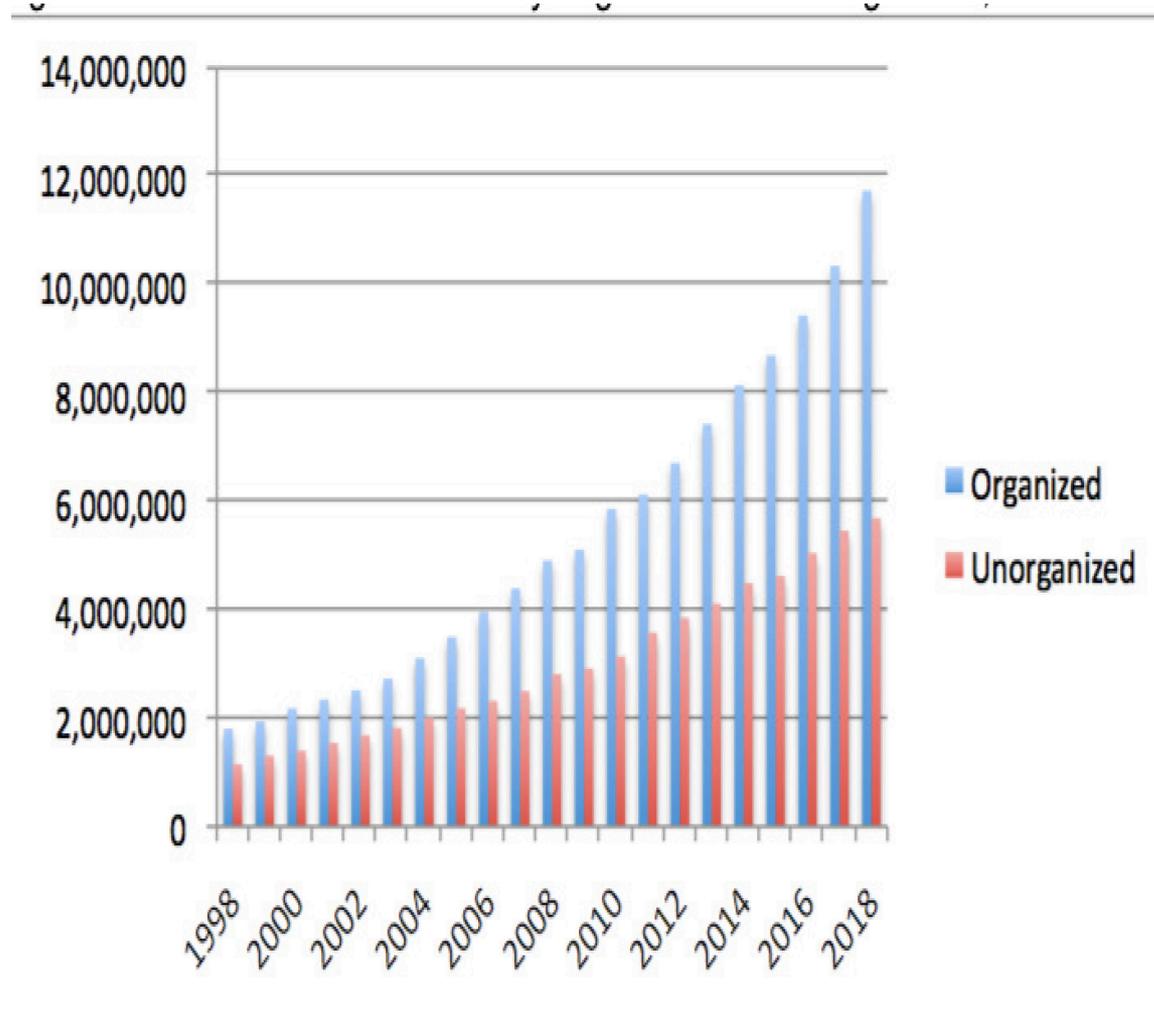


Figure 1. Gross Domestic Product by Organized and Unorganized, 1998-2018 at current prices (in Million Pesos)

Source: Macroeconomic Sector Service, Philippine Statistics Authority

Some Results

Share of the Unorganized Sector to nominal GDP by Major Industry, 2006 and 2016, Philippines

Sector	2006	2016
Agriculture	67.1	96.4
Industry	22.4	31.4
Services	41.6	26.4
Total	39.1	34.7

Source: Philippine Statistics Authority

Some Initiatives

2018 Listing of Establishments (LE)

- There are a total of **1,001,608** records of establishments in the Preliminary 2018 LE as of 1 February 2019

A photograph of a bustling outdoor market. In the foreground, a man in a light blue shirt is focused on preparing a watermelon on a red wooden cart. The cart has a glass display case containing sliced watermelon. In the background, a dense crowd of people is seen walking through the market, with various stalls and colorful umbrellas providing shade. The overall atmosphere is one of active commerce and daily life.

Employment in the Informal Sector

- all jobs in informal sector enterprises
- all persons employed in at least one **informal sector enterprise**, irrespective of their status in employment and whether it was their main or a secondary job.

Criteria for Informal Sector Enterprise

- private unincorporated enterprises
- All or at least some of the goods or services produced are meant for sale or barter
- size in terms of employment is below a certain threshold to be determined according to national circumstances
- not registered under specific forms of national legislation and/or their employees (if any) are not registered
- engaged in non-agricultural activities, including secondary non- agricultural activities of enterprises in the agricultural sector



Informal Employment comprises:

- Own-account workers and employers employed in their own informal sector enterprises.
- Contributing family workers, irrespective of whether they work in formal or informal sector enterprises.
- Employees holding informal jobs, whether employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households.
- Members of informal producers' cooperatives.
- Own-account workers engaged in the production of goods exclusively for own final use by their household.

April 2018 Labor Force Survey with Informal Employment Rider Questions

What is the legal status/organization of the enterprise you own or where you work?	How does your business/enterprise maintain its records or account?	Does the enterprise you own or where you work sell or barter its goods/services? Yes/No
Column (47)	Column (48)	Column (49)

Criteria of Informal Employment	April 2018 LFS (with Informal Employment Rider Questions)
1. Own-account workers and employers employed in their own informal sector enterprises	✓
2. Contributing family workers, irrespective of whether they work in formal or informal sector enterprises.	✓
3. Employees holding informal jobs, whether employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households.	✓
4. Members of informal producers' cooperatives.	✓
5. Own-account workers engaged in the production of goods exclusively for own final use by their household.	✓

Table 1. Employed Persons 15 Years Old and Over by Employment Status and Sex, Philippines: April 2018
(Number are in thousands.)

Employment Status	Sex					
	Both Sexes		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Philippines	40,896	100.0	25,307	100.0	15,589	100.0
Formal	15,230	37.2	8,438	33.3	6,792	43.6
Informal	25,667	62.8	16,870	66.7	8,797	56.4
Wages Employee	26,079	63.8	16,748	66.2	9,332	59.9
Formal	6,305	15.4	3,407	13.5	2,898	18.6
Informal	19,774	48.4	13,341	52.7	6,433	41.3
Worked for Private Establishment	20,559	50.3	14,730	58.2	5,829	37.4
Formal	4,550	11.1	2,630	10.4	1,920	12.3
Informal	16,009	39.1	12,100	47.8	3,909	25.1
Worked for Gov't/Gov't Corporation	3,451	8.4	1,604	6.3	1,847	11.9
Formal	1,621	4.0	738	2.9	883	5.7
informal	1,831	4.5	866	3.4	965	6.2

Employment Status	Sex					
	Both Sexes		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Worked for Private Household	1,923	4.7	317	1.3	1,606	10.3
Formal	117	0.3	28	0.1	89	0.6
Informal	1,806	4.4	289	1.1	1,517	9.7
Worked with pay in family owned Busine	146	0.4	96	0.4	50	0.3
Formal	17	0.0	10	0.0	7	0.0
Informal	129	0.3	86	0.3	43	0.3
Self Employed	11,140	27.2	6,577	26.0	4,563	29.3
Formal	7,910	19.3	4,303	17.0	3,608	23.1
Informal	3,230	7.9	2,274	9.0	956	6.1
Employer	1,517	3.7	1,120	4.4	397	2.5
Formal	1,014	2.5	728	2.9	286	1.8
Informal	502	1.2	392	1.5	111	0.7
Contributing Family Worker (Unpaid) (Infor	2,160	5.3	863	3.4	1,297	8.3

Source: Philippine Statistics Authority, April 2018 Labor Force Survey

- Thank You!