

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

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Outline

I. Background

A. Informal Sector

B. Social Protection Coverage

II. Objectives

III. Methodology

IV. Observations from the Consumer Finance Survey

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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
 - ✓ AlkanSSSy 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

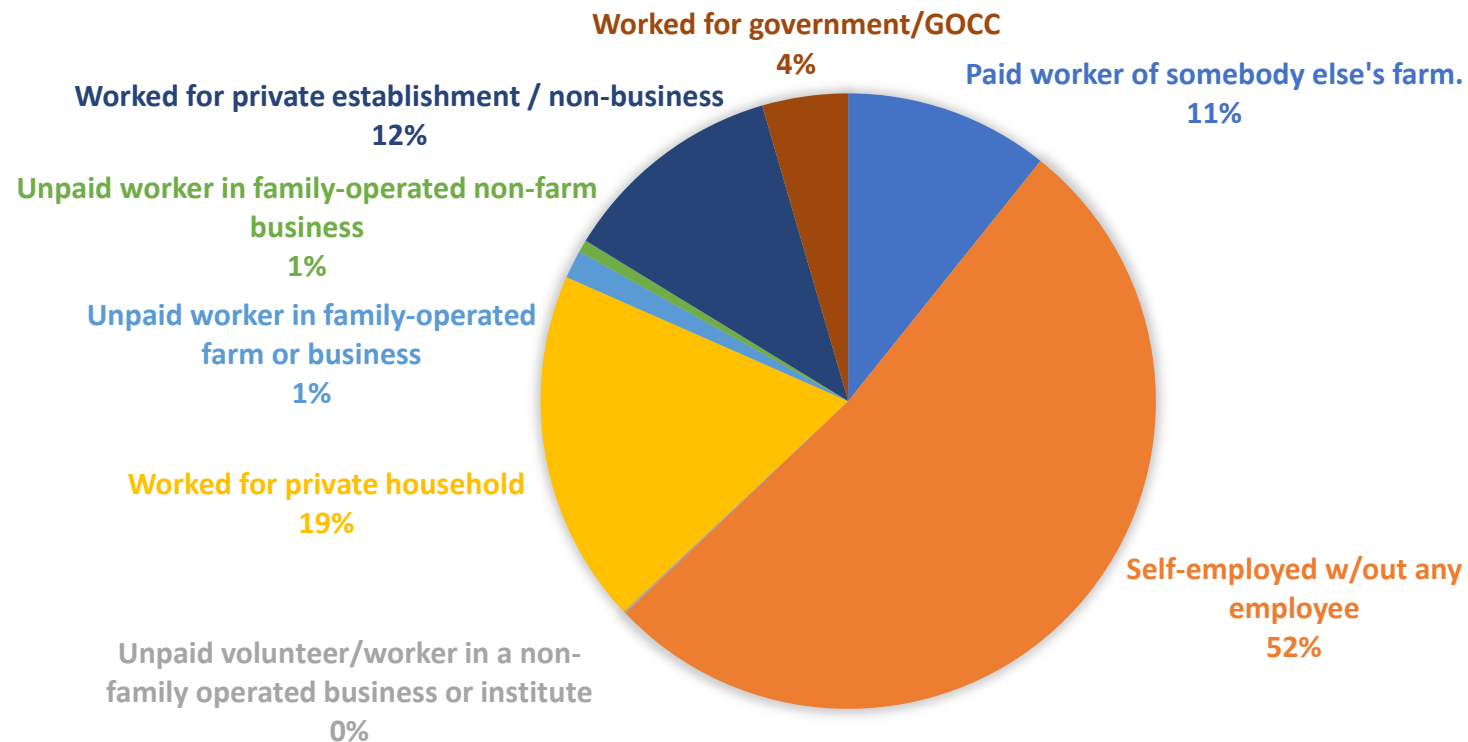
❖ Decision Matrix: Identifying Informal Workers/Operators in the 2014 CFS

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

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)



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 %)

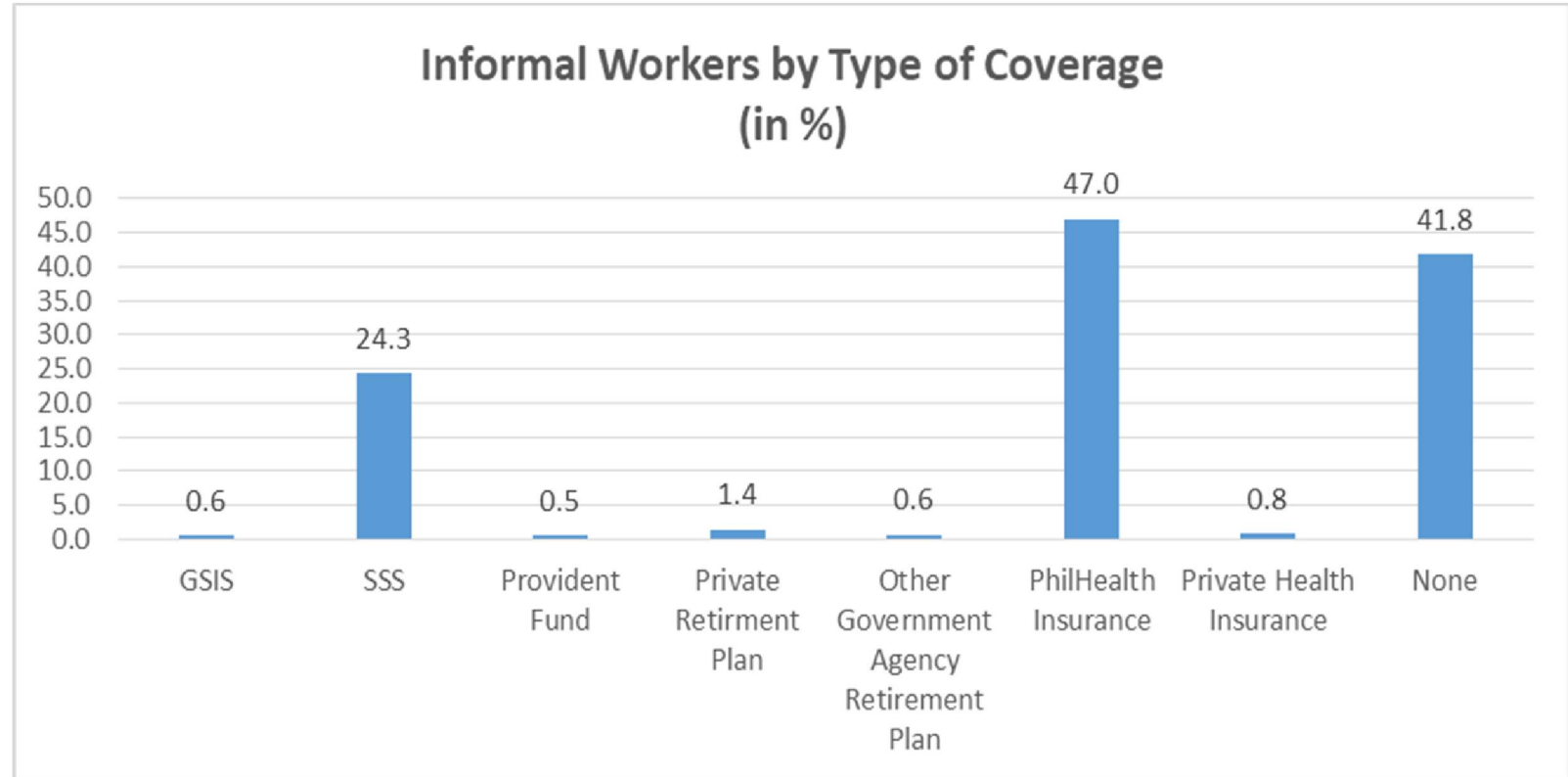


3. Construction (14.5 %)



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)

Logistic Regression

- Dependent variable

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Logistic Regression

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

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!