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THE INFORMAL SECTOR IN THE GREATER MANILA AREA,
1976: AN OVERVIEW

by

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ABSTRACT

This study describes informal sector enterprises in terms of their organizational and operational characteristics, discovers the impact of these characteristics upon the enterprises' productivity, employment and income generating power and explores policy measures to enhance the participation of informal sector enterprises in the realization of society's productivity, income and employment goals if such enhancement is desirable on social grounds.

✓ For purposes of the study, a sample of 3,500 enterprises in the Greater Manila Area was surveyed in the period March to May 1976.

All in all there was little in the results of the survey to contradict a priori notions about the informal sector. The sector was characterized by low productivity, small employment, modest fixed assets, long hours of work and low wages. The majority of the enterprises finance their fixed and variable capital requirements from internally generated savings. The enterprises had very little linkage with the "formal" sector.

Heads of enterprises were no longer young; almost all had formal education as well as were born outside of Greater Manila. Enterprise heads typically rented the house in which they stayed or shared it with relatives and friends. They had no other source of income except the enterprise.

A number of variables representing characteristics of the enterprises and enterprise heads were used through stepwise regression to explain the enterprises' productivity, employment and income generating power but the exercise turned out to be singularly fruitless.

From the maze of data that was gathered it seemed clear that contracting the sector was out of the question. The sector was characterized precisely

by self-reliance, a quality that should be encouraged rather than discouraged.

The "smallness" of informal sector enterprises tended to promote allocative efficiency rather than impair it. If policy on size is to be addressed to the informal sector, it should make no attempt to produce mergers except possibly on a selective sectoral basis.

Though it seems like an island complete in itself, the informal sector does have links with the formal sector and this is mainly with the government. The government affects informal sector enterprises in three major ways: requiring their registration, collecting one form or other of tax from them, and "relocating" them. The majority of the enterprises said that these requirements and actions were restrictive.

This is perhaps where additional policy can be brought to bear. If the informal sector is almost wholly self-reliant, policies intended to help the sector must, one, loosen up or eliminate restrictions, two, provide assistance that will either augment resources in the sector or improve the quality of resources already existing in the sector and, three, carry out "relocation" only when this is unavoidable and only after careful account is taken of the circumstances of families affected.

The informal sector seems to be "of, by and for" low income households. The suggestion that the sector should not be contracted should not be construed to mean that the sector should be perpetuated. Rather the point is that the informal sector cannot be eliminated for as long as low income households exist. Once low income households have moved to the company of high income ones, the informal sector will disappear. Policy should therefore aim at enabling low income households to make the crucial transfer.

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1. General Statement

Greater Manila and Philippine Society

The accelerated growth of economic activities and population in the Greater Manila Area in the postwar period has given rise to mixed blessings to Philippine society. On the one hand it has raised per capita income in the area to a level much higher than the national ave-

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rage, viz., ₱5,059 as against ₱2,160, as of 1975.^{1/} On the other hand it has spawned a host of socio-economic problems associated with unplanned urbanization: inter alia, congestion, high unemployment rates and consequently low incomes for a large portion of Greater Manila households.

A few facts about Greater Manila will provide concreteness to these issues. Occupying only slightly more than one-tenth of 1 per cent (343 sq. kms.) of the country's land area (approx. 300,000 sq. kms.), Greater Manila held about 8.9 per cent (3.7 million) of the national population (41.8 million) in 1975. Its 14,178 persons per square kilometer in that year were about 101 times greater than the 139 persons average for the whole nation. The unemployment rate in the area ranged from 7.1 to 14.2 per cent of the labor force in the period 1967-74 while it ranged from 4.4 to 9.8 per cent for the whole country in the same years.

These problems have given birth to the implementation of their own solutions: the creation of jobs for the unemployed members of the labor force by the unemployed themselves, the opening up of small scale enterprises by them, the capitalization of these enterprises with internal savings, the employment of family members in these enterprises, the

^{1/} National Economic and Development Authority, National Income Series CY 1971-75, vol. 4; and National Census and Statistics Office, Labor Force Series, vol. 47.

production of various sorts of goods and services catering basically to low-income households, the earning of low incomes. In other words, problems have generated activities in what has come to be known as the "informal sector."

It is perhaps to be expected that such a sector should become a focus of attention in programs aimed at expanding employment opportunities and increasing productivity and incomes for people. As the data below clearly indicate, the sector is the work site of a large fraction of the Metro Manila labor force. If development measures are to have an impact on the livelihood of large masses of people, they must reach households in the informal sector.

In general, one is interested in developing policy with respect to the informal sector aimed at improving the livelihood and enhancing the quality of life of the people engaged in it. One would, in particular, want to initiate measures that would promote more employment, higher productivity and greater incomes in the sector. If the sector is ineluctably locked to low productivity and depressed incomes so as to condemn its participants to lifelong poverty, however, one would want to question the very desirability of sustaining the sector at all. It may well be that the contraction or shrinkage of the sector is preferable on productivity, income and employment grounds. In such an event, the transfer of participants to the "formal sector" in order to promote higher productivity, better incomes and more wholesome employment for them is called for.

Scope and Objectives of the Study

This study deals with the informal sector in the Greater Manila Area. It concentrates on the manufacturing, construction, commerce, trade, and services sectors in this area. Its specific focus is on enterprises and owners in the sectors.

The study attempts, firstly, to describe the informal sector enterprises in terms of their organizational and operational characteristics, investigate their linkages with the rest of the economy, highlight the features of heads of informal sector enterprises; secondly, to discover the impact of these characteristics and linkages upon the enterprises' productivity, employment and income generating power; and, thirdly, to explore policy measures that can enhance the participation of informal sector enterprises in the realization of society's productivity, income and employment goals if such enhancement is desirable on social grounds.

The first objective is necessary not only to have a definite and unambiguous idea about the nature of the informal sector but also to confirm or deny a priori notions about. The second objective is indispensable to the understanding of the relationship of the informal sector to its internal components and to its external economic environment. Finally, the third objective is important to the proper focusing of pertinent action programs.

Definition

The ILO defines the term "informal sector" to refer to that sector in which "free entry to new enterprises exists, enterprises rely on indigeneous resources for their operation and are family owned; enterprises are subject to small scale of operation and use labor intensive and adapted technology; workers have skills acquired outside the formal sectoral system; and enterprises operate in unregulated and competitive markets."^{2/} In other words, the term refers to enterprises rather than to economic activities and individuals although individuals, to the extent that they are one-man enterprises, are necessarily included in its purview.^{3/}

By the nature of the informal sector, the workers in the sector are those who create jobs for themselves, i.e., the self-employed, and those who work for one-man worker-owners. More likely than not, they are propertyless and suffer from the deficiencies associated with that condition. The enterprises are small-scale ones, "unenumerated"

^{2/}S. V. Sethuraman, "The Urban Informal Sector: Concept Measurement and Policy," International Labour Office, Geneva, April 1976, pp. 4-5.

^{3/}By way of contrast, the formal sector is that sector in which "entry for new enterprises is difficult; enterprises rely frequently on overseas resources; they are characterized by corporate ownership and have large scale operation; they use capital intensive and often imported technology; workers have formally acquired skills and are often expatriate; and, finally, they operate in protected markets (through tariffs, quotas and trade license)". Op. cit., p. 5.

by statistics gathering agencies. They tend to have, among other characteristics, a mobile and impermanent nature. Finally, they tend to suffer from various constraints and restrictions emanating from the rest of the economy.

In this study, however, the operational definition used of the informal sector is that of the sector in which enterprises employing 10 persons or less operate. The definition simplified and facilitated the survey work on which the study was based but it also missed including many informal sector enterprises into the sample and opened the door for the bringing in of a considerable number of "formal" ones. As will be seen below, the definition had a significant effect on the data collected.

The Data

A sample of 3,500 enterprises was surveyed for purposes of this study. The sample was obtained from the 1972 and 1975 Census of Establishments of the National Census and Statistics Office. The procedure was not ideal since precisely many informal sector enterprises are unlikely to be registered in official statistical records but unfortunately had to be resorted to in light of various constraints.

The 1972 Census contained 69,429 enterprises employing 10 persons or less while the 1975 Census contained 58,253 such

enterprises.^{4/} The drawing of the 3,500 enterprises from these lists was done as follows.

The percentage distribution by area and by industry of the total 69,429 enterprises of 1972 was obtained. This distribution was subsequently applied to the 3,500 enterprises. The sample unit was then taken at an interval of 20 enterprises starting randomly on the number that had been picked from a random sampling table.

Later, after 3,142 enterprises had been surveyed, the 1975 list became available, and a new sample of 357 enterprises was drawn from it to cover the unfinished portion of the survey. The drawing of the 357 enterprises was done as follows.

First, the 53,253 enterprises were distributed by area and by industry. From these the enterprises that were established after 1972 were then separated. Finally, from this group of post 1972 enterprises the sample of 357 was drawn to produce, after adding to them the group of 3,143 enterprises already surveyed, a total sample of enterprises whose distribution by area and industry was proportional to the distribution as of 1975. The sampling units were drawn by dividing the total number of enterprises established after 1972 by the number of enterprises to be drawn for each area to get the interval at which every unit should be picked.

The complete sample is shown in Table 1. As it turned out a total of 3,507 enterprises were included in the sample.

The survey was carried out in the period March to May 1976.

^{4/} The sharp decrease in the total number of enterprises was the result of the deletion from the list of business establishments engaged in the retail trade of those establishments whose income per month was less than ₱100.00

Table 1

INFORMAL SECTOR SAMPLE ENTERPRISES IN GREATER MANILA
BY AREA, BY INDUSTRY, BY DATE OF
ESTABLISHMENT, 1975

Area and Date of Establishment	Total	Manufac- turing	Cons- truction	Trade	Trans- portation	Service
Enterprises (number)	3,507 (100.00)	402 (11.5)	11 (-)	2,492 (71.1)	67 (1.9)	535 (15.3)
1. Manila (38.3)*	1,343	183	2	880	30	248
up to 1972	1,190	159	1	776	27	227
after 1972	153	24	1	104	3	21
2. Tondo (8.3)	291	29	0	219	6	37
3. Quezon City (20.6)	724	70	2	541	4	107
up to 1972	642	55	1	486	3	97
after 1972	82	15	1	55	1	10
4. Caloocan (11.1)	391	35	1	294	9	52
up to 1972	356	28	0	273	7	48
after 1972	35	7	1	21	2	4
5. Pasay (5.9)	207	19	1	163	5	19
up to 1972	189	16	0	152	4	17
after 1972	18	3	1	11	1	2
6. Makati (7.5)	262	27	2	193	4	36
up to 1972	229	22	1	172	3	31
after 1972	33	5	1	21	1	5
7. Navotas (2.1)	72	11	0	49	4	8
up to 1972	63	9	0	44	3	7
after 1972	9	2	0	5	1	1
8. Mandaluyong (3.8)	135	19	2	93	3	18
up to 1972	119	17	1	83	2	16
after 1972	16	2	1	10	1	2
9. San Juan (2.3)	82	9	1	60	2	10
up to 1972	71	7	0	54	1	9
after 1972	11	2	1	6	1	1

*Numbers in parenthesis are percentages of the sample enterprises in the areas/sectors indicated to the total sample enterprises.
(-) means less than 0.1 per cent.

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

We now describe the 3,507 enterprises covered in this survey and the corresponding enterprise heads the better to understand the sector and discover measures that can be initiated to maximize the sector's productivity, employment and income creating potential. Of interest are the characteristics of enterprises in this sector in terms of size, structure, linkages, hours worked and wages as well as the characteristics of the persons that own the enterprises.

Description implies the use of an a priori analytical framework no matter how crude. Here we describe the size of enterprises in terms of value added, employment and fixed assets. These three variables provide an indication of scale of operations and from a policy viewpoint yield a basis for determining the magnitude of any assistance that may be extended to the enterprises. At the same time, as will be seen in section 3, from an analytical point of view knowledge of value added and employment makes possible the rough calculation of labor productivity and labor income. Insights on these points permits the consideration of such things as skills training programs for labor, if necessary, in order to improve its earnings. With respect to fixed assets, they perform as proxy for capital stock, indicating the range within which additional labor can be accommodated to man the machinery or equipment and thus circumscribing the scope for employment creation; and, finally, fixed assets mirror the wealth status of enterprise owners.

We also describe the structure of the enterprise in terms of various characteristics to have an idea about their permanence and stability.

The purpose behind the description of linkages, working hours, wages and features of enterprise owners will be made explicit as these come up in the paper.

Size of the Enterprises

Value Added. This concept is defined here as total revenue minus the cost of goods and services (or raw materials) but not minus rents and depreciation. The enterprises are typically small as can be seen from Table 2. Of the 3,507 enterprises, some 47 per cent--almost one half--had a value added of less than ₱200 a week. The median value of this output--₱100--is only slightly more than the output of a person receiving the legal minimum wage of ₱10 per day. To the extent that it is shared by the enterprise owner with another person, it constitutes here subsistence output. Another 33 per cent of the enterprises generated value added ranging from ₱200 to ₱999,--moderate output for 2-person enterprises. Finally, another 19.6 per cent generated value added of ₱1,000 and above a week. ✓ This latter group would most probably include the "formal" enterprises that crept into the sample. It should be noted that the definition of value added is inclusive of rents on capital equipment and premises and depreciation. If these rents are subtracted, the resulting value added will obviously be even smaller.

Table 2

SAMPLE ENTERPRISES BY WEEKLY GROSS VALUE ADDED*
BY INDUSTRY, 1976

Gross Value Added (in pesos)	Total	Manu- facturing	Cons- truction	Trade	Trans- portation	Services
Enterprises (number)	3,507	402	11	2,492	67	535
Total (per cent)	100.0	100.0	100.00	100.0	100.0	100.0
1. Lowest to 50	25.5	17.9	45.5	27.8	20.9	20.9
2. 51 - 99	7.6	10.0	9.0	6.6	9.0	10.1
3. 100 - 149	7.5	9.0	0.0	6.9	9.0	9.0
4. 150 - 199	6.6	9.0	0.0	6.3	5.8	6.7
5. 200 - 299	8.7	10.1	0.0	8.3	7.5	9.7
6. 300 - 399	6.2	8.0	0.0	5.7	9.0	7.3
7. 400 - 599	9.4	11.9	9.0	9.2	7.5	8.4
8. 600 - 799	5.2	6.2	9.0	5.1	4.5	4.7
9. 800 - 999	3.6	3.0	9.0	3.4	3.0	5.0
10. 1,000 - 1,499	6.1	5.7	0.0	6.2	4.5	6.4
11. 1,500 and above	13.5	9.2	18.2	14.4	19.4	11.8

*Defined as total revenue minus cost of goods and services.

Employment. Employment is defined here as including the enterprise owner himself. From Table 3, employment can be seen to be extremely small, averaging only 3.2 persons for the 3,507 enterprises. It is biggest in the Construction sector, where the average is 5.3 persons. Moreover, the great proportion of employment, not counting the owner himself, about 43 per cent, is on a full-time basis. These figures suggest the predominance of two employee enterprises managed by the self-employed owners.

Fixed Assets. At first blush, the value of fixed assets seems very high as suggested by Table 4, averaging some ₱27,200 for the 3,507 enterprises. A second look however shows that it is in fact much smaller, averaging less than ₱12,000 for some 67 per cent of the enterprises. Furthermore if the 11 "capital-intensive" enterprises of the Construction sector are taken out the average value of whose fixed assets is approximately ₱437,000, the average for the remaining 3,496 enterprises will be only ₱26,000. Finally, it should be realized also that even this latter figure includes the "formal" enterprises.

Other Characteristics

Here we note immediately that the sample, taken as it was from the list of establishments of the NCSO rather than from a random survey, shows a bias in favor of enterprises that were established earlier than 1972, enterprises that had fixed locations, and were housed in permanent structures which had water and electricity and

Table 3

EMPLOYMENT IN SAMPLE ENTERPRISES
BY STRUCTURE AND BY SECTOR, 1976

Status of Employment	Total	Manu- facturing	Cons- truction	Trade	Trans- portation	Services
Employed (number)	11,189	1,566	58	7,600	269	1,696
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
1. Full time	43.0	62.2	46.6	34.9	66.5	56.4
Male	24.5	41.1	24.1	17.3	56.5	35.3
Female	18.4	21.0	22.4	17.6	10.0	21.1
2. Part time	4.4	5.9	0.0	3.8	8.5	5.3
Male	2.3	3.6	0.0	1.5	7.8	3.8
Female	2.1	2.3	0.0	2.3	0.7	1.5
3. Participating owners	52.6	31.9	53.4	61.3	25.0	38.3
Average Employ- ment per Enterprise	3.2	3.9	5.3	3.0	4.0	3.2

Table 4

SAMPLE ENTERPRISES BY VALUE OF FIXED ASSETS
BY SECTOR, 1976

Fixed Assets (in pesos)	Fixed Assets				
	Total	Manufacturing	Construction	Trade	Transportation Services
Enterprises (number)	3,507	402	11	2,492	535
Total (per cent)	100.0	100.0	100.0	100.0	100.0
1. 0 - 999	22.9	18.7	0.0	26.0	14.2
2. 1,000 - 1,999	9.7	20.1	0.0	10.3	12.3
3. 2,000 - 2,999	8.6	10.1	9.1	7.0	8.2
4. 3,000 - 3,999	5.5	7.2	0.0	4.8	5.4
5. 4,000 - 7,999	10.9	14.2	0.0	10.6	20.4
6. 8,000 - 11,999	9.7	10.4	9.1	5.7	9.9
7. 12,000 - 15,999	5.9	3.2	9.1	7.4	5.6
8. 16,000 - 19,999	1.4	1.0	0.0	0.5	0.4
9. 20,000 - 39,999	4.9	5.7	27.3	4.4	8.2
10. 40,000 - 79,999	2.3	4.0	0.0	1.6	5.2
11. 80,000 - 99,999	0.4	0.2	0.0	0.0	0.6
12. 100,000 and above	1.9	1.5	36.4	1.0	3.0
13. Don't know/no answer	16.1	3.7	9.1	20.5	6.5
Average Value of Fixed Assets (in pesos)	27,194	83,444	436,645	18,010	16,128

were easily accessible by motorable roads. Implied from this matter is the point that if the sample had been a random one, the distribution of the enterprises by the characteristics mentioned would perhaps have been different. More precisely, newer enterprises would perhaps have been more numerous; more would have been sited in variable locations, housed in temporary structures that had no water or electricity or were not easily accessible. This qualification should be taken into account in the appreciation of relevant data below.

Age. Returning to Table 1, it can be seen that some 90 per cent of the 3,507 were organized before 1972 and only the remaining 10 per cent were set up after 1972. As has been suggested above this age profile does not necessarily imply a durability of the enterprises.

Geographical Distribution. Still on Table 1, almost one-half (46.8%) of the enterprises were located in Manila, including those (8.3%) in the Tondo district. The next biggest concentration (20.7%) was in Quezon City, and the third biggest (11.2%) was in Caloocan.

Activity. As might be expected, the biggest sectoral concentration (more than 71%) of the enterprises was in Trade and the next biggest (15.3%) was in Services. See Table 1. Combined to constitute the Services sector in the broad sense, enterprises in these two sectors (86.4%) practically make up the whole informal sector in the Greater Manila Area. Since these proportions reflect the proportions of enterprises employing 10 persons or less in 1975, it can be inferred

that the informal sector in the Greater Manila Area consists almost entirely of traders and direct providers of various types of services.

Location. The heavy predominance of enterprise in fixed locations (98.0%) and occupying permanent structures (88.2%) imply a stable character to the enterprises. The exception is the Transport sector where almost 60 and 64 per cent of the enterprises were, respectively, situated in variable locations and housed in temporary structures. This should not be unexpected however. A great majority of the enterprises in this sector were one-man owner-operator "jeepneys" and horse-drawn "calesas" that followed the owner whenever he changed residence. See Table 5.

Facilities. Consistent with their fixed and permanent character, the majority (74.1%) of the structures in which the enterprises were located had both water and electricity. The percentage is even higher in Construction (100%) and Manufacturing (91%). Altogether only a minuscule fraction (1.3%) of the enterprises had none of these services. Once again the Transport sector presents a difference. Here 61.2 per cent of the enterprises replied "not applicable" when asked whether they had water and/or electricity. What this reply means is not clear except possibly to suggest that many of the enterprises themselves, i.e., the "jeepneys" and the "calesas," did not have water and/or electrical services.

Table 5
SAMPLE ENTERPRISES BY VARIOUS CHARACTERISTICS
BY SECTOR, 1976

Characteristics	Total	Manu- facturing	Cons- truction	Trade	Trans- portation	Service
Enterprise (number)	3,507	402	11	2,492	67	535
1. Location	100.0	100.0	100.0	100.0	100.0	100.0
Fixed	98.0	99.5	90.9	99.2	40.3	98.5
Variable	2.0	0.5	9.1	0.8	59.7	1.5
2. Structure	100.0	100.0	100.0	100.0	100.0	100.0
Permanent	88.2	95.0	100.0	87.7	35.8	92.0
Temporary	11.8	5.0	0.0	12.3	64.2	8.0
3. Facilities	100.0	100.0	100.0	100.0	100.0	100.0
With water only	1.3	0.6	0.0	1.6	0.0	0.4
Electricity only	22.0	7.7	0.0	27.4	7.5	10.1
Water and elec- tricity	74.1	91.0	100.0	69.4	31.3	87.7
Neither water nor electricity	1.3	0.7	0.0	1.5	0.0	1.0
Not applicable	1.4	0.0	0.0	0.1	61.2	0.6
4. Accessibility	100.0	100.0	100.0	100.0	100.0	100.0
Accessible by motorable road	96.2	97.8	90.9	97.0	40.3	98.3
-through paved road	91.0	96.3	90.9	90.2	40.3	97.0
-through unpaved r o a d	5.2	1.5	0.0	6.8	0.0	1.3
Not accessible by motorable road	2.1	2.0	0.0	2.5	0.0	0.8
No answer	1.7	0.2	9.1	0.5	59.7	0.9

Accessibility. Almost all (96.22%) of the enterprises were accessible by motorable roads, a result no doubt of the fixity of the location and permanency of the structure of the great majority of the enterprises. Those in the Transport sector poses an ambiguity yet again unless the "jeepneys" and "calesas" are understood to be the enterprises themselves; then the reply of the "non-applicability" of 59.7 per cent of the enterprises in this sector becomes clear: that the vehicles themselves are the "means" of access rather than the "ends" of access.

Ownership Status. Table 6 shows that almost 74 per cent of the enterprises rented instead of owned the structures in which they were housed. The big percentage (59.7) of enterprises in the Transport sector giving a "not applicable" response seems to suggest the irrelevance of "housing" for vehicles and other means of transport.

Sources of Financing. For all their "smallness," the enterprises displayed an unusual degree of self-reliance. For the great majority (79.3% of the 2,781 responding enterprises), the source of financing for initial capitalization and day-to-day operations was the savings of the enterprise heads themselves. Only a minuscule portion (1.3%) of the enterprises obtained capitalization and operational funds from private or public banks and other sources. See Table 7.

Table 6

STRUCTURES OF SAMPLE ENTERPRISES BY OWNERSHIP AND
BY SECTOR, 1976

Ownership Status	Total	Manufacturing	Construction	Trade	Transportation	Services
Enterprises (number)	3,507	402	11	2,492	67	535
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
1. Fully owned by enterprise	21.3	16.2	18.2	23.0	6.0	19.3
2. Partially owned	2.1	1.5	0.0	2.5	0.0	1.0
3. Rented	73.7	81.3	81.3	72.5	34.3	78.5
4. Neither owned nor rented	1.5	1.0	0.0	1.7	0.0	1.0
5. No answer	1.4	0.0	0.0	0.3	59.7	0.2

Table 7

ENTERPRISES BY SOURCES OF FINANCING, 1976

Sources of Financing	Total	Manufacturing	Construction	Trade	Transportation	Services
Enterprises (number)	3,507	402	11	2,492	67	535
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
1. Own savings	79.3	87.8	81.8	75.8	89.6	87.7
2. Loan from friends and relatives	2.1	2.5	0.0	1.8	3.0	3.0
3. Loan from money lenders and other informal sources	0.7	1.0	9.1	0.7	0.0	0.2
4. Banks and government agencies	1.3	3.5	0.0	0.7	3.0	2.4
5. Other sources (i.e. backpay)	0.9	2.0	0.0	0.5	0.0	1.1
6. No answer	15.7	3.2	9.1	20.1	4.5	5.6

Linkages

It will be of crucial importance to know whether the enterprises have any business dealings or "linkages" with formal enterprises like large commercial establishments and the government. If they have they will be likely to respond to any changes in the sector, expanding with it when it expands, for instance, as well as of course contracting when it contracts. If the formal sector is dynamic, it will likely communicate its dynamism to the informal sector. Policy may then be aimed at increasing or reinforcing the linkages. As it turned out the informal sector enterprises have very little linkages with the formal sector.

Backward Linkage. Table 8 shows that the enterprises in the main obtained the goods and/or services they needed for their operations from low income households and small enterprises. Only 22.6 per cent obtained goods and only 3.5 per cent obtained services from large commercial establishments and government suppliers.

Forward Linkage. Table 9 shows that almost wholly the enterprises sold the goods and/or services they produced to low income households and small enterprises. Only nine-tenths of 1 per cent made sales to large scale businesses or to public agencies.

Table 8

ENTERPRISES BY SOURCES
GOODS AND SERVICES, 1976

	Total	Manu- facturing	Cons- truction	Trade	Trans- portation	Services
Enterprises (number)	3,507	402	11	2,492	67	535
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
1. SOURCES OF GOODS						
Households only	9.0	8.7	0.0	9.5	9.0	6.9
Small enterprises only	41.9	45.3	9.1	41.3	43.3	43.0
Household and small enterprises	20.0	20.4	13.2	21.5	16.4	13.1
Large commercial and government enterprises	16.2	12.2	45.5	16.2	16.4	18.7
All of the above	6.4	9.0	9.1	6.2	6.0	5.4
Does not buy goods	4.5	3.5	13.2	3.4	6.0	10.1
No answer	1.9	1.0	0.0	1.9	3.0	2.8
2. SOURCES OF SERVICES						
Households only	10.4	8.2	9.1	11.1	10.4	9.0
Small enterprises only	21.2	26.9	0.0	20.1	34.3	20.9
Household and small enterprises	6.3	7.2	36.4	5.4	11.9	6.7
Large commercial and government enterprises	2.3	1.5	9.1	2.0	9.0	3.0
All of the above	1.2	0.7	0.0	1.3	3.0	0.6
Does not buy services	56.7	54.7	45.5	57.7	28.4	57.2
No answer	1.9	0.7	0.0	1.9	3.0	2.6

Table 9

ENTERPRISES BY TYPE OF BUYERS, 1976

Type of Buyers	Total	Manufacturing	Construction	Trade	Transportation	Services
Enterprises (number)	3,507	402	11	2,492	67	535
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
1. Households & individuals	96.2	95.3	63.6	96.2	85.1	96.1
2. Other small enterprises	2.8	1.2	9.1	2.6	2.6	1.9
3. Big commercial/ government enterprises	0.8	0.0	27.3	0.4	0.4	1.3
4. All of the above	0.1	0.0	0.0	0.0	0.0	0.0
5. No answer	0.2	3.5	0.0	0.1	0.1	0.7

Hours Worked and Wages

Hours Worked. The duration of work engaged in by these enterprises and the persons in their employ can be gleaned by the number of hours the heads of the enterprises themselves put in in the enterprise. Table 10 shows that 48.9 per cent of the male heads of enterprise worked 10 hours or more daily and another 25.9 per cent put in from 8 to 9 hours of work daily, indicating that only 25.2 per cent worked less than 8 hours a day. The corresponding figures for females are 65.7 per cent, 17.9 per cent and 14.5 per cent. The singular message of these figures is that in the informal sector hours are long for enterprise heads and, most likely, for the other people employed in it as well.

Wages. The low productivity character of the informal sector is reflected in the fact that of all enterprises, some 73 per cent and almost 90 per cent paid a maximum daily wage of only ₱5.00 (one-half of the statutory minimum) or less a day for males and females, respectively, as shown in Table 11. Such a low maximum wage is however less rampant for males in the Manufacturing, Construction, and Transport sectors (and for females in the Construction and Transport sector), where wage levels are more clearly established by law or by practice. All this is one way of saying that the informal sector is characterized by subsistence earnings for its participants.

Table 10

HEADS OF ENTERPRISES BY
DURATION OF WORK AND SEX, 1976

Hours Worked Per Day

1. Males (number)	1,520
Total (per cent)	100.0
under 4 hrs.	5.4
4 - 5 hrs.	5.8
6 - 7 hrs.	14.1
8 - 9 hrs.	25.9
10 hrs. or more	48.9
2. Females (number)	1,987
Total (per cent)	100.0
under 4 hrs.	4.0
4 - 5 hrs.	4.3
6 - 7 hrs.	8.2
8 - 9 hrs.	17.9
10 hrs. or more	65.7

Table 11
ENTERPRISES BY
MAXIMUM AND MINIMUM DAILY WAGE
PAID PER WORKER AND BY SEX OF WORKER

	Total	Manu- facturing	Cons- truction	Trade	Trans- portation	Services
Enterprise (number)	3,507	402	11	2,492	67	535
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
1. Male workers						
maximum (pesos)						
< 5	73.4	44.5	45.5	32.9	23.9	57.6
5 - 9.99	3.7	1.7	0.0	4.7	6.0	14.2
10 - 14.99	9.6	2.4	9.1	4.5	25.4	15.0
15 - 19.99	4.3	1.3	9.1	1.5	13.4	8.0
20 - 24.99	2.0	0.6	9.1	0.8	11.9	2.4
25 - 29.99	0.8	0.3	13.2	0.2	4.5	1.5
30 - 34.99	0.5	0.1	0.0	0.3	6.0	0.6
35 - 39.99	0.2	0.0	9.1	0.1	1.5	0.4
40 and above	0.5	0.0	0.0	0.3	7.5	0.6
minimum (pesos)						
< 5	77.4	64.2	54.5	34.2	83.6	69.7
5 - 9.99	10.6	13.9	9.1	3.1	0.0	12.1
10 - 14.99	8.6	15.4	9.1	5.3	9.0	11.3
15 - 19.99	2.0	4.0	13.2	1.1	7.4	3.9
20 - 24.99	0.7	2.5	0.0	0.4	0.0	1.1
25 - 29.99	0.2	0.2	9.1	0.0	0.0	0.6
30 - 34.99	0.1	0.0	0.0	0.1	0.0	0.2
35 - 39.99	0.1	0.0	0.0	0.0	0.0	0.2
40 and above	0.1	0.0	0.0	0.0	0.0	0.4

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