Uncovering the social security coverage of informal sector operators and workers using the Philippine Consumer Finance Survey

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Presented by:
Ian Miguel D. Landrito
Outline

I. Background
   A. Informal Sector
   B. Social Protection Coverage
II. Objectives
III. Methodology
IV. Observations from the Consumer Finance Survey
V. Key Takeaways
Background

A. Informal Sector in the Philippines

❖ Conceptual Definition (NSCB Resolution No. 15, Series 2002):

✔ Units engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons concerned in order to make a living

✔ Operate at a low level of organization

✔ Household unincorporated enterprises that are market and non-market producers of goods as well as market producers of services

✔ Casual employment, kinship or personal and social relations rather than formal or contractual arrangements.
Background

A. Informal Sector in the Philippines

✓ Operational definition:

   ✓ Household unincorporated enterprises
   ✓ Own account workers, including unpaid family workers as well as occasionally/seasonally hired workers;
   ✓ Employers owning businesses that may employ less than 10 employees;
   ✓ Exclusions: corporations, quasi-corporations, units with 10 or more employees, corporate farms, commercial livestock raising, commercial fishing.
Background

B. Social protection coverage

- Access to at least a basic level of social security throughout the life cycle is a human right, fundamental to ensuring individuals’ health and dignity (ILO, 2012).

- Covers all measures that provide benefits, whether in cash or in kind, to secure protection, from (a) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; (b) lack of access or unaffordable access to health care; (c) insufficient family support, particularly for children and adult dependents; and (d) general poverty and social exclusion.
Background

B. Social protection coverage

❖ Social Security System’s (SSS) program for self-employed people
  ✓ AlkanSSSya is a micro-savings program intended for self-employed members in the informal sector, particularly those who have irregular income such as tricycle drivers and market vendors.
  ✓ Minimum SSS monthly contribution of Php330 or Php11 per day
  ✓ Monthly salary of Php3,000 or above

❖ PhilHealth for the informal economy
  ✓ Informal Sector: includes among others, street hawkers, market vendors, pedicab and tricycle drivers, small construction workers, and home-based industries and services.
  ✓ Dependents: covers legitimate spouse, child or children below 21 years old and are still unmarried, children above 21 years old but are suffering from physical or mental disability, and parents who are 60 year old and above
Objectives

- To characterize the informal workers/operators who contribute to a formal social protection system
- To determine the factors that affect informal sector workers’ probability of being covered by social security
Methodology

- **Data:** 2014 Consumer Finance Survey
  - **Coverage:** nationwide, except ARMM and Leyte province
  - **Sampling design:** adopted the Philippine Statistics Authority’s 2003 Master Sample design
  - **Total no. of observations:** 15,503 households
  - **Units of analysis:** respondent and his/her spouse/partner (if any)
  - **Reference period:** date of interview (2014)—for data on assets, liabilities and demographics); full year of 2013—for data on income, expenditure and employment

- **Statistical Method:**
  - **Logistic model:** to examine the determinants of an informal worker/operator’s decision to contribute to a formal social protection system
Methodology

Decision Matrix: Identifying Informal Workers/Operators in the 2014 CFS

<table>
<thead>
<tr>
<th>Job Description</th>
<th>Industry</th>
<th>Contract</th>
<th>Employment Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Worked for private household</td>
<td>(1) Activities of households as Employers; Undifferentiated Goods and Services-producing Activities of Households for Own Use</td>
<td>(1) No formal contract/term</td>
<td>(1) less than 10 employees</td>
</tr>
<tr>
<td>(2) Self-employed without any employee</td>
<td></td>
<td>(2) Other employment agreement</td>
<td></td>
</tr>
<tr>
<td>(3) Unpaid worker in family-operated farm or business</td>
<td></td>
<td>(3) Not applicable/self employed</td>
<td></td>
</tr>
<tr>
<td>(4) Unpaid worker in family-operated non-farm business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Unpaid volunteer/ worker in a non-family operated business or institute</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Findings from the Consumer Finance Survey

- 3 out of 4 of the respondents or spouse identified themselves as employed
- About half of the employed are considered as informal workers
- Half of the informal workers are self-employed without any employee

Distribution of Informal Workers by Class of Work (in percent)
- Worked for private establishment / non-business: 12%
- Worked for private household: 19%
- Worked for government/GOCC: 4%
- Paid worker of somebody else's farm: 11%
- Self-employed w/out any employee: 52%
- Unpaid volunteer/worker in a non-family operated business or institute: 0%
- Unpaid worker in family-operated non-farm business: 1%
- Unpaid worker in family-operated farm or business: 1%
Findings from the Consumer Finance Survey

The three top industries where informal workers can be found are in:

1. Agriculture, Hunting and Forestry (29.7%)
2. Other Service Activities (20.1%)
3. Construction (14.5%)
Findings from the Consumer Finance Survey

- Around 2 out of 5 informal workers are not social security covered
- Almost half of the informal workers have PhilHealth coverage
- SSS is the most common retirement plan for informal workers
Logistic Regression

• Dependent variable
  Coverage of Informal Worker:
  1, if the informal worker has any health insurance or retirement plan
  0, otherwise

• Independent variables
  • Age
  • Sex
  • Education
  • Health Status
  • Number of Household Members
  • Industry of Job
  • Total Income
  • Area of Residence (whether Urban or Rural)
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## Logistic Regression

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>P value result</th>
</tr>
</thead>
<tbody>
<tr>
<td>age</td>
<td>0.0756</td>
<td>0.0188</td>
<td>significant</td>
</tr>
<tr>
<td>age ^2</td>
<td>-0.0009</td>
<td>0.0002</td>
<td>significant</td>
</tr>
<tr>
<td>sex</td>
<td>0.1951</td>
<td>0.0759</td>
<td>significant</td>
</tr>
<tr>
<td>education</td>
<td>0.5431</td>
<td>0.0724</td>
<td>significant</td>
</tr>
<tr>
<td>health status</td>
<td>0.0671</td>
<td>0.0428</td>
<td>not significant (0.117)</td>
</tr>
<tr>
<td>urban</td>
<td>-0.1068</td>
<td>0.0735</td>
<td>not significant (0.146)</td>
</tr>
<tr>
<td>No. of HH member</td>
<td>0.0775</td>
<td>0.0153</td>
<td>significant</td>
</tr>
<tr>
<td>AHFF</td>
<td>-0.2728</td>
<td>0.0929</td>
<td>significant</td>
</tr>
<tr>
<td>Construction</td>
<td>-0.5571</td>
<td>0.1101</td>
<td>significant</td>
</tr>
<tr>
<td>Other Services</td>
<td>-0.2716</td>
<td>0.0960</td>
<td>significant</td>
</tr>
<tr>
<td>ln(Total Income)</td>
<td>0.2380</td>
<td>0.0417</td>
<td>significant</td>
</tr>
</tbody>
</table>
Key Takeaways

- 40 percent of the informal workers have no social security coverage
- PhilHealth is the most common social security coverage for informal workers
- Only a few of the informal workers have retirement plans with majority being covered by SSS
- Education level may increase the probability of an informal worker to be covered
- Informal workers in the AHFF, Construction and Other Service Industries has a lower probability of having social security coverage
- A need to further intensify financial education campaigns for health insurance and retirement products
Thank You!