Continuation of Table 11

	Total	Manu-facturing	Cons-truction	Trade	Trans-portation	Services
2. Female workers						
maximum (pesos)						
< 5	83.0	36.1	45.5	89.7	44.8	73.5
5 - 9.99	10.7	23.9	9.1	6.9	25.4	16.6
10 - 14.99	4.9	11.7	27.3	2.7	14.9	8.4
15 - 19.99	0.9	2.0	9.1	0.5	10.4	0.7
20 - 24.99	0.2	0.7	0.0	0.1	1.5	0.4
25 - 29.99	0.1	0.0	9.1	0.0	1.5	0.2
30 - 34.99	0.0	0.0	0.0	0.0	0.0	0.0
35 - 39.99	0.0	0.0	0.0	0.0	0.0	0.0
40 and above	0.1	0.4	0.0	0.0	1.5	0.2
minimum (pesos)						
< 5	89.7	78.2	54.5	92.0	91.0	87.9
5 - 9.99	6.8	14.9	9.1	6.2	3.0	6.5
10 - 14.99	2.9	6.2	27.3	2.0	6.0	4.7
15 - 19.99	0.4	0.7	9.1	0.4	0.0	0.4
20 - 24.99	0.1	0.0	0.0	0.0	0.0	0.4
25 - 29.99	0.0	0.0	0.0	0.0	0.0	0.0
30 - 34.99	0.0	0.0	0.0	0.0	0.0	0.0
35 - 39.99	0.0	0.0	0.0	0.0	0.0	0.0
40 and above	0.1	0.0	0.0	0.1	0.0	0.0

The Heads of Enterprises

It will be of interest to review the personal background of heads of enterprises if only to minimize the possibility of policy measures aimed at assisting them actually producing unintended results.

Age. Predominantly the heads of enterprises were no longer young. Only 13.3 per cent of them were below 30. A full 54 per cent were actually more than 40 years old. In between these two major groups were the 32.7 per cent who belonged to the 31-40 years old bracket. See Table 12.

Table 12

HEADS OF ENTERPRISES BY AGE AND SEX, 1976

Age Group	Total	Male	Female
Heads of Enterprises (number)	3,507	1,520	1,987
Total (per cent)	100.0	100.0	100.0
16 or less	0.4	0.4	0.3
17 - 20	0.6	0.3	0.8
21 - 25	3.2	2.5	3.6
26 - 30	9.4	8.4	10.2
31 - 40	31.9	29.8	33.5
41 - 50	29.3	28.5	30.0
50 or more	25.2	29.9	21.6

Schooling. Enterprise heads were predominantly well educated. Only 11 per cent had no formal schooling at all or had only some amount of primary (1-4 year) education. On the other hand almost 40 per cent had either a college education or a college degree. See Table 13.

Table 13

HEADS OF ENTERPRISES BY YEARS OF SCHOOLING
AND SEX, 1976

Years of Schooling	Total	Male	Female
Heads of Enterprises (number)	3,507	1,520	1,987
Total (per cent)	100.0	100.0	100.0
0[1/]	4.0	5.7	2.7
1 - 4	6.9	5.5	8.0
5 - 6	15.9	12.2	18.7
7 - 9	12.7	10.7	14.2
10	20.7	19.8	21.4
11 - 13	15.5	16.1	15.0
14	11.9	13.1	11.1
15 or more	12.4	16.9	9.0

[1/] Either with informal education or literate but no formal education or illiterate.

Migration Status. About 61 per cent, or 2,139 out of 3,507, of enterprise heads were born outside of Greater Manila, an indication of the heavy flux of population into the city already referred to. Table 14 provides additional information.

Table 14

HEADS OF ENTERPRISES BY MIGRATION STATUS AND SEX, 1976

Migration Status	Total	Male	Female
Heads of Enterprises (number)	3,507	1,520	1,987
Total (per cent)	100.0	100.0	100.0
Born in Greater Manila	39.0	40.5	37.8
Born outside Greater Manila	61.0	59.4	62.2

Previous Occupations. Of the immigrant heads of enterprises, 78 per cent have had work experience before coming to Greater Manila. They have had opportunities to work in various capacities, i.e., as teachers, bus drivers and conductors, clerks, salesmen, housemaids, tailors, blacksmiths, bricklayers, farmers. The variety of occupations represented by these migrants suggests the heterogeneity of skills brought into the Greater Manila informal sector by these persons. See Table 15.

Table 15

ENTERPRISE HEADS BY ORIGIN AND OCCUPATIONAL STATUS
BEFORE MIGRATION, 1976

Work Experience and Occupational Status Before Migrating to GMA	
Migrant Enterprise Heads (number)	2,139
Total (per cent)	100.0
1. Did not work before migrating	22.0
2. Worked before:	78.0
Teachers	0.9
Conductors, drivers	0.3
Clerical, other related workers	0.8
Working proprietors, gas station operators	0.9
Sales supervisors, buyers, detailmen	0.5
Salesmen, shop assistants and related workers	1.4
Vendors	0.5
Sales workers	0.3
Maids	0.5
Farmers	0.5
Tailors, dressmakers, sewers, upholsterers	2.6
Blacksmiths, toolmakers, machine tool operators, vulcanizers	0.3
Bricklayers, carpenters and other construction workers	0.3
Others	66.5
	100.0

Occupational Mobility. The sector seems to be characterized by a lack of occupational mobility or dynamism. Only about four-tenths (40.9%) of enterprise heads had changed occupations, and these included some who made the switch after learning a new skill but these constituted only 12.7 per cent of all enterprise heads. The majority, 56.2 per cent, had stuck to their original occupations. See Table 16.

Table 16

HEADS OF ENTERPRISES
BY OCCUPATION MOBILITY, 1976

	Total
Heads of Enterprises (number)	3,507
Total (per cent)	100.0
Switched occupation	40.9
Without learning new skills	28.2
After learning new skills	12.7
Did not switch occupation	55.6
No answer	3.5

Dwelling Status. With respect to dwelling status, the majority (54.8%) of all enterprise heads either rented or shared the house they lived in. Another fraction, 2.2 per cent, was homeless or living in illegal and improvised shacks. Only about four-tenths (43.1%) owned the house in which they stayed. See Table 17.

Table 17

DWELLING STATUS OF HEADS OF ENTERPRISES, 1976

Enterprise (number)	3,507
Total (per cent)	100.0
1. Owned	43.0
2. Rented	52.0
3. Shared	2.8
4. Homeless	0.3
5. Others	1.9

Other Sources of Income. The propertylessness of enterprise heads is clear and unambiguous. The vast majority (87.3%) of enterprise heads had no other source of income than the enterprise itself. Only some 8.1 per cent had property, pension, dividends, and other businesses from which they derived income. Another 4.4 per cent had other individuals or households from whom they derived income; belonging to this last group would be heads of enterprises doubling as gardeners, carpenters, plumbers and delivery men for households and individuals during week-ends or during slack periods in the business. Table 18 shows the relevant data.

Table 18

OTHER SOURCES OF INCOME
OF HEADS OF ENTERPRISES, 1976

	Enterprise (number)	3,507
	Total (per cent)	100.0
1.	Other individuals/household in Greater Manila Area	1.7
2.	Other individuals/household outside Greater Manila Area	2.7
3.	Property owned	6.3
4.	Other sources	
	Pension	1.3
	Dividends from stocks	0.1
	Other business	0.4
5.	No other sources of income	87.3

Attitudes on Out-Migration. Despite the problems of survival that these enterprise heads face in the Greater Manila Area, a large proportion (75.2%) of them was not willing to move out of the Greater Manila Area. Table 19 shows the information on this point. Among these heads were 25.9 per cent who were unwilling to leave GMA because the transfer would affect the children's education and another 25 per cent because it would have a negative impact on the respondents' earnings. Moving the respondents out of the area would apparently entail guaranteeing that the children's schooling would not be adversely affected and that sources of income would not be impaired.

Attitudes towards Government and Possible Policies. Table 20 provides information on this matter. In the main the enterprise heads had a positive view of the government. A great 83.7 per cent of them considered the government helpful although these include 62.1 per cent who thought the government only "somewhat helpful." As regards possible incentives and policies, 68.7 per cent indicated that they would not move out of their current location even if incentives were given to the enterprise. The majority thought that the government had a role to play in helping enterprises. For example, 77.6 per cent agreed that the government could help in the training of labor and in the upgrading of skills. In this respect, 47.7 per cent also said that they would be able to share the cost of training "provided it is small." However, the enterprises did not seem to be unduly anxious to take advantage of any training program. Some 45 per cent said they would not allow

Table 19

ATTITUDES TOWARDS OUT-MIGRATION OF HEADS OF ENTERPRISES, 1976

	Enterprises (number)	3,507
	T o t a l (per cent)	100.0
1.	Willing to move out of Greater Manila	22.8
2.	Not willing to move because	75.2
	- too expensive to travel with family	16.8
	- children's education and other urban amenities are affected	25.9
	- earning opportunities of other household members are affected	7.2
	- own earnings are affected	25.0
	- too old already	0.3
3.	Have not given it (moving out of Greater Manila) a thought	2.0

Table 20

ATTITUDES TOWARDS GOVERNMENT AND
POSSIBLE GOVERNMENT POLICIES, 1976

Policies	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. If the enterprise has any relation with the government, does it feel that the government:						
- is very helpful	21.6	22.1	9.1	22.0	17.9	19.8
- somewhat helpful	62.1	59.5	81.8	62.6	56.7	61.7
- indifferent	4.4	6.0	0.0	4.2	7.5	4.1
- unhelpful	5.9	6.2	0.0	5.4	10.4	7.7
- no answer	6.0	6.2	9.1	5.7	7.5	6.7
2. With incentives enterprise will move:						
- yes	29.6	22.6	18.2	30.6	22.4	28.6
- no	68.7	72.4	81.8	67.7	74.6	69.3
- it depends	1.7	1.0	0.0	1.7	3.0	2.1

(Continuation of Table 20)

Policies	Total	Manufacturing	Construction	Trade	Transportation	Services
3. The enterprise thinks that the government can help in training labor and improving skills:						
- yes	77.6	89.8	90.9	74.9	70.1	81.9
- no	21.0	9.5	9.1	23.7	26.9	16.4
- don't know	1.4	0.7	0.0	1.4	2.9	1.7
4. The enterprise would be able to share the cost of training:						
- yes, provided its share is small	47.7	57.0	81.8	45.0	47.8	44.5
- yes, even if it costs a substantial **amount**	2.5	2.7	9.1	2.2	3.0	3.6
- no	28.5	30.3	0.0	29.4	22.4	26.5
- no answer	20.9	10.0	9.1	23.4	26.7	17.0
5. The enterprise would allow its workers to participate in such training during work hours:						
- yes, but with reduced wage	15.5	25.4	36.4	12.1	14.9	23.9
- yes, without reducing wages	11.0	15.2	27.3	9.2	17.9	14.8
- no	44.6	45.5	18.2	46.2	38.8	37.8
- not sure/it depends	28.9	13.9	18.2	32.5	28.3	23.6

their workers to participate in such programs during working hours and even among those (26.5%) who said yes, there were those (15.5%) who would permit their employees to join the training program during working hours only at reduced wages.

3. Productivity, Employment and Income Considerations

It was seen on the basis of the descriptive data that informal sector enterprises suffer from low productivity, from a weak ability to create employment and the heads of these enterprises suffer from very low earnings. It would be proper to take a closer look at these pieces of information. It would be of interest from a policy viewpoint to discover what characteristics of these enterprises, their heads, work forces, and their environment affect their productivity, their employment and income generating power. If characteristics that have a positive or negative impact on these can be identified policy can be initiated and pursued aimed at enhancing or eliminating these characteristics.

Productivity

Here we advance the hypothesis that various characteristics internal to the enterprise and various factors external to it have an impact on its productivity. More explicitly, we hypothesize that value added per enterprise (VAR) is influenced by total employment per enterprise (NFE), the quality of the labor force (QLF), the value of fixed assets (VFA), the daily capacity utilization rate (CUR), credit sources (SCR), the age of the enterprise (YOE), the enterprise legal status as to whether it is subject to government regulation or not (LST), and the enterprise forward linkage (FLK) and backward linkage (BLK).

Similarly we hypothesize that value added per worker (VAW) is affected by the value of fixed assets per worker per enterprise (KLE), years of formal schooling of enterprise head (YFE), age of enterprise head (AGH), and the proportion of part-time workers to the total number of workers (PTW); and that value added per unit of capital (VAK) is affected by the labor-capital ratio (LKE), as well as by the last three variables affecting value added per worker.

Casting each hypothesis in equation form and giving each variable a linear specification except age of enterprise (which is given a parabolic form to capture non-linear effects), we then estimate the equations through step-wise regression.

Three productivity equations are specified, one for enterprises, another for workers, and yet another for capital, as follows:

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

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

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

The estimates are shown in Tables 21, 22 and 23. Of the nine explanatory variables for value added per enterprise, only backward linkage has a statistically significant impact (at the 10% level). The age of the enterprise, though not statistically significant, casts a positive impact which becomes greatest when the enterprise reaches 23 years of operation. Altogether the results are extremely disappointing. The independent variables explain almost nothing of the total variation of the dependent variable.

With respect to value added per worker, none of the four explanatory variables had any statistically significant effect. As a matter of fact, the years of formal schooling of the enterprise head was dropped from the regression altogether.

The results for value added per unit of capital are hardly any better. Here only the labor capital ratio coefficient is statistically significant (at the 5% level) but this result becomes meaningless because of the low value of the coefficient of determination.

Employment

We estimate two more equations, one for total employment per enterprise (LFE) as determined by the average daily wage paid by the enterprise (ADW), value added per enterprise, value of fixed assets per enterprise and the daily capacity utilization rate of the enterprise.

Table 21

ESTIMATED REGRESSION EQUATION
FOR VALUE ADDED PER ENTERPRISE (VAE)

Independent Variable	Coefficient	Standard Error of Coefficient
BLK	1148.6846*	803.8137
FLK	2033.2560	1880.3283
CUR	-3458.7985	2537.3396
YOE	199.1354	99.4408
YOE^2	-4.2897	2.3687
SCR	863.3359	914.2294
LST	446.1222	978.2101
VFA	0.0016	0.0035
LFE	10.6309	33.6566
QLF	219.1545	706.1604
Constant	1139.5815	
S		19284.4502
$\bar{R}^2$		0.0017

*Significant at the 10 per cent level.

Table 22

ESTIMATED REGRESSION EQUATION
FOR VALUE ADDED PER WORKER (VAW)

Independent Variable	Coefficient	Standard Error of Coefficient
AGH	201.6567	274.4270
PTW	-797.5672	1484.4289
KLW	- 0.0007	0.0058
YFE	-	-
Constant	-240.2055	
S		18268.2735
$\overline{R}^2$		0.0003

Table 23

ESTIMATED REGRESSION EQUATION
FOR VALUE ADDED PER UNIT OF CAPITAL (VAK)

Independent Variable	Coefficient	Standard Error of Coefficient
LKE	1769.4627*	405.1089
YFE	-5.0610	4.4340
AGH	7.7112	7.6463
PTW	-20.3171	40.9892
Constant	-19.2542	
S		503.8344
$\overline{R}^2$		0.0055

*Significant at the 5 per cent level.

This equation is specified as follows:

(4) LFE = f(ADW, VAE, VFW, CUR)

Income

The other equation is for the weekly earnings of the head from the enterprise (EHE) as determined by the enterprise head's property owning status (EHP), weekly hours worked (HWE), sex (SXH), training whether it is formal or informal (FIF), as well as by value added per enterprise, and the enterprise heads' age and years of formal schooling.

This equation is as follows:

(5) EHE = f(VAE, EHP, HWE, SXH, AGH, YFE, FIF)

The estimates of the foregoing two equations are shown in Tables 24 and 25. For employment per enterprise the coefficient of the average daily wage paid by the enterprise is statistically significant (at the 5% level) but it has a wrong--positive--sign. For the enterprise heads' earnings from the enterprises, two of the explanatory variables, enterprise heads' property status and value added per enterprise, have statistically significant impact (at the 5% and 2.5% levels, respectively), implying that the earnings of the enterprise head from the enterprise are not independent of his status as an owner or non-owner of property (a similar finding for the Services sector) and that those earnings are bigger the higher is the value added of

Table 24

ESTIMATED REGRESSION EQUATION
FOR EMPLOYMENT PER ENTERPRISE (LFE)

Independent Variable	Coefficient	Standard Error of Coefficient
ADW	0.0010*	0.0001
CUR	1.0889	1.2637
VFA	-0.0000	0.0000
VAE	0.0000	0.0000
Constant	1.4966	
S		9.6641
$\bar{R}^2$		0.0165

*Significant at the 5 per cent level.

Table 25

ESTIMATED REGRESSION EQUATION FOR
ENTERPRISE HEAD'S WEEKLY EARNINGS FROM ENTERPRISE (EHE)

Independent Variable	Coefficient	Standard Error of Coefficient
EHP	1686.1710*	576.0632
VAE	0.0478**	0.0220
FIF	2503.6343	1523.8028
AGH	557.9968	384.8342
HWE	-36.8636	62.3091
SXH	-366.9601	867.2631
YFE	94.2544	228.0719
Constant	1855.1805	
S		25118.3699
$\bar{R}^2$		0.0036

*Significant at the 5 per cent level.

**Significant at the 2.5 per cent level.

the enterprise. Nevertheless, these results are extremely disappointing. For both regressions, the explanatory variables explain hardly any of the variations in the independent variable.

4. Some Findings and Policy Suggestions

Findings

All in all there is little in the descriptive facts enumerated above that will contradict *a priori* notions about the informal sector. The sector is characterized by low productivity, small employment and modest fixed assets. Most of the enterprises were engaged in Trade and Services, in other words, in work that does not culminate in the production of tangible goods. Almost one-half were located in Manila proper.

The precise structural characteristics of the enterprises are somewhat more difficult to pin down however in view of the character of the sample that constituted the basis of the study. Nevertheless, it was found that almost all were located in fixed locations; also, the vast majority was housed in a permanent structure. Of all structures occupied, permanent and temporary, three-fourths had water and electricity; almost all were accessible by motorable road. Also almost three-fourths of all structures occupied were rented instead of owned by the enterprise. Although these characteristics point toward fixity, permanency and stability, characteristics toward variability, temporariness and instability cannot be ruled out if the sample had been taken randomly instead of from the listing of small establishments by the national census office.

For their capital needs, the majority of the enterprises were rather self-sufficient. They financed their requirements for capitalization and day-to-day operations from internally generated savings.

The enterprises had very little linkage with the "formal" sector. In the main they transacted business with and among households and enterprises that also belonged to the informal sector.

Hours of work in the enterprises were long, generally exceeding 10 hours a day, but wages were low, a maximum of ₱5.00 or less a day being paid to males by 73 per cent of the enterprises and to females by 90 per cent of the enterprises.

Heads of enterprises were not young people, the majority being 40 years of age or more, and only some 13 per cent being less than 30 years old. Almost all have had formal education; in fact 40 per cent of them have had education at the college level. Of all heads, 61 per cent were born outside of Greater Manila and of these some 78 per cent have had work experience before migrating. Mobility between occupations is low. From the time they started working, only about 41 per cent have changed occupations.

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.

From these considerations one could feel a sense of skepticism about the government and government policies from among the enterprise heads. While the majority of them said they considered the government "helpful," they were not willing to move out of Greater Manila even with "incentives" because the transfer would affect the children's education and respondents' source of livelihood. A majority thought the government could put up training programs for labor but only a smaller portion were willing to share cost and these only if the share was small. Furthermore, almost one-half of the enterprises did not seem eager to take advantage of such training.

The search for factors that can be used by policy to affect the enterprises' productivity, employment and income generating power turned out to be singularly unfruitful. Only backward linkage had any statistically significant positive effect on value added per enterprise but even here the results become meaningless because of the low value of the coefficient of determination. None of the posited explanatory variables had any statistically significant impact on value added per worker. Only the labor-capital ratio had any statistically significant influence on value added per unit of capital but here, as in the other regressions, the variables explain almost nothing of the total variation of the dependent variable.

The results are not different with respect to employment per enterprise and the eanings of the enterprise head from the enterprise. None of the variables are determining for the former. For the latter, however, the ownership status of the enterprise head and the value added of the enterprise have a statistically significant impact but this point is rendered nugatory by the extremely low value of the coefficient of determination.

Policy Suggestions

Recalling, this study aims to develop policy towards the informal sector that will enhance the lives of the people engaged in it as well as improve the quality of life in the urban sector as a whole. Policy may thus aim at raising the productivity of informal sector enterprises, increasing their employment creating potential, and upgrading their income generating power. On the other hand, if informal sector enterprises are synonymous with low productivity and the employment in them characterized by low income, policy may well address itself to the contraction or shrinkage of the sector and the transfer of its participants to more productive and higher earning activities.

Thr poor results of the regression analysis makes it almost mandatory to return to the descriptive data presented earlier for the development of a more thorough understanding of the informal sector and of the factors that affect its participants.

From the maze of data that have been presented it seems clear that contracting or shrinking the sector is a course of action that is difficult to entertain. The sector is characterized precisely by an ability to create production, employment and incomes for people, on the basis of its own resources and independent of the government and formal private entities. It finances its own growth with the savings of its participants, depending not at all on funds coming from banks or from the government, serves and is served by persons, households and other enterprises located within its limits. This self-reliant quality should be encouraged rather than discouraged.

The "smallness" of informal sector enterprises argue in favor of economic efficiency rather than against it. In the Transport sector, the distribution of "jeepneys" and "calesas" among numerous owners and operators make the satisfaction of traffic demand in various areas easier whereas their concentration in big cooperatives and mergers would likely make decision-making bureaucratic and give rise to inefficiencies in the servicing of various routes. The argument is even more true with respect to the Trade and Services sectors where much of the services rendered is in the form of transporting goods and services from one point in space to another. Here the very diffusion of trading and servicing units to numerous points in space yields the advantage of making possible the immediate bringing of the units close to the numerous households, individuals and firms that need their services. These units would necessarily be smaller when so scattered than when concentrated in just one or two locations. Only in the Manufacturing and Construction sectors would the foregoing argument perhaps be invalid. It is possible that in these sectors economies of scale could be gained from expansion or concentration. All this is saying that if policy on size is to be addressed to the informal sector, it should make no attempt to produce mergers or conglomerates except possibly on a selective sectoral basis.

Though it seems like an island complete in itself, obtaining goods and services from and supplying goods and services to households and enterprises inside rather than outside of its boundaries, the informal sector does have links with the formal sector. The connection 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 understandably said that the first two legal requirements are restrictive and in a roundabout way implied that so is the third.[5/]

This is perhaps where additional policy can be brought to bear. If the informal sector is almost wholly self-reliant but is linked with the government through measures that are seen by them to be restrictive,

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[5/] Much of the contents of the remainder of this section were taken from a joint work of the present senior author and Rosa Linda P. Tidalgo on the informal services sector.

it seems reasonable to argue 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 the sector.

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 authorities 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. 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.

On training, it is quite true that many of the enterprises were not quite keen on the training of people by the government since the majority of them had no difficulty in recruiting workers. Nevertheless, there is room for policy action here, particularly in reference to Manufacturing. In this sector, policy should aim at developing skills for various types of craftsmen and processors already employed or likely to be employed by the enterprises. Since it will not be reasonable to think that the enterprises would want to finance the training of persons who may not stick it out with them, the training should be without cost to the enterprise.

Among other 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.

Finally, on the matter of relocation, policy here should aim at eliminating poverty rather than simply relocating it. As a matter of priority policy should aim at the provision of assistance on site. Only in cases where assistance on site will clearly not achieve its objective (as in cases of extreme congestion) should physical relocation of households be effected and this only after incentives have been developed with the direct participation of households to preclude their misunderstanding of the incentives and only after safeguards have been introduced to protect the economic security of the households and guarantee the civic development of their members. In particular, relocation should see to it that the source of livelihood of the household is not taken away and the continuity of education of the children is not disrupted.

Remarks

The suggestion that the informal sector should not be contracted should not be construed to mean that the informal sector should be perpetuated. On the contrary, there seems to be enough evidence--low productivity, low wages, long hours, etc.--to suggest that the informal sector should be reduced or eliminated. Rather the point is that the informal sector cannot be eliminated for as long as low income households exist. The informal sector seems to be "of, by and for" low income households. Once low income households have been raised to join high income ones, the informal sector, as a sector, will disappear. Policy should therefore aim at enabling low income households as a whole to make the crucial transfer.

In the meanwhile, specific policy addressed to informal sector enterprises should be directed to extending some positive development assistance to them and not at over-seeing their development efforts or relocating them. This may be the only practical way at the moment to assist a sector of the economy whose growth so far has been achieved by the mobilization of its own resources.

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