University of the Philippines
SCHOOL OF ECONOMICS

Discussion Paper No. 7805 April 1978

THE INFORMAL SERVICES SECTOR IN THE GREATER MANILA AREA, 1976

by

Rosa Linda P. Tidalgo
and
Gonzalo M. Jurado

TABLE OF CONTENTS

TABLE OF CONTENTS

THE INFORMAL SERVICES SECTOR IN THE GREATER MANILA AREA, 1976*

Rosa Linda P. Tidalgo and Gonzalo M. Jurado**

1 Introduction

The services sector has become the focus of analysis in the study of less developed countries because of its importance in labor absorption. It has been observed that, contrary to the experience of developed countries in which the employment share of the services sector increased relative to that of agriculture and manufacturing only at a late stage of development, the employment share of the services sector in many less developed countries increased faster than that of the two sectors even at a stage of underdevelopment. A hypothesis advanced to explain this phenomenon in LDC's is that the slow growth of manufacturing prevents it from absorbing the low productivity workers in agriculture, forcing them to go to the services sector where supply-created employment is highly possible.

In this paper we present the findings of the survey of enterprises in the informal services sector and make a few suggestions for

---

*This paper is part of a larger study on the Informal Sector in the Greater Manila Area, 1976, supported by the International Labour Organization. The authors wish to acknowledge Ruperto P. Alonzo and Romeo M. Bautista for suggesting some of the specifications of the regressions used in the study, and Loreli R. Cataylo for providing research assistance.

**Associate Professors, School of Economics, University of the Philippines.

policy on how to enhance the enterprises' productivity, employment and income generating capacity. We acknowledge the employment creating potential of enterprises in the sector but add the observation that employment here is also characterized by low productivity and low incomes for both enterprise owners and workers. Hence, in addition to examining the organizational and operating characteristics of enterprises in the sector and assessing the impact of these characteristics upon the enterprises' employment and income generating potential, we also ask the question as to whether, for any economic reason, the sector needs to be contracted rather than expanded.

Briefly, the results of the survey seem to confirm *a priori* suspicions about the sector. Majority of the enterprises covered in the survey suffered from low value added and low productivity, displayed slow growth of production, exhibited slow adoption of new techniques, suffered from lack of credit, financed their capital needs and day to day operations with home generated savings and, of crucial importance, had little economic links with the "formal" sector and these only with the government whose requirements were seen by them to be restrictive.

As a consequence, it seems that, at the policy level, contracting the sector is out of the question. The sector is rather self-reliant, a quality that needs to be encouraged rather than discouraged. Also, it seems reasonable to think that, as enterprises in the sector are linked with the government through measures they consider to be restrictive, policies aimed at improving the sector's productivity, employment and income creating potential should aim at reducing or eliminating restrictions and providing assistance that will augment resources in the sector or improve the quality of resources already existing in it.

Section 2 presents a picture of the services sector in the perspective of the national economy, highlighting the size of employment in the sector and its distribution as to sex, location and class of workers, and the earnings of workers involved. Section 3 reports in a purely descriptive way the findings of the survey as to the characteristics of the informal services sector enterprises and of the heads and households of heads of these enterprises. Section 4 makes an analysis of employment, productivity and incomes of these enterprises in terms of various organizational and operating characteristics. Section 5 summarizes the findings and introduces a few ideas that can constitute the basis of policy with respect to the sector.

2 An Overview of the Services Sector in the Philippines

The Services Sector as defined in this paper excludes commerce because it was the subject of a separate paper in the larger ILO study on the Informal Sector in the Greater Manila Area, 1976, and the sector transport, storage and communication is also excluded because it tends to be capital intensive relative to other services.

For a national perspective of the employment size of the services sector, let us look at the industrial distribution of

employment for some selected years. The importance of the services sector in terms of employment can be seen in Table 1. In 1957, the services sector accounted for 10.8 per cent of total employment, that is, the third after agriculture and manufacturing. The services sector employment share became even larger beginning in 1964, when it became second to that of agriculture. This share was up to 15.7 per cent in 1974. In absolute terms, absorbing only 874 thousand out of 8.1 million employed in 1957, the services sector grew to such an extent that it accounted for 2.2 million out of 13.9 million employed in 1974.

A look at the sex distribution of employment in the services sector reveals the predominance of females in this sector. Table 2 shows that while the proportion of females in total national employment was only in the order of 32-33 per cent, in the services sector it was in the order of 53-60 per cent. In addition, among females there was a marked concentration in domestic services (52.4, 48.9, and 45.3 per cent were in this subsector, respectively, in 1957, 1969 and 1974). In contrast, the concentration among males was in government, community, business and recreational services (where the appropriate percentages were 67.4, 72.1 and 73.4 in 1957, 1969 and 1974, respectively.)

Table 1

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
1957, 1969 AND 1974

Industry	1957[a/]	1969[b/]	1974[c/]
Total Employment (In thousands)	8,103	11,235	13,885
Services:	10.8	14.8	15.7
Government, Community, Business and Recreational Services	4.9	7.9	8.6
Domestic Services	3.8	4.7	5.2
Personal Services	2.1	2.2	1.9
Non-Services:	89.2	85.2	84.3
Agriculture, forestry, hunting and fishing	59.7	56.3	55.6
Mining and quarrying	0.4	0.5	0.3
Construction	2.9	3.1	2.8
Manufacturing	12.7	11.5	10.4
Electricity, gas, water and sanitary services	0.3	0.3	0.3
Commerce	9.9	9.9	11.2
Transport, storage and communication	2.8	3.4	3.7
Industry not reported	0.7	0.4	0.2

[a/] Averages of March, May and October figures.

[b/] May figures only.

[c/] Averages of February, May, August and November figures.

Sources: National Sample Survey of Households Bulletin (formerly Bureau of the Census and Statistics Survey of Households Bulletin).

Table 2

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY SEX,
1957, 1969 AND 1974

Sex	1957[a]	1969[b]	1974[c]
Total Employment (In thousands)	8,103	11,235	13,885
Both Sexes	100.0	100.0	100.0
Total Male	66.6	68.4	67.9
Total Female	33.4	31.6	32.1
Services (In thousands)	874	1,656	2,143
Both Sexes	100.0	100.0	100.0
Male	44.9	46.3	40.3
Female	55.1	53.7	59.7
Male (In thousands)	394	766	864
Total	100.0	100.0	100.0
Government, Community, Business and Recreational Services	67.4	72.1	73.4
Domestic Services	14.2	12.1	11.5
Personal Services	18.3	15.7	15.2
Female (In thousands)	481	890	1,280
Total	100.0	100.0	100.0
Government, Community, Business and Recreational Services	26.6	37.1	43.8
Domestic Services	52.4	48.9	45.3
Personal Services	21.0	14.0	10.9

[a] Averages of March, May and October figures.

[b] May figures only.

[c] Averages of February, May, August and November figures.

Sources: National Sample Survey of Households Bulletin (formerly Bureau of the Census and Statistics Survey of Households Bulletin).

Tables 3 and 4 show the predominantly urban locale of services. From Table 3 it can be seen that while total employment was heavily rural, 70.9 per cent in 1969 and 69.7 per cent in 1974, and employments in the non-services sectors was similarly distributed, 77.1 per cent rural in 1969 and 77.2 per cent in 1974, employment in the services sector was predominantly urban, 64.8 per cent and 70.9 per cent for the same years. The only exception of a non-service industry whose urban employment share was higher than that of services was utilities (100 per cent urban in 1969 and 73.9 per cent in 1974).

Additionally, it can be seen from Table 4 that of total urban employment, the services sector accounted for 32.9 per cent in 1969 and 36.1 per cent in 1974, as opposed to the services sector's share of total rural employment which came to only 7.3 per cent in 1969 and 6.4 per cent in 1974, indicating the heavily urban location of services.

It will also be interesting to take a look at the distribution of employment by class of worker within and among the various sectors. The implicit assumption underpinning many a conclusion about the services sector is that it is peopled predominantly by self-employed workers and unpaid family workers (barbers, backyard mechanics, store helpers, etc.). This assumption is not supported by Table 5. The figures show that wage and salary workers predominate in the services

Table 3

PERCENTAGE DISTRIBUTION OF EMPLOYMENT
BY INDUSTRY, SEX, AND URBAN-RURAL CLASSIFICATION,
1969 AND 1974

Industry and Sex	1969		1974	
	Urban	Rural	Urban	Rural
Total Employment	29.1	70.9	30.3	69.7
Services				
Both Sexes	64.8	35.2	70.9	29.1
Government, community, business and recreational services	68.0	32.0	66.6	33.4
Domestic services	61.7	38.2	77.0	23.0
Personal services other than domestic	60.4	35.6	74.2	25.8
Male	67.4	32.6	68.3	31.7
Government, community, business and recreational services	68.7	31.3	66.1	33.9
Domestic services	55.9	44.1	69.0	31.0
Personal services other than domestic	70.0	30.0	78.6	21.4
Female	62.7	37.3	72.1	27.9
Government, community, business and recreational services	66.7	33.3	67.1	32.9
Domestic services	63.0	37.0	77.4	22.6
Personal services other than domestic	51.2	48.8	70.0	30.0
Non-Services				
Both Sexes	22.9	77.1	22.9	77.2
Agriculture, forestry, hunting and fishing	8.5	9.4	5.7	94.3
Mining and quarrying	29.4	70.6	27.6	72.3
Construction	44.6	55.4	54.3	45.7
Manufacturing	46.0	54.0	50.7	49.3
Electricity, gas, water and sanitary services	100.0		73.7	26.3
Commerce	54.7	45.3	62.0	38.0
Transport, storage and communication	60.8	39.2	54.5	45.5

Source: National Sample Survey of Households Bulletin (formerly, Bureau of the Census and Statistics Survey of Households Bulletin) for the dates indicated.

Table 4

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY INDUSTRY, SEX AND URBAN-RURAL CLASSIFICATION, 1969 AND 1974

Industry and Sex	1969		1974	
	Urban	Rural	Urban	Rural
Total Employment (In thousands)	3,267	7,968	4,202	9,684
Both Sexes	100.0	100.0	100.0	100.0
Services	32.9	7.3	36.1	6.4
Non-Services	67.1	92.7	63.9	93.6
Both Sexes				
Agriculture, forestry, hunting and fishing	16.5	72.6	10.6	75.2
Mining and quarrying	0.5	0.5	0.3	0.3
Construction	4.8	2.4	5.1	1.8
Manufacturing	18.2	8.8	17.4	7.4
Electricity, gas, water and sanitary services	0.7	0.1	0.6	0.1
Commerce	18.6	6.3	23.0	6.1
Transport, storage and communication	7.1	1.9	6.6	2.4
Services (In thousands)	1,074	582	1,519	625
Both Sexes	100.0	100.0	100.0	100.0
Government	55.9	48.6	52.3	63.8
Domestic Services	30.4	34.7	34.4	25.0
Personal Services	13.9	16.7	13.2	11.2
Male (In thousands)	516	250	591	274
Total	100.0	100.0	100.0	100.0
Government	73.6	69.2	70.9	78.5
Domestic Services	10.1	16.4	11.7	11.3
Personal Services	16.3	14.4	17.4	10.2
Female (In thousands)	558	332	929	359
Total	100.0	100.0	100.0	100.0
Government	39.4	33.1	40.5	51.2
Domestic Services	49.1	48.5	49.0	37.1
Personal Services	11.5	18.4	10.5	11.7

Source: National Sample Survey of Households Bulletin (formerly, Bureau of the Census and Statistics Survey of Households Bulletin) for the dates indicated.

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY INDUSTRY, SEX AND CLASS OF WORKER, 1957, 1969 AND 1974

Industry and Sex	1957 W-S[a]	1957 S-E[b]	1957 U-F[c]	1969 W-S	1969 S-E	1969 U-F	1974 W-S	1974 S-E	1974 U-F
Services									
Both Sexes	72.9	22.3	4.6	80.5	17.1	2.4	82.3	13.6	4.2
Government	92.7	6.8	0.5	95.2	4.5	0.2	94.6	5.0	0.4
Domestic Services	99.5		0.3	99.6	0.1	0.2	99.5	0.4	0.2
Personal Services other than domestic	26.7	60.2	13.0	46.6	46.6	6.9	52.7	35.3	12.1
Male	75.5	21.0	3.4	83.9	15.4	0.7	85.3	12.2	2.4
Government	92.0	7.5	0.5	93.9	5.9	0.1	93.0	6.8	0.2
Domestic Services	100.0			100.0			99.4	0.6	0.3
Personal Services other than domestic	34.6	55.6	9.8	57.7	40.3	2.0	63.6	29.6	6.7
Female	71.5	22.9	5.5	77.6	18.3	4.0	79.4	14.7	5.9
Government	94.0	5.2	0.8	97.5	2.2	0.4	96.4	3.0	0.6
Domestic Services	99.4		0.4	99.5	0.1	0.2	99.5	0.4	0.2
Personal Services other than domestic	21.2	63.5	15.3	35.9	52.6	11.5	42.4	40.6	17.1
Non-Services	43.2	30.8	12.7	63.6	28.2	10.7	62.4	22.2	10.1
Both Sexes									
Agriculture, forestry, hunting and fishing	13.2	49.1	37.7	11.9	48.6	39.4	14.1	47.8	37.9
Mining and quarrying	90.8	8.1	1.2	89.1	6.3	4.7	80.8	15.5	3.7
Construction	39.4	44.3	16.2	93.8	5.5	0.2	93.6	5.9	0.4
Manufacturing				52.3	37.6	10.0	64.6	27.6	7.8
Electricity, gas, water and sanitary services	21.6	60.8	17.6	100.0			98.8	1.6	
Commerce	78.7	20.2	1.1	25.6	56.2	18.1	29.2	55.2	15.6
Transport, storage and communication				76.9	21.3	1.4	78.5	19.7	1.6

[a] Wage and salary workers. [b] Self-employed workers. [c] Unpaid family workers.

Sources: National Sample Survey of Households Bulletin (formerly, Bureau of the Census and Statistics Survey of Households) for the dates indicated in the table.

sector, 72.9, 80.5 and 82.3 per cent in 1957, 1969 and 1974. Moreover, this predominance is greater in the services sector than in the non-services sector for which the corresponding figures are 43.2, 63.6 and 62.4 per cent.

Focusing on the distribution of employment by class of workers within and between the sexes, we find, also from Table 5, that wage and salary workers among both the males and females predominate in government (about 93 per cent for the males and about 96 per cent for the females) as well as in domestic services (100 per cent for the males and 99.4 per cent for the females). The situation is different with respect to personal services. Here, previous to 1974, the predominant class of worker among both males and females is the self-employed, about 47 per cent for the males and about 58 per cent for the females. The distribution changed sharply by 1974, however, when the self-employed among both males and females lost out to the wage and salary workers (for the males, 29.6 per cent as against 63.6 and for the females, 40.6 per cent as against 42.4).

Still on the personal services sector, while the self-employed among males and among females predominate in this sector, the relative predominance among the females is greater than that among the males, 63.5 per cent as against 55.6 per cent in 1957, 52.6 per cent as against 40.3 per cent in 1969, and 40.6 per cent as against 29.6 per cent in 1974.

With respect to unpaid family workers in the personal services sector, while they constitute a minority among males and among females they constitute a much greater percentage among the females than among the males, 15.3 per cent as against 9.8 per cent in 1957, 11.5 per cent as against 2 per cent in 1969 and 17.1 per cent as against 6.7 per cent in 1974. In other words, in the personal services sector, the self-employed and the unpaid family workers among the women were relatively greater than those among the men. The tradition that obliges the women to take care of chores at home and thus permits them to take advantage of opportunities for self-employment at home may be an explanation for this.

The average hours worked in the services sector compares well with those of non-services industries whose hours of work tended to be on the high side (Table 6). As a matter of fact, domestic services topped all other industries in terms of average weekly hours of work. This is perhaps to be expected considering that a

Table 6

PERCENTAGE DISTRIBUTION OF EMPLOYED PERSONS AT WORK BY AVERAGE WEEKLY HOURS WORKED, 1957, 1968 and 1973.

	AVERAGE WEEKLY HOURS WORKED		
	1957	1968	1973
Total employed, at work	41.3	44.1	44.7
Non-Services			
Agriculture, forestry, hunting and fishing	40.6	42.5	42.6
Construction	43.5	46.4	44.9
Manufacturing	40.2	42.8	43.5
Commerce	43.2	44.6	46.8
Transport, storage and communications	44.9	52.4	49.2
Electricity, gas, water and sanitary services	44.4	47.8	47.2
Mining and quarrying	44.4	50.6	47.8
Industry not reported	24.1	31.2	30.5
Services			
Government, community, business, recreational services	43.3	46.5	46.0
Domestic services	53.3	57.0	57.4
Personal services other than domestic	40.7	44.0	47.2

Sources: National Sample Survey of Households Bulletin (formerly, Bureau of the Census and Statistics Survey of Households Bulletin) for the dates indicated.

portion of workers in this sub-sector is made up of stay-in domestic helpers, gardeners, cooks, laundrywomen, etc. who work daily beyond the regular 8 a.m. - 5 p.m. period. The average weekly hours of work in each of the sub-industries in the services sector consistently increased from 1957 to 1973.

Table 7 gives the average weekly cash earnings of wage and salary workers in the services sector. For the years cited, the average cash earnings of wage and salary workers of both sexes as well as of the male and the female separately, during the survey week in the services sector, were highest in government and other services, next highest in personal services, and lowest in domestic services. For instance, in 1974, average weekly cash earnings for both sexes were ₱91 in government, and other services, ₱46 in personal services and ₱16 in domestic services.

From 1957 to 1974, the weekly cash earnings in the whole sector increased by 276 per cent, from ₱15.40 to ₱58.00. The highest percentage increase was in personal services other than domestic (300 per cent) it was about the same in the other two sub-sectors (219.3 per cent for government, and other services and 220.0 per cent for domestic services). There is a male-female cash earnings differential in favor of the male in all three sub-sectors but this differential was least in the government, community, business and

Table 7

AVERAGE CASH EARNINGS DURING THE SURVEY WEEK OF WAGE AND SALARY WORKERS BY SUB-INDUSTRY AND SEX: 1957, 1969, 1971 and 1974
(Pesos)

	1957[a/]	(May) 1969	1971	1974	Percentage Increase 1957-1974
Average Weekly Cash Earnings of Wage and Salary Workers					
Both Sexes	15.40	37.00	49.00	58.00	276.6
Government, community, business and recreational services	28.50	59.00	77.00	91.00	219.3
Domestic services	5.00	11.00	13.00	16.00	220.0
Personal services other than domestic	11.50	32.00	42.00	46.00	300.0
Male	19.80	42.00	56.00	66.00	233.3
Government, community, business and recreational services	30.20	59.00	79.00	97.00	221.2
Domestic services	6.50	17.00	25.00	29.00	346.2
Personal services other than domestic	17.20	40.00	51.00	58.00	237.2
Female	6.90	27.00	37.00	44.00	537.7
Government, community, business and recreational services	34.00	58.80	73.00	83.00	144.1
Domestic services	4.80	9.00	11.00	14.00	191.7
Personal services other than domestic	7.70	19.00	26.00	30.00	289.6

[a/] These are averages of "median weekly cash earnings" for the months of March, May and October, 1957, from which those 'not earning' and those 'not reported' were disregarded. Data for number of hours worked are not available.

Source: National Sample Survey of Households Bulletin (formerly, Bureau of the Census and Statistics Survey of Households Bulletin) for the dates indicated.

recreational services and quite substantial in the other two sub-sectors.

Of interest is the lower percentage increase in cash earnings of females in these two sub-sectors (144.1 per cent and 191.7 per cent) relative to the percentage increase among males (221.2 per cent and 346.2 per cent), another dimension of the male-female differential. This is offset by the greater percentage increase of earnings among females than among males in the personal services (289.6 per cent as against 237.2 per cent). However, much of the offset is neutralized when it is realized that the earnings base was only ₱7.70.

Summarizing, the services sector is one of the largest absorbers of employment in the economy, third to agriculture and manufacturing in 1957 and second only to agriculture since 1964. Employment in the sector is predominantly female, being so to the extent of 53-60 per cent as against 32-33 per cent in the economy as a whole. Among females there is a marked concentration in domestic services whereas among males the focus is in government, community, business and recreational services.

The services sector was, moreover, heavily urban in orientation. Whereas employment in the economy as a whole was preponderantly rural

(to the extent of some 70 per cent), it is predominantly urban in the services sector (to the extent of some 67 per cent). Wage and salary workers, not self-employed and unpaid family workers, predominate (constituting some 77 per cent of workers) in the services, and this to an extent is greater than in the non-service sector of the survey (for which the equivalent figure is about 56 per cent). Within the services sector, the same type of workers among the males and among the females was predominant in the government as well as in domestic services. In personal services, they were predominant only by 1974; previous to that year, the self-employed was predominant. The relative predominance among the females was greater than among the males. Additionally, unpaid family workers were proportionately greater among females than among males in the personal services sector. The tradition that obliges the women to take care of household chores perhaps also provides them with opportunities for self-employment at home, a possible explanation for this relatively greater predominance of unpaid family workers and self-employed among women than among men in the personal services sector.

The average weekly hours of work in the services sector compares well with those of non-services industries whose hours of work tended to be on the high side. As a matter of fact, they were highest in the domestic services sub-sector where many workers work beyond the regular eight hours a day.

Average cash earnings of wage and salary workers of both sexes as well as of the male and female separately in the services sector were highest in the government, next highest in personal services and lowest

in domestic services. As a whole, average cash earnings increased from 1957 to 1974, by 276 per cent. There is a male-female differential in favor of the male in all three subsectors; this differential was quite substantial in domestic and personal services and least in the government, community, business and recreational services.

3. The Informal Services Sector Survey in the Greater Manila Area, 1976

Here we report the findings of a survey conducted in 1976 of informal sector enterprises in the Greater Manila Area. The findings pertain only to enterprises in the services sector and they relate specifically to the various organizational and operating characteristics of informal enterprises and to the impact of these characteristics on the enterprises' capacity for generating employment and incomes for people. The objective is to come up with suggestions on how to expand or contract such a capacity, if expansion or contraction is found desirable.

A sample of 528 enterprises in the services sector was surveyed for this study. Although the a priori notion of the informal sector is that it is composed of small-scale, labor-intensive, technically-inefficient, family-oriented ventures organized by low-income groups as opposed to the formal sector enterprises which are capital intensive, systematically organized and pursued by the middle or higher income groups, the operational definition of the informal sector used in this survey as consisting of enterprises employing 10 persons or less seems to miss some of the characteristics of informal sector enterprises as indicated above. Along with enterprises that were "informal," the operational definition also brought into the sample a number of "formal" enterprises. Included

among these were a number belonging to the motion picture, insurance and financial industries and engineering, architectural, medical and dental services. Despite the smallness of their employment, these enterprises are obviously capital intensive, systematically organized, and operated by a person or persons belonging to the high income group--i.e., they are "formal" enterprises.

The number of "formal" enterprises that sneaked into the sample is unfortunately considerable, consisting possibly of about 100 enterprises of 528 (See Appendix), and their presence introduces an upward bias to the data especially to the data pertaining to value of capital, earnings, value added, revenue and taxes. Taking them out of the picture will generally reduce the values of various variables reported in the pages that follow.

Table 8 gives the geographical location of the enterprises surveyed while Table 9 gives their industrial distribution. The heterogeneity of the services offered by these enterprises, seen from Table 9, hints at the wide range of incomes and skills of individuals engaged in such services. There are services handled by professionals such as health services, engineering services, and legal services, and there are those handled by the less skilled as the repair of footwear and laundry services.

3.1 Characteristics of the Informal Services Sector Enterprises

Most of the enterprises were housed in permanent structures (92 percent) built with government permit (96.8 per cent) and with electricity and water (88.3 per cent). Most (78.8 per cent) also rented the structure where they were located and about half paid less

Table 8

DISTRIBUTION OF SERVICES ENTERPRISES
BY GEOGRAPHICAL AREA, 1976

Geographical Area	Percent of (535) Sampled Enterprises
Manila	46.4
Quezon City	20.0
Caloocan	9.7
Pasay	3.6
Navotas	1.5
Mandaluyong	3.4
San Juan	1.9
Tondo	6.9
Makati	6.7
	100.0

Source: Greater Manila Informal Sector Survey, 1976.

Table 9

SAMPLED ENTERPRISES IN THE SERVICES SECTOR:
MARCH - MAY 1976

1972 ISIC[a] Code	Industry	Number of Firms	Percentage of Total Sample
8	FINANCING, INSURANCE, REAL ESTATE AND BUSINESS SERVICES		
8102	Financial Institutions	14	2.6
8200	Insurance	3	0.6
8310	Real Estate	8	1.5
8321	Legal Services	24	4.5
8322	Accounting, Auditing and Bookkeeping	2	0.4
8324	Engineering, Architecture and Technical Services	2	0.4
8325	Advertising Services	4	0.8
8329	Business Services not elsewhere classified	10	1.9
9	COMMUNITY, SOCIAL, RECREATIONAL AND PERSONAL SERVICES		
9310	Education Services	8	1.5
9331	Medical, Dental and Other Health Services	89	16.8
9411	Motion Picture Production	4	0.8
9412	Motion Picture Distribution and Projection	3	0.6
9490	Amusement and Recreational Services not elsewhere classified	20	3.8
9511	Repair of Footwear and Other Leather Goods	12	2.3
9512	Electrical Repair Shops	28	5.3
9513	Repair of Motor Vehicles and Motorcycles	83	15.7
9514	Watch, Clock and Jewelry Repair	23	4.4
9519	Other Repair Shops not elsewhere classified	10	1.9
9520	Laundry Services, Cleaning and Dyeing Plants	11	2.1
9591	Barber and Beauty Shops	147	27.8
9592	Photographic Studios including Commercial Photography	21	4.0
9599	Personal Services not elsewhere classified	2	0.4
	TOTAL NUMBER OF ESTABLISHMENTS SAMPLED	528	100.0

[a] International Standard Industrial Classification.

Source: Greater Manila Informal Sector Survey, 1976.

than ₱200.00 monthly rent. Most (97.9 per cent) were accessible to motorable road and the choice of location was based on proximity to buyer.

The enterprises catered mostly to middle income families (82.1 per cent) contrary to the expectation that they do so mainly to low income families. Only a few sold to large enterprises or the government, an indication of low forward linkage. About half of them (52.8 per cent) understandably thought that the government and large enterprises can buy more from them.

Most of the enterprises indicated that they needed government permission to operate (97.2 per cent) and were subject to government inspection (79.3 per cent) contrary to expectations for enterprises in the informal sector.

The small size of employment of the enterprises was not something temporary or an initial stage. The firms' employment remained small for an extended length of time. It is difficult to interpret this as an indication of non-expansion because some of the enterprises were in fact really "formal." A medical clinic, a law firm, or some consultancy office, for example, operate more efficiently with few employees. The small size of employment therefore is not necessarily an indication of a failure to expand. However, the growth of production and employment and the adoption of new techniques were slow. The problem most often cited was lack of capital or credit. The availability of skilled workers was not considered a major problem in this sector.

The services sector is peculiar in its very long hours of work. The workers did not observe regular work schedules as in other offices but had variable working hours. Most of the employees were busy during

hours of operation although variations in demand allowed the employees to work elsewhere when business was slack. However, in spite of demand variations, assets owned by enterprises were not usually hired out.

The work force in the sector averaged 3.2 employees per enterprise. The range of employment in the enterprises was 1 to 10, but most of the enterprises were of small employment size. The wage and salary workers comprised 61.6 per cent, the self-employed were 29.1 per cent while the unpaid workers made up 9.3 per cent. Contrary to expectation in the informal sector, most (84.6 per cent) of the establishments did not employ workers on a casual basis. Only 3.3 per cent did so frequently while 11.6 per cent did so occasionally.

The overall employment level had remained relatively constant for most enterprises (71.2 per cent). In the last year, about a third experienced high employee turnover.

Most enterprises (65.8 per cent) did not have any difficulty recruiting workers. Those who had some difficulty experienced this difficulty with regards to recruitment of skilled workers (88.7 per cent). Those recruited by enterprises were mostly jobless (63.2 per cent), either staying in Greater Manila or coming from outside Greater Manila. However, a third (36.8 per cent) were recruited from Manila and were not jobless. It is not therefore very clear that the services sector is the depository of unskilled workers who are not able to find work elsewhere. One should recall that the data correspond to a sample which includes enterprises that would not belong to the informal sector.

Most enterprises (57.8 per cent) preferred hiring workers with some experience. Among those who hired inexperienced workers, 59.1 per cent gave them lower pay or did not pay them at all during training. Once trained, more than a third stayed indefinitely. The enterprises (83.3 per cent) were agreeable to the idea of government's training of workers. The enterprises were generally willing to share the cost of such training but for most, this was true only if their share was small and the training were not to be done during working hours.

The payment of remuneration of the work force in this sector was largely monthly(43.2 per cent) contrary to one's expectations in the informal sector as defined a priori. One would expect the predominant payment of workers to be by piece rate or contractual. The minimum wages of workers in almost 70.0 per cent of the enterprises were below the legal minimum wage of ₱10.00. On the average, the minimum was ₱8.37 for male and ₱7.96 for females while the maximum was ₱12.21 for males and ₱10.83 for females.

Majority (95.9 per cent) of the workers sampled were at least 28 years old. If this informal sector were thought to be a depository of excess labor from the agricultural sector one would expect the work force to be composed mostly of unskilled young people in their teens or early twenties. The data do not support this. Either the people in this sector had been earlier employed somewhere else and went to this sector after or the work force needed some long period of training as in the case of those in enterprises providing professional services. Although most of the employees were in the late thirties, some enterprises (42.6 per cent) indicated employing workers who were younger than

10 years old; it is possible that these young employees properly belonged to unpaid family workers. However, the peculiarity of this sample is the small percentage of unpaid family workers.

Most of the workers had formal schooling, which is contrary to expectations concerning the informal services sector. The two largest occupations of the work force were the services occupations (39.6 per cent) and production-related occupations (35.6 per cent). Almost all (96.8 per cent) of the work force indicated the existence of other sources of daily income but of less than ₱50.00; the rest indicated additional daily income of ₱150.00 to ₱1,500 and above.

The members of the work force belonged to households of various sizes therefore making any generalization regarding the household size of the workers in the sector difficult.

Most (95.6 per cent) of the enterprises owned some capital equipment of a wide range of values, from less than ₱1,000 to more than ₱22,000. More than half (63.7 per cent) indicated that their capital equipment were new, not second hand nor self-made. The capital equipment owned by the enterprises were financed from the savings of the enterprise heads for 92.9 per cent of the sample. A very small percentage (2.6 per cent) indicated banks and government agencies as the source of financing for capital acquisitions. About four-fifths of the enterprises (83.1 per cent) indicated that their workers did not bring their own tools to work. The structure housing the enterprise forms part of capital. Majority of both those owning the structure housing the enterprise (57.3 per cent) and those renting such structure (63.9 per cent) placed an implicit rental of and paid, respectively, less than ₱300.00 monthly.

The major source of funding both big expenditures and day-to-day expenditures was also savings among 96.1 per cent of the enterprise. One can see the likely constraints on expansion and improvement in methods of production if savings were the only major source of funding. However, some were able to get loans and most of them indicated they had no difficulty securing such loan although others indicated difficulties because they did not want to pay high interest rates.

Generally, the enterprises had low backward linkage. They obtained their supplies of goods from sources ranked in descending importance as follows: small enterprises and/or households (72.3 per cent), and large enterprises and government agencies (21.4 per cent). For services, they obtained their supplies from sources ranked in descending order as follows: the small enterprises and/or households (91.1 per cent), and large enterprises and government agencies (7.4 per cent). The volume of the purchases of goods was greater than that of services but no data on the actual volume was collected.

Although the backward linkage in the sector as a whole was small, it affected more of the small enterprises than of the big The temptation is strong to suggest that an expansion of the services sector enterprises' market would also encourage the growth of other small enterprises. The ranking also implies the possibility for expansion of the backward linkage via increases in the establishments' purchases from large enterprises and government entities. The dominance of small enterprises as suppliers of goods and services to the services

establishments may be due to the volume of the purchases. Such purchases are most likely small and, therefore, the advantage in getting discounts on large purchases which one may get from large enterprises does not come out as strongly. However, any discount on purchases would be saving for the buying enterprise. The small volume of operation among these enterprises not only prevents them from getting price discounts but also from buying commodities of better quality as might be expected of products sold by large enterprises.

The payment for the enterprises' purchases were mostly in cash. This is to be expected if the sellers are small enterprises. This indicates another disadvantage to the services enterprises. Large enterprises and the government can better afford to sell on credit.

The services sector's output cannot be stored. The output is usually produced when someone is buying it. Therefore, revenue or sales is a very appropriate indication of the volume of production in the sector. On the average, the weekly revenue per enterprise amounted to ₱1,386.80. The distribution of enterprises by weekly revenue gives a clearer picture of the services sector's sample. Almost a fifth (17.5 per cent) sold ₱1,500 or more, a fourth (24.3 per cent) had revenues of less than ₱200.00, and a very small percentage (1.4 per cent) earned less than ₱50. Majority (56.5 per cent) indicated regular revenue earnings weekly. Most enterprises (86.9 per cent) received additional weekly income from other sources but of very small amounts, mostly less than ₱50.00 during the preceding week although a few received ₱1,500 or more.

The concept of gross value added is an approximation of the productivity of factor inputs at a given stage or production. This attempt to measure this value will be made difficult if the value of the output as measured by its price is not predominantly determined by supply or cost considerations but also by demand forces. Gross value added is defined in two ways in this study. First, as total revenue minus the cost of goods and services bought by the enterprise and second, as the first definition but subtracting also the rent on capital equipment and premises. Using the first definition, only about a fifth of the enterprises (20.9 per cent) had a weekly gross value added of less than ₱50 while the rest had more. When the second and more strict definition of gross value added is used, all the enterprises registered a weekly gross value added of less than ₱50.00. Two possible interpretations of the low gross value added per enterprise may be advanced. First, the production of a service may only involve the services of an individual and the value of such output will be equal to the labor cost; if labor cost is low then the gross value added will also be low. Second, the market structure may not allow a high price mark-up on the sector's output; if there are many small enterprises selling the same service then an enterprise will not be able to charge a higher price relative to others. Most (68.6 per cent) felt that there were too many competing enterprises in the sector. In addition, they believed that the large enterprises affected their revenue because of their accessibility of location, cheaper selling price and better quality. When the enterprises were asked whether a large scale of production would allow them to sell cheap and whether government and large enterprises could be encouraged to increase their

markets, about half (57.0 per cent) answered negatively. It is difficult to interpret such answers which may be partly explained by their lack of knowledge on the possibilities of large scale production.

Most (59.3 per cent) enterprises indicated paying taxes on goods and services bought but a greater percentage (91.6 per cent) indicated paying taxes on output sold. This is to be expected because one is not usually aware of the taxes paid on one's purchases as one is aware of taxes paid on one's sales. Many paid small taxes which may be explained by the difficulty in assessing the total sales of the services enterprises. In a small-scale business operation, receipts are not usually issued.

Majority of the enterprises (83.3 per cent) were not members of trade associations for reasons such as non-existence of such associations, and non-interest in joining. However, some felt that association could be helpful in quality control, price maintenance, peace and order and obtaining credit.

Majority of the enterprises (73.7 per cent) wished to expand their capacity to produce and improve their current method of production and operation (77.8 per cent), but bottlenecks existed which prevented them from doing so. The major constraints cited were government regulations regarding licensing, location, and so forth, the lack of credit at moderate interest rates and the non-profitability of the venture at the current scale of production. Although credit availability was cited as a major bottleneck, majority of the enterprises (75.0 per cent) never tried getting credit from banks and other

financial agencies. As mentioned earlier, the enterprises financed most of their operations and other expenditures from savings although many feel they can get credit if they tried. Those who said they would not be able to get credit gave reasons of non-recognition of their enterprises by the government and the complicated lending procedures. Majority agreed that the government could be helpful mostly in providing financial assistance, then in relaxation of government regulations, taxes, licenses, and prices and the provision of favorable working facilities and of training programs for workers.

The attitudes of the enterprise heads were sought on two issues: relocation to another part of Greater Manila and how the enterprise would use a credit of ₱10,000. Most (69.3 per cent) indicated they were not moving to enother part of Greater Manila even if given suitable incentives. This reponse should be taken with a grain of salt since the suitable incentives were not specifically stated. On the question of how the enterprise will use a credit of ₱10,000, the ranking of preferred expenditures was as follows: (1) to buy furniture, machines, goods, and merchandise (29.3 per cent), (2) to improve the existing structure (28.7 per cent), and (3) the construction of new structure (16.0 per cent).

3.2 Characteristics of Services Sector Enterprise Heads

There were more male enterprise heads (64.7 per cent) than female (35.3 per cent) and majority were of ages 31 to 40 years old. This may be an indication that most enterprise heads had some experience working elsewhere before establishing their own enterprise

or had been in business for some time. Almost all the enterprise heads (96.7 per cent) were literate with formal schooling. Many (29.9 per cent) had 15 years or more of formal education. Of those who reached high school, most (74.8 per cent) had the general type of education. Those who were literate but with no formal education (80.4 per cent) had informal education of job-oriented type of skill whose sources were mostly neighbors, relatives, friends, followed by training centers or vocational adult education, then employers or self study. The distribution of enterprise heads by years of schooling was similar for both sexes.

More than half of the enterprise heads (62.0 per cent) resided in Manila and Quezon City. Most of them were born outside Greater Manila (62.6 per cent) but left their last place of residence where they were not working with pay to look for better job opportunities (39.4 per cent), to study (31.1 per cent), and for some family reasons (19.2 percent). Most (85.7 per cent) of these migrants had been residing in Greater Manila for at least 10 years. The two largest groups coming as migrants were farmers (80.8 per cent) and teachers (7.1 per cent). Most of the migrants were from rural areas and were from Luzon (77.4 per cent) rather than Visayas (18.5 per cent) and Mindanao (2.7 per cent).

The occupations of most of the enterprise heads were those of services followed by professional, then administrative and managerial. Using a 2-digit occupational classification which identifies their occupations more specifically, the largest groups were working proprietors in catering and lodging services (24.2 per cent), followed by medical, dental, veterinary and related workers (15.4 per cent) then working proprietors in the manufacture of metal products, machines and plumbing (14.4 per cent), working proprietor in wholesale and retail and gas stations (8.2 percent) and hairdressers,

barbers, beauticians and related ones (8.10 per cent). Most (78.1 per cent) did not have any subsidiary occupation, but those who had were mostly professionals and sales workers. Similarly, most (64.5 per cent) did not have any previous occupation. One's occupation is usually defined by the job one had or has. Hence, not having previous occupation may simply indicate not having a job before. Of those who had previous occupations, they were mostly production workers, clerical, professional and sales service workers. In the cases of people who switched occupations and needed to learn new skills, the main source of training were training centers (39.3 per cent),with neighbors and relatives coming next (35.2 per cent).

Most of the enterprise heads (77.9 per cent) did not register in any employment agency for a job in the past. About half (48.0 per cent) found their job after considerable search and delay. When asked to assess how easy it would be to find a similar job now, the same proportion indicated that it would take them considerable search and delay again. Majority of the enterprise heads were satisfied with their present job (80.2 per cent) and were not willing to undertake training under any circumstances to enable them to change occupations (78.3 per cent). The few who wanted to undertake training and change occupation,wanted to become professional, technical, sales, or clerical workers.

Only some (21.9 per cent) were willing to leave Greater Manila and the others cited as the major reasons for not leaving the adverse effect of such a transfer on their earnings, the better educational facilities for their children and their enjoyment of the urban amenities and the high expense of travel with the family.

Most of the enterprises (98.1 per cent) had a fixed place of work and about half (54.3 per cent) worked in their place of residence. Most were working owners who worked long hours. Many were working 10 hours or more (35.3 per cent); and almost all (89.6 per cent) were working at least 6 days a week. Given such long working hours it is of interest to look at their weekly earnings. Weekly earnings is defined here to equal total revenue minus all expenses. There is a wide range of weekly earnings from less than ₱150 to ₱1,000 or more. For a 7-day week work schedule, the weekly earnings averaged ₱150.00 or ₱21.43 per day. Majority (68.0per cent) had no other source of income and most of those who had received a weekly amount of less than ₱50.00. Almost half (42.9 per cent) indicated no improvement in their earnings, 43.2 per cent indicated some increase while the rest (13.9 per cent) suffered decreases in earnings.

3.3 Characteristics of Enterprise Heads' Households

The income situation of enterprise heads will be better gauged in the context of their respective households. Most (72.5 per cent) of the households had six members or more. Majority of the enterprise heads (71.2 per cent) were household heads and about half of them (56.4 per cent) were the sole earners in their households. Most (78.8 per cent) households did not have any other person seeking work. Therefore many service enterprise heads' households were on limited income as indicated by the earnings of the enterprise heads.

Majority were renting (53.5 per cent)although many owned the houses (42.8 per cent) they were living in while a few were sharing with other households or were homeless. The structures of the households

were mostly permanent (92.5 per cent) and with water and electricity (95.2 per cent). Many (49.2 per cent) were in houses with 3 to 4 bedrooms.

Most (81.9 per cent) did not have any other regular income from sources other than the earnings from the enterprise. Among those who did, many (45.2 per cent) indicated it was very small though it may be considered significant, others (41.9 per cent) indicated it was substantial, but, for some (12.9 per cent), negligible. Majority (54.1 per cent) owned property which was a regular source of income while the rest received additional income from other individuals or households and from pensions.

3.4 The Heterogeneity of the Sample Once Again

The heterogeneity of the enterprises covered has already been referred to. An indication of this heterogeneity are the data shown in the following Tables on minimum and maximum wages of male and female workers, the value of capital owned per enterprise, the weekly rent on capital per enterprise, weekly total revenue, weekly gross value added per enterprise, the weekly entrepreneurial earnings, and the corresponding hourly earnings.

Tables 10 and 11 give the average daily minimum and maximum wages for each sex by sub-industry. The lowest minimum wage in an enterprise for male workers was ₱4.66 in the laundry services,

Table 10

AVERAGE DAILY WAGES OF MALE WORKERS
IN SERVICES ENTERPRISES, 1976

ISIC Code	Industry	Minimum[a] (Pesos)	Maximum[b] (Pesos)
9411	Motion Picture Production	14.67	32.33
8102	Other Financial Institutions	14.05	19.45
8324	Engineering, Architecture and Technical Services	10.00	10.00
9331	Medical, Dental & Other Health Services	10.00	12.65
9514	Watch, Clock and Jewelry Repair	10.00	14.71
8321	Law Offices	9.82	16.68
9513	Repair of Motor Vehicles and Motorcycles	9.43	11.90
8322	Accounting, Auditing and Bookkeeping Services	8.50	16.68
9512	Electrical Repair Shop	8.22	13.35
8200	Insurance	8.00	25.67
8310	Real Estate	8.00	19.77
8325	Advertising Services	8.00	14.25
9412	Motion Picture Distribution and Projection	8.00	9.00
9599	Personal Services, n.e.c.	8.00	10.00
9310	Education Services	7.78	13.20
9592	Photographic Studios including Commercial Photography	7.71	11.78
8329	Business Services, n.e.c.	7.52	9.45
9490	Amusement and Recreational Services, n.e.c.	7.00	9.15
9591	Barber and Beauty Shops	6.45	9.12
9519	Other Repair Shops, n.e.c.	6.38	11.20
9511	Repair of Footwear and Other Leather Goods	5.62	11.03
9520	Laundries, Laundry Services and Cleaning and Dyeing Plants	4.66	9.52
	SECTOR AVERAGE	8.37	12.21

[a] Based on the responses of 240 enterprises.

[b] Based on the responses of 169 enterprises.

Source: Greater Manila Informal Sector Survey, 1976.

Table 11

AVERAGE DAILY WAGES OF FEMALE WORKERS
IN SERVICES ENTERPRISES, 1976

ISIC Code	Industry	Minimum[a] (Pesos)	Maximum[b] (Pesos)
8310	Real Estate	15.00	19.27
8102	Other Financial Institutions	15.31	14.11
9310	Education Services	10.66	12.58
8322	Accounting, Auditing and Bookkeeping Services	10.00	16.00
8324	Engineering, Architecture and Technical Services	10.00	13.00
9513	Repair of Motor Vehicles and Motorcycles	10.00	8.80
8321	Law Offices	9.84	13.64
8329	Business Services, n.e.c.	9.62	12.33
9411	Motion Picture Production	8.67	16.12
9331	Medical, Dental and Other Health Services	8.53	11.55
8325	Advertising Services	8.00	10.83
9599	Personal Services, n.e.c.	8.00	9.58
9412	Motion Picture Distribution and Production	7.00	8.00
9591	Barber and Beauty Shops	6.26	8.94
9520	Laundries, Laundry Services and Cleaning and Dyeing Plants	6.00	7.50
9592	Photographic Studios including Commercial Photography	6.00	7.74
8200	Insurance	-	10.00
9490	Amusement and Recreational Services, n.e.c.	-	6.33
9511	Repair of Footwear and Other Leather Goods	-	-
9512	Electrical Repair Shops	-	8.50
9514	Watch, Clock and Jewelry Repair	-	15.00
9519	Other Repair Shops, n.e.c.	-	13.00
	SECTOR AVERAGE	7.96	10.82

[a] Based on the responses of 87 enterprises.

[b] Based on the responses of 173 enterprises.

Source: Greater Manila Informal Sector Survey, 1976.

whereas, the maximum wage of male workers was in motion picture production which came to ₱32.33; in the case of females, this range was ₱6.00 and ₱19.27, respectively.

Table 12 gives the sub-industry figures for the value of capital equipment owned by the enterprises. It ranges from ₱1,461.00 in repair shops to ₱70,900 in real estate. For those who indicated paying rent on capital equipment, the range was slightly narrower but still wide. The weekly rent paid on capital equipment in some recreational services came to ₱102.00 whereas in motion picture production it came to ₱7,500 (Table 13).

The average weekly total revenue ranged from ₱249.00 in the laundry services to ₱23,270 in real estate (Table 12).

The gross value added as defined by total revenue from sales of services less cost of goods and services bought gives much smaller figures (Table 14), but the range is still very wide, from a ₱2,241.00 to ₱19,948.00.

The average entrepreneurial earnings in the service establishments by sub-industry is shown in Table 15. The range of entrepreneurial earnings is from ₱101.00 to ₱1,862 weekly. When controlled for hours of work an even more dramatic range is shown, a range of ₱1.99 to ₱47.73 average earnings per hour.

Table 12

AVERAGE CAPITAL EQUIPMENT OWNED AND AVERAGE WEEKLY TOTAL REVENUE OF SERVICES ENTERPRISES, 1976

ISIC Code	Industry	Capital Equipment[a] (Pesos)	Weekly Total Revenue[b] (Pesos)
8310	Real Estate	70,900	23,270
9331	Medical, Dental and Other Health Services	43,452	1,280
9592	Photographic Studios, including Commercial Photography	36,231	576
9599	Personal Services, n.e.c.	35,400	3,500
8325	Advertising Services	30,200	512
9411	Motion Picture Production	29,750	17,186
9310	Education Services	26,286	385
9412	Motion Picture Distribution and Projection	21,333	1,211
8329	Business Services, n.e.c.	18,910	1,585
9490	Amusement and Recreational Services, n.e.c.	18,008	518
9513	Repair of Motor Vehicles and Motorcycles	16,022	1,617
8322	Accounting, Auditing and Bookkeeping Services	15,000	2,250
9512	Electrical Repair Shops	10,935	1,111
8321	Law Offices	10,186	1,189
8324	Engineering, Architecture and Technical Services	10,000	1,000
8102	Other Financial Institution	9,891	3,062
8200	Insurance	6,667	1,089
9591	Barber and Beauty Shops	5,405	448
9514	Watch, Clock and Jewelry Repair	3,138	948
9511	Repair of Footwear and Other Leather Goods	2,400	911
9520	Laundries, Laundry Services, and Cleaning and Dyeing Plant	1,775	249
9519	Other Repair Shop, n.e.c.	1,461	487
	SECTOR AVERAGE	18,054.74	1,386.80

[a] Includes all other similar durable goods owned by the establishments. Number of respondents: 494

[b] Revenue from sales of services, in cash and kind, including sales on credit. Number of respondents: 484.

Source: Greater Manila Informal Sector Survey, 1976.

Table 13

AVERAGE WEEKLY RENT PAID ON CAPITAL EQUIPMENT BY SERVICES ENTERPRISES[a] 1976

ISIC Code	Industry	Average Weekly Rent Paid on Capital Equipment (Pesos)	Number of Sampled Enterprises
9411	Motion Picture Production	7,500	1
9513	Repair of Motor Vehicles and Motorcycles	1,520	2
9331	Medical, Dental and Other Health Services	790	3
9591	Barber and Beauty Shops	407	3
8310	Real Estate	182	1
9490	Amusement and Recreational Services, n.e.c.	102	4
	SECTOR AVERAGE	1,051.57	14

[a] This applies only to those enterprises that pay rent on capital equipment.

Source: Greater Manila Informal Sector Survey, 1976.

Table 14

AVERAGE WEEKLY GROSS VALUE ADDED[a/] OF SERVICES ENTERPRISES, 1976

ISIC Code	Industry	Average Weekly Gross Value Added (Pesos)	Number of Sampled Enterprises
8310	Real Estate	19948	8
9411	Motion Picture Production	7141	4
9599	Personal Services, n.e.c.	3412	2
8102	Other Financial Institutions	2246	14
8322	Accounting, Auditing and Bookkeeping Services	2004	2
8200	Insurance	1022	3
9513	Repair of Motor Vehicles and Motorcycles	853	83
9412	Motion Picture Distribution and Projection	811	3
8321	Law Offices	751	24
9512	Electrical Repair Shops	731	28
9514	Watch, Clock, and Jewelry Repair	723	23
9331	Medical, Dental and Other Health Services	717	89
9511	Repair of Footwear and Other Leather Goods	626	12
8324	Engineering, Architecture and Technical Services	485	2
9490	Amusement and Recreational Services, n.e.c.	394	20
8329	Business Services, n.e.c.	394	10
9519	Other Repair Shops, n.e.c.	363	10
9591	Barber and Beauty Shops	354	147
9310	Education Services	169	8
9520	Laundries, Laundry Services & Cleaning & Dyeing Plants	164	11
9592	Photographic studios including Commercial Photography	086	21
8325	Advertising Services	-2241	4
			528

[a/] Total revenue from sales of services less cost of goods and services bought.

Source: Greater Manila Informal Sector Survey, 1976.

Table 15

AVERAGE ENTERPRENEURIAL EARNINGS
IN SERVICES ENTERPRISES, 1976

ISIC Code	Industry	Weekly[a] (Pesos)	Hourly[b] (Pesos)
9599	Personal Services, n.e.c.	1,862	41.39
8102	Other Financial Institutions	1,269	28.59
9411	Motion Picture Production	1,146	47.73
9592	Photographic Studios including Commercial Photography	683	14.41
8310	Real Estate	602	13.19
8329	Business Services, n.e.c.	529	12.24
9331	Medical, Dental and Other Health Services	482	10.85
8321	Law Offices	461	10.51
8200	Insurance	400	7.84
9514	Watch, Clock and Jewelry Repair	398	8.39
9412	Motion Picture Distribution and Projection	392	8.94
9513	Reapir of Motor Vehicles and Motorcycles	389	7.05
9490	Amusement and Recreational Services, n.e.c.	330	6.96
9512	Electrical Repair Shop	284	5.21
8322	Accounting, Auditing and Bookkeeping Services	250	6.41
9519	Other Repair shops, n.e.c.	186	3.23
8324	Engineering, Architecture and Technical Services	175	3.43
9511	Repair of Footwear and Other Leather Goods	162	2.82
9511	Barber and Beauty Shop	162	2.96
9520	Laundries, Laundry Services Cleaning and Dyeing Plants	159	3.40
9310	Education Services	128	3.96
8325	Advertising Services	101	1.99
	SECTOR AVERAGE	367.50	

[a] What the enterpreneur considers as his earnings after meeting all expenses.

[b] Weekly earnings divided by weekly hours, assuming a six-day week.

Source: Greater Manila Informal Sector Survey, 1976.

Taking out the data pertaining to "formal" enterprises will tend to make the overall picture more homogeneous and typically low wages, low value of capital owned, small rental on capital, low value added, and low enterprise earnings.

4 Productivity, Employment and Income in the Informal Services Sector

Having described the characteristics of informal enterprises in the services sector, we now proceed to examine which of these characteristics have a bearing on the enterprises' productivity, employment creation and income generating capacity. On the basis of *a priori* reasoning we would expect some economic, human, and institutional characteristics as possible explanatory variables for changes in the dependent variables of productivity, employment, and incomes of enterprises. The objective is of course to bring policy, through the instrumental variables, to bear on the dependent variables, in order to achieve desired changes in these.

For production, one can hypothesize a relationship between output on the one hand and various inputs on the other hand and cast this relationship in the form of a production function, either of the Cobb-Douglas or constant-elasticity-of-substitution variety. The assumption can be made that informal sector enterprises are not straightforward profit-maximizing firms with the result that their output is affected by various factors, including characteristics of

the enterprise head, of the workers and of the enterprise itself, in addition to labor and capital which are used in traditional production function analysis. The enterprises' employment creating and income generating capacities can also be hypothesized as being determined in a more or less similar manner. The hypotheses can then be tested statistically. In this paper the test is carried out through stepwise regression.

4.1 Productivity

Three productivity equations are tested. Equation 1.1 explains value added per enterprise (VAE) in terms of nine variables while the other two equations are standard productivity concepts, namely, value added per worker (VAW), and value added per unit of capital (VAK), each as functions of four variables. The equations are:

1.1 $VAE = f(LFE, QLF, VFA, CUR, SCR, YOE, YOE^2, LST, FLK, BLK)$

1.2 $VAW = f(KLE, YFE, AGH, PTW)$

1.3 $VAK = f(LKE, YFE, AGH, PTW)$

where:

VAE: value added per enterprise as defined by total revenue from sales minus cost of goods and services bought, in pesos

LFE: total employment per enterprise as defined by the number of full-time and part-time workers and working owners

QLF: quality of the labor force as defined by the number of workers with formal schooling:
most or few of the workers - 1
one, none, don't know, not applicable - 0

VFA: value of fixed assets, in pesos

CUR: daily capacity utilization rate as defined by hours of daily operation ÷ 24 hours x 100.

SCR: credit sources for big expenditures:
banks and other big financial agencies - 1
otherwise - 0

YOE: age of enterprise as defined by the number of years of operation

LST: legal status as defined by whether the enterprise is subject to government inspection or regulation
yes - 1
no - 0

FLK: forward linkages as defined by types of buyers of services sold by the enterprise
big commercial/government enterprises - 1
otherwise - 0

BLK: backward linkages as defined by the seller of goods and services to the enterprise
large enterprises, government agencies, or combination of both - 1
otherwise - 0

VAW: value added per worker as defined by VAE ÷ LFE

KLE: the value of fixed assets per worker per enterprise as defined by VFA ÷ LFE.

YFE: years of formal schooling of the enterprise head as defined by midpoints of ranges of years of schooling coded as follows:

Years	Code
2.5	1
5.5	2
8.5	3
10.0	4
12.0	5
14.0	6
18.0	7

AGH: age of enterprise head as defined by mid-points of the age ranges coded as follows:

Years	Code
8.0	1
18.5	2
23.0	3
28.0	4
35.0	5
45.0	6
55.0	7

PTW: (proportion of part-time workers out of the total full-time and part-time workers) x 100

VAK: value added per unit of capital as defined by VAE ÷ VFA

LKE: labor capital ratio as defined by $\frac{1}{KLE}$

All variables are given a linear specification except age of enterprise (YOE) which is given a parabolic form to capture possible non-linear effects.

In equation (1.1) one would expect value added (VAE) to be positively related to labor input (LFE), to the quality of the labor force (QLF), to fixed assets (VFA), to the capacity utilization rate (CUR), to credit sources (SCR), to forward linkage (FLK) and backward

linkage (BLK), With respect to legal status (LST), one would expect this to be negative if the assumption that informal sector enterprises are hindered by legal requirements is true, whereas with regard to age of enterprise (YOE), one would expect this to rise initially, then rise further or decline, depending on whether age has an expansionary cr contractionary impact on the enterprise.

Table 16 summarizes the results of the regressions. Altogether, the results are extremely disappointing. In regression 1.1, the only variables found to be significant are labor input (at 1%), value of fixed assets (at 1%), and credit source (at 5%), affirming in a way the traditional production function. Moreover the variables explain only some 10 per cent of the total variation of the dependent variable.

It would still be of interest to look at the signs and magnitudes of the different coefficients in equation 1.1, even if these are not significant. As shown in the terminal run of the stepwise regression, the coefficient for labor input (LFE) is positive and much larger than that of fixed assets (VFA), implying a relatively higher marginal productivity for labor.

The quality of the labor force as determined by the proportion of the workers with formal education (QLF) is negative, contrary to expectations. However, capacity utilization (CUR) is positively related to value added, and so is credit source (SCR), both consistent with expectations. The age of the enterprise (YOE) initially raises

Table 16

ESTIMATED COEFFICIENTS OF
REGRESSION EQUATIONS (1.1), (1.2) AND (1.3)

(1.1) $VAE = -1044.6162 + 472.6653\ LFE + 0.0192\ VFA + 1922.4060\ SCR$
(122.4752) (0.0034) (0.0976)

$s = 6106.9881$ $\bar{R}^2 = 0.1027$

(1.2) $VAW = -50.1489 + 74.0935\ YFE$
(27.7158)

$s = 1334.8786$ $\bar{R}^2 = 0.0132$

(1.3) $VAK = 0.1984 + 30.8168\ LKE$
(5.4825)

$s = 1.0255$ $\bar{R}^2 = 0.0559$

Numbers in parenthesis are standard errors of coefficients above them; s stands for standard error of the dependent variable; $\bar{R}^2$ is the coefficient of determination adjusted for degrees of freedom.

value added then, after the rather long period of 17 years, progressively reduces it, implying a long run deleterious effect of age. Legal status (LST) has a negative coefficient implying that government regulations and inspection tend to have a restrictive effect on enterprise value added. Forward linkage (FLK) has a negative coefficient contrary to expectations; however, backward linkage (BLK) has a positive coefficient, consistent with expectations.

Equation 1.2 attempts to explain value added per worker (VAW) as a function of the capital-labor ratio (KLE), years of formal education of the enterprise head (YFE), age of enterprise head (AGH), and the proportion of part-time workers (PTW). The result shows that only years of formal education of the enterprise head with a positive coefficient is statistically significant (at 1%). The implication is of course that the higher the educational attainment of the enterprise head, the higher is his/her productivity, as measured by the value added in the enterprise. However, the adjusted R^2 is almost zero.

In the terminal run of the regressions, both the age of enterprise head (AGH), and the proportion of part-time workers (PTW) give negative coefficients. The capital-labor ratio (KLE) was dropped altogether from the regression. This ratio in the sector is ₱5,642.11, computed by dividing average capital equipment owned or fixed assets per enterprise (₱18,054.74) by average total employment per enterprise (3.2 employees). It is difficult to make a judgment as to whether such a capital-labor ratio

is large or small in the absence of data for other sectors. It can be indicated however that the ratio tended to be increased by the presence of a considerable number of "formal" enterprises in the sample.

Equation 1.3 is an attempt to cast value added per unit of capital (VAK) as a function of the labor-capital ratio (LKE), (i.e., the reciprocal of KLE), the age of the enterprise head (AGH), years of formal education of the enterprise head (YFE), and the proportion of part-time workers (PTW). This time only the labor-capital ratio (LKE) is statistically significant (at 1%). Once again however the adjusted R^2 is very small.

In the terminal run of the regression, years of formal education of the enterprise head (YFE) was dropped by the regression.

4.2 Employment

To determine employment in the informal services sector, an equation of the following form was estimated:

(a) LFE = f(ADW, VAE, VFA, CUR)

where

LFE: total employment per enterprise (see page 43)

ADW: average daily wage as defined by the average of the four following wages: maximum wages of females and males and the minimum wages of females and males

VAE: value added per enterprise (see page 43)

VFA: value of fixed assets in pesos (see page 44)

CUR: daily capacity utilization rate (see page 44)

We would of course expect total employment per enterprise (LFE) to be negatively related to average daily wage (ADW), and positively related to the other variables.

Table 17 summarizes the regression results. The average daily wage (ADW) and capacity utilization rate (CUR) come out statistically significant at 1 per cent while the rest do not. Moreover, the coefficient of average daily wage is not only very small, it is also positive (0.003). Although the adjusted R^2 is much better than those of the previous equations, it is still very low, at about 0.39. On the positive sign of the wage coefficient, this is rather difficult to explain. One can only suppose that the average daily wage is not a good proxy for the price of labor because this is not the wage actually being paid by enterprises.

4.3 Income

Here we try to explore the determinants of earnings of enterprise heads and of workers separately. Two equations are estimated, one for the enterprise head and one for the worker in the enterprise. For enterprise heads:

(3.1) EHE = f(VAE, EHP, HWE, SYH, AGH, YFE, FIF)

where

Table 17

ESTIMATED COEFFICIENTS OF
REGRESSION EQUATIONS (2), (3.1) AND (3.2)

(2) $LFE = 1.1923 + 0.0032\ ADW + 1.8482\ CUR$
$\qquad\qquad\qquad\quad (0.0001) \qquad (0.6209)$

$s = 1.7075 \qquad \bar{R}^2 = 0.3859$

(3.1) $EHE = 6533.8129 + 2.3192\ VAE + 5113.3187\ EHP - 546.0606\ HWE$
$\qquad\qquad\qquad\quad (0.2962) \qquad (2414.1185) \qquad (259.7340)$

$s = 44077.3860 \qquad \bar{R}^2 = 0.1109$

(3.2) $WYE = 16008.2635 + 1.4811\ VAE + 611.5369\ HWW$
$\qquad\qquad\qquad\quad (0.0930) \qquad (80.9198)$

$s = 41573.8667 \qquad \bar{R}^2 = 0.2751$

Numbers in parenthesis are standard errors of coefficients above them; s_2 stands for standard error of the dependent variable and $\bar{R}^2$ is the coefficient of determination adjusted for degrees of freedom.

EHE: weekly earnings of the head from the enterprise

VAE: value added per enterprise (see page 44)

EHP: existence of earnings of enterprise head from property as defined by whether the enterprise head owns property or not

property owner	- 1
otherwise	- 0

HWE: weekly hours worked by enterprise head as defined by mid-points of ranges of average daily hours worked, coded as follows:

Hours	Code
12.0	1
8.5	2
6.5	3
4.5	4
2.0	5

x number of days the enterprise head worked per week

SXH: sex of enterprise head:

male	- 1
female	- 0

AGH: age of enterprise head (see page 45)

YFE: years of formal schooling of enterprise head (see page 44)

FIF: type of training of enterprise head

formal	- 1
informal	- 0

With the possible exception of age of enterprise head (AGH), we would expect earnings of enterprise heads (EHE) to be positively related to the several variables indicated. With respect to age this may be positive or negative depending on whether the enterprise heads sampled have or have not passed their earnings peak.

For workers:

(3.2) WYE = f(VAE, HWW, SKL, SJB, SXW AGW)

where

WYE: worker's weekly income from the enterprise

VAE: value added per enterprise (see page 43)

HWW: weekly hours worked by worker as defined by hours worked per day x days worked per week

SKL: skill classification of worker:

skilled	- 1
unskilled	- 0

SJB: existence of any source of other daily income of worker:

with another source	- 1
without	- 0

SXW: sex of worker:

male	- 1
female	- 0

AGW: age of worker

As with enterprise heads, so with workers. We would expect worker's earnings (WYE) to be positively related to the several variables indicated, except possibly age of worker, for the same reason suggested above as this applies to workers.

Table 17 summarizes the results of the regressions. In equation 3.1, only the value added per enterprise (VAE) and the existence of property earnings of enterprise heads (EHP) are statistically significant (at 1% and 5%, respectively). Here, however, as well as in the previous regressions, the adjusted R^2

Table 17

ESTIMATED COEFFICIENTS OF
REGRESSION EQUATIONS (2), (3.1) AND (3.2)

---

(2) LFE = 1.1923 + 0.0032 ADW + 1.8402 CUR
(0.0001) (0.6209)

$s = 1.7075$ $\bar{R}^2 = 0.3$[illegible]

(3.1) EHF = 6533.8129 + 2.3192 VAE + 5113.3187 EEP − 546.0606 [illegible]
(0.2962) (2414.1135) (252.7340)

$s = 44077.3260$ $\bar{R}^2 = 0.1109$

(3.2) UYE = 16008.2635 + 1.4011 VAE + 611.5369 [illegible]
(0.0930) (80.9198)

$s = 41573.8667$ $\bar{R}^2 = 0.2751$

Numbers in parenthesis are standard errors of coefficients above them; s stands for standard error of the dependent variable and $\bar{R}^2$ is the coefficient of determination adjusted for degrees of freedom.

(0.11) is very small. The signs of the coefficients conform to expectations. Of interest however is the fact that the existence of property earnings of enterprise head (EHP) gives a very high positive coefficient. There is a suggestion in this result that the earnings of the enterprise head from the operations of the enterprise are not independent of his status as an owner or non-owner of property.

In the terminal run of the regressions, hours worked per week is negatively related to enterprise head's earning, contrary to expectations, and the sex of the enterprise head is positively related to such earnings, implying the rather discriminatory idea that the males tend to have higher earnings than the females. Why this should be so is not easily explained, however, except perhaps as a manifestation of cultural bias. The age of the enterprise head is positively related to that of earnings, suggesting that we are dealing here with persons who have not reached their earnings peak. Likewise, years of formal education is positively related. Of interest is the impact that the type of training, as to whether it is formal or informal, has on earnings. The negative coefficient indicates that those with some informal education tend to earn more than those with formal education, implying the absence of a premium on the latter type of education in the informal sector.

In equation 3.2 only two variables, namely, value added per enterprise (VAE) and hours worked per week (HWE) are statistically significant (at 1%). Once again the adjusted R^2 (0.28) is small. The coefficient of value added per enterprise and hours worked per week are positive, confirming expectations.

The other variables, though not statistically significant, would still be of interest if only to give us an indication of the direction of the relationships. In the terminal run of the regressions, the skill of the worker is positively related to the worker's weekly income. However, the existence of another source of daily income of the worker is negatively related to his income from the enterprise. Since hours worked per week in the enterprise is positively related to worker's earnings, the implication is that the existence of another source of income for the worker makes the worker less dependent on earnings from the enterprise. Sex (SXW) has a negative coefficient, implying lower earnings for males as compared to females, quite the opposite of the findings with respect to enterprise heads. Finally, age of worker (AGW) is negatively related to earnings. Although we usually associate age with experience and therefore with earnings, it is possible that in the service enterprises, the younger the workers the more efficient they tend to be and therefore the more they earn relative to older workers.

4.4 Resumé

All in all, this analysis has turned out to be singularly unfruitful. Attempts to discover the determinants of value added per enterprise, employment, incomes of heads of enterprises and incomes of workers had been disappointing. The only possible source of insight is the appearance of credit sources (SCR), in addition to labor input (LFE) and value of fixed assets (VFA), as an explanatory variable for value added per enterprise and of number of hours worked per week as an explanatory variable for earnings of workers. But in the first instance, the variables explain only some 10 per cent and in the second instance only some 28 per cent of the total variation of the dependent variable.

Perhaps more interesting in the exercise is the elimination of characteristics of enterprise heads and workers, including human capital type of characteristics, in the regressions. The quality of the labor force had no relation to value added per enterprise; years of formal schooling and type of training (i.e., formal and non-formal or none) had no relation to the earnings of the enterprise head; and, finally, the skill status (i.e., skilled or unskilled) of the worker had no relation to the worker's earnings.

The policy implications of these and of the data presented in the descriptive section will be explored in the concluding section.

5 Summary of Findings and Some Policy Suggestions

5.1 Summary of Findings

This study presented and tried to analyze the findings of a survey on the informal services sector in the Greater Manila Area. The survey tried to find out the characteristics of enterprises in this sector and discover how these characteristics affect, if they do, employment, productivity and income of enterprises. Fundamental to the survey was to discuss whether the expansion of the sector was desirable in terms of various economic criteria or whether in fact its contraction was necessary. The survey covered a sample of 529 enterprises employing 1698 persons. The findings are summarized below and a few ideas are introduced that can be made the basis of policy with respect to the sector.

A few words about the sample must be reiterated. The survey captured not just "informal" enterprises but "formal" enterprises as well, bringing in considerable heterogeneity into the sector, making difficult the formation of general conclusions. For instance, the values of such variables as value of capital owned per enterprise, gross value added, weekly revenue, and enterprise heads' earnings, show that the services sector enterprises do not give straightforward confirmation to the *a priori* notion that enterprises in the informal sector have little or no capital, yield small earnings to their owners, etc. Also, there were many enterprises that needed government

permits to operate, were subject to government inspection, had a high proportion of full-time wage and salary workers among their workers, and paid their workers' salaries on a regular monthly schedule, more or less like typical formal enterprises.

Notwithstanding the qualifications made above, several characteristics of informal services enterprises (as distinguished from the features of the "formal" ones that crept into the sample) stand out in bold relief. These can be summarized as follows.

Most of the enterprises suffered from low value-added and low productivity, displayed slow growth of production, exhibited slow adoption of new techniques, suffered from lack of capital or credit, financed their capital needs and day-to-day operations with home generated savings and, of crucial importance, had hardly any economic links with the "formal" sector.

Value added among these enterprises was typically ₱535.00[1/] a week. Output per worker for the same duration was ₱167.00. During the life of operations, production was generally unchanged, and so were production methods. In the main, needs for

---

[1/] These averages exclude the "formal" subsectors such as real estate, motion picture associations, other financial institutions accounting, auditing and bookkeeping services, insurance, medical, dental and other health services, engineering, architecture and technical services and advertising services.

fixed and operating capital were met with home savings rather than with loans from banks and other external sources.

The enterprises hardly had any backward or forward linkages with the government or with large private enterprises. They purchased their inputs from households and other small enterprises rather than from large enterprises. Similarly, they sold their outputs to customers consisting of households and other small enterprises rather than large enterprises. In other words, the enterprises were more or less self-contained within the "informal" sector.

The enterprises had small employment, 3.2 persons on the average. Employment was relatively constant.

Reflecting low productivity of the enterprise, both enterprise heads and enterprise workers earned low incomes, an average of ₱304.00[2/] a week for the former and ₱59.00 a week[3/] for the latter. This was true whether or not they had other sources of income.

[2/] Included in this sum are allowances for depreciation, rents, and utilities. Subtracting these amounts from the ₱304 would leave a much lower figure.

[3/] Computed by adding the average minimum and maximum daily wages of male and female workers, dividing the sum by four and multiplying the resulting quotient (which is the average daily wage) by six (number of working days a week).

Only a few of the many characteristics of these enterprises that a priori would be suspected of having an impact on their productivity, employment and income generating capacity had any such influence at all. More precisely, only the size of the labor force, the value of fixed assets and the source of credit had any impact on value added or output. Such variables as the quality of the labor force, the capital utilization rate, and forward and backward linkages had no influence at all.

For productivity per worker, only length of formal schooling of the enterprise head was determining. On the other hand, only the labor-capital ratio was related to productivity per unit of capital.

With respect to employment, the average daily wage and the capital utilization rate were related to it but not the value of fixed assets nor even value added.

Among such variables as value added per enterprise, status of enterprise head as to whether he is a property owner or not, weekly hours worked by enterprise head, age and sex of enterprise head, years of formal schooling and type of training (with informal/formal and informal training vs. without such training) only the first two were related to weekly earnings of enterprise heads.

Also, among such variables as value added per enterprise, weekly hours worked, skill classification of worker (skilled or unskilled), status of worker as to whether he had or had no other

source of income, and age and sex of worker, only the first two were related to weekly earnings of workers.

Altogether, in view of the poor results of the regressions, the identification of policy instruments that can be used to influence the sector's productivity and employment and income generating capacity becomes rather difficult.

5.2 Some Policy Implications

All the same, a review of the information presented in the descriptive section yields a body of interesting information on the basis of which some policies can be suggested. At the outset it seems clear that contracting or shrinking the sector is out of the question. The sector is characterized precisely by an ability to create production, employment and incomes for a large number of people almost wholly independent of (perhaps even inspite of) government policies and developments in the private formal sector. This self-reliant quality needs to be encouraged, not discouraged.

Nevertheless while the informal services sector enterprises are almost entirely independent of their "formal" environment, obtaining services from and providing services to households and other enterprises inside rather than outside the sector, they do have links with the formal sector, and this is with the government. The government affects them in two major ways: requiring their

registration and collecting one form or other of tax from them. Tax collection is of course a part of the general government program for raising revenues while the registration requirement is a means both for effectuating some administrative control over the enterprise and for collecting license fees. The majority of the enterprises understandably found these legal requirements restrictive.

This is perhaps where policy can be brought to bear. If the informal services sector is almost wholly self-contained, producing output and creating employment and income with internally generated resources, but is linked with the government through measures that are seen by them to be restrictive, it seems reasonable to believe that policies intended to help the sector must do two things: one, loosen up or eliminate restrictions and, two, provide assistance that will either augment resources in the sector or improve the quality of resources already existing in it.

On the first point, it may be necessary to abolish registration requirements and to exempt the enterprises from all taxes currently imposed on their inputs and outputs. The abolition of the registration requirement will merely formalize what is in fact actual practice, that is, the non-enforcement of administrative supervision or control over the enterprise by relevant government departments because of the latter's lack of personnel to carry out what is obviously an extensive task. License fees that will have to be foregone following any such

abolition are not likely to be missed by the tax man as they are certain to be quite small to begin with. Additionally, taxes collected from the enterprises' inputs and outputs are not too considerable as to matter in any case (no more than ₱50 a month or ₱600 a year for 84 per cent of the sampled enterprises). Exemption from these exactions will enable the enterprises to earn more from their output and, assuming the increment does not get used up in additional consumption, save more from it and thus augment investible funds. This suggestion of course applies only to informal services sector enterprises, not to formal ones.

On the second point, it may perhaps be necessary to provide various means of assistance to enterprises to enable them to help themselves. Credit of small amounts can be extended for production purposes. This should go a long way towards increasing investible funds. This form of assistance is not entirely novel for it has in fact been tried by a Philippine bank in lending small amounts of money to stall holders and traders in a Manila market. It can be expanded to meet the needs of a bigger clientele.

Of equal if not greater importance, it may be appropriate to develop "urban extension services," analogous to the services extended to producers in the rural areas by agriculturists, livestock experts, etc. Here, services should be either at fully or partially subsidized prices (i.e., at no charge or at lower than market prices)

to enterprises. No cost services may include training in various aspects of entrepreneurial activity to enterprise heads such as purchasing, marketing, bookkeeping, etc. right in the enterprise site; upgrading of skills of workers in already operative enterprises; and provision of safety devices (such as safety glasses and shoes) to enterprises for the improvement of working conditions.

Among subsidized assistance that could be extended to enterprises would be contributions by the government for retirement of enterprise heads and workers. The subsidy may be in the form of either full payment of social security contributions by the government or lower contributions by the enterprise and its workers. Another form of assistance would be the provision of group insurance, either fully or partially shouldered by the government, to cover expenses for medical care of work-related sickness or injuries, and wages and salaries during periods of employment-connected disability.

In sum, policy should be directed to extending some positive development assistance and not at over-seeing development efforts. This may be the only practical way at the moment to assist a sector of the economy whose growth, so far, can be said to have been almost wholly self-reliant.

Appendix

ESTABLISHMENTS IN THE SERVICES SECTOR SAMPLED
(MARCH - MAY, 1976)

1972 International Standard Industrial Classification Code	Industry	No. of Firms	% of Total
8	FINANCING, INSURANCE, REAL ESTATE AND BUSINESS SERVICES		
81	FINANCING SERVICES		
810	FINANCIAL INSTITUTIONS		
8102	OTHER FINANCIAL INSTITUTIONS	14	2.6
	financing institution	1	
	rural bank	1	
	pawnshops	10	
	investment company	1	
	stock & bond broker, security dealer and underwriter	1	
8200	INSURANCE	3	0.6
	insurance agencies	2	
	adjusting agency	1	
83	REAL ESTATE AND BUSINESS SERVICES		
831	REAL ESTATE	8	1.5
8310	REAL ESTATE		
	letting and operating real estate	1	
	developers of real estate into lots	5	
	lessors of real property	1	
	real estate agent, broker and manager	1	
832	BUSINESS SERVICES		

Appendix (cont'd.)

1972 International Standard Industrial Classification Code	Industry	No. of Firms	% of Total
8321	LAW OFFICES	24	4.5
8322	ACCOUNTING, ARCHITECTURE AND BOOKKEEPING SERVICES	2	0.4
8324	ENGINEERING, ARCHITECTURE AND TECHNICAL SERVICES	2	0.4
	geological and prospecting services	1	
	engineering and other commercial research, development and testing	1	
8325	ADVERTISING SERVICES	4	0.8
	advertising agency	1	
	billboard and outdoor advertising service	1	
	commercial studios	2	
8329	BUSINESS SERVICES NOT ELSEWHERE CLASSIFIED	10	1.9
	photocopying service, duplicating and blueprinting	5	
	employment agencies	3	
	business management and consulting service	1	
	other business services, n.e.c.	1	
9	COMMUNITY, SOCIAL, RECREATIONAL, AND PERSONAL SERVICES		
93	SOCIAL AND RELATED SERVICES		
931			

Appendix (cont'd.)

1972 International Standard Industrial Classification Code	Industry	No. of Firms	% of Total
9310	EDUCATION SERVICES	8	1.5
	nursery and kindergarten schools	5	
	fashion schools	1	
	music, drama, art school	1	
	miscellaneous educ. services, n.e.c.	1	
933	MEDICAL, DENTAL, AND OTHER HEALTH VETERINARY SERVICES		
9331	MEDICAL, DENTAL, AND OTHER HEALTH SERVICES	89	16.8
	medical clinics and laboratories	46	
	dental clinics	32	
	maternity & child welfare clinic	1	
	optical and optometric clinic	10	
94	RECREATIONAL AND CULTURAL SERVICES		
941	MOTION PICTURE AND OTHER ENTERTAINMENT SERVICES		
9411	MOTION PICTURE PRODUCTION Theatrical and Non-Theatrical Motion-Picture Production	4	0.8
9412	MOTION PICTURE DISTRIBUTION AND PROJECTION	3	0.6
	motion picture theatres and moviehouses	2	
	film exchange	1	
9414	THEATRICAL PRODUCERS AND ENTERTAINMENT SERVICES Theatrical Play and Drama Producer	1	0.2

Appendix (cont'd.)

1972 International Standard Industrial Classification Code	Industry	No. of Firms	% of Total
949			
9490	AMUSEMENTS AND RECREATIONAL SERVICES, n.e.c.	20	3.8
	bowling alleys, billiard and poolrooms	18	
	boxing arenas	2	
95	PERSONAL AND HOUSEHOLD SERVICES		
951	REPAIR SERVICES NOT ELSEWHERE CLASSIFIED		
9511	REPAIR OF FOOTWEAR AND OTHER LEATHER GOODS		
	Shoe Repair Shops	12	2.3
9512	ELECTRICAL REPAIR SHOPS	28	5.3
	repair of small household appliances	2	
	repair of major household appliances	8	
	radio (and TV) repair shops	6	
	TV repair shops	5	
	miscellaneous electrical repairs, n.e.c.	7	
9513	REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	83	15.7
	vehicle repair shops engaged in general repair work on systems and components	43	
	vehicle and motorcycle repair shops engaged in the repair of generators and starters	5	

Appendix (cont'd.)

1972 International Standard Industrial Classification Code	Industry	No. of Firms	% of Total
	repair shops engaging in battery charging and repair	9	
	radiator repair service	4	
	vulcanizing and tire repair shops	13	
	motor vehicle repair shops engaged in general repair work on body, upholstery, etc.	8	
	motor vehicle repair shops engaged in dent removal, painting and repainting	1	
9514	WATCH, CLOCK AND JEWELRY REPAIR	23	4.4
	watch and clock repair service	21	
	jewelry repair service	2	
9519	OTHER REPAIR SHOPS, n.e.c.	10	1.9
	bicycle repair service including bicycle tire repair	2	
	key duplicating service	1	
	piano tuning service	1	
	umbrella repair service	3	
	repair service, n.e.c.	3	
952			
9520	LAUNDRIES, LAUNDRY SERVICES AND CLEANING AND DYEING PLANTS	11	2.1
	mechanical laundry service	4	
	manual laundry service	6	
	laundry, dry cleaning & repair service, n.e.c.	1	
9591	BARBER AND BEAUTY SHOPS	147	27.8
	barber shops	58	
	beauty shops	89	

Appendix (cont'd.)

1972 International Standard Industrial Classification Code	Industry	No. of Firms	% of Total
9592	PHOTOGRAPHIC STUDIOS INCLUDING COMMERCIAL PHOTOGRAPHY	21	4.0
	photographic studios	16	
	film developing, printing, enlarging, or commercial studios	5	
9599	PERSONAL SERVICES, n.e.c.	2	0.4
	funeral parlor	1	
	massage clinic	1	
	TOTAL NUMBER OF FIRMS SAMPLED	529	100.0

Source: Greater Manila Informal Sector Survey, 1976.

BIBLIOGRAPHY

Bhalla, A.S. "The Role of Services in Employment Expansion," International Labour Review, Vol. 101, No. 5 (May 1970), pp. 519-539.

Fuchs, Victor R. The Service Economy. National Bureau of Economic Research General Series No. 87. Columbia University Press, 1968.

Galenson, W. "Economic Development and the Sectoral Expansion of Employment," International Labour Review, Vol. 87 (June 1963).

Ofer, Gur. The Service Industries in a Developing Economy; Israel As A Case Study. Frederick A. Praeger in cooperation with the Bank of Israel, 1967.

Oshima, Harry. "Labor Absorption in East and Southeast Asia; A Summary with Interpretation of Postwar Experience," Malayan Economic Review, Vol. 16, No. 2 (October 1971).

Stigler, George J. Trends in Employment in the Service Industries. National Bureau of Economic Research General Series No. 59. Princeton University Press, 1956.