

Addressing the deficiency in informal employment statistics in the Philippines

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1. Introduction

The informal economy is an important part of the Philippine economy and estimated to account for more than 80 percent of total employment and about one-third of the country's GDP. Statistics on informal employment is key to monitoring the attainment of the Social Development Goals of decent work for all (Goal 8) and ending poverty (Goal 1). The presence of a large informal economy presents a challenge to policymakers as this is characterized by poor and unsafe working conditions, low productivity and wages, limited access to credit and training, and lack of legal and social protection. Hence, without the savings necessary to hedge against economic downturns, workers in informal employment are highly vulnerable to negative external shocks, such as the COVID-19 pandemic, that adversely affected jobs and incomes. The pervasive and persistent informality of the Philippine economy and workforce hinders the promotion of decent work and eradication of extreme poverty and weakens the generation and mobilization of fiscal resources (World Bank, 2019; Ohnsorge, Okawa and Yu, 2021).

Notwithstanding its importance, the Philippine Statistics Authority does not produce annual statistics of informal employment as the nationwide quarterly Labor Force Surveys do not collect information that would capture the dimension of informality in employment. Special surveys designed to collect data on the informality of employment and production units are too costly and time-consuming to be conducted annually. This paper contributes to filling in this gap by discussing the conceptual issues in the measurement of informal employment and informal enterprises in the Philippine context, that leads to recommendations for the inclusion of questions that will capture the dimensions of informality of jobs and enterprises in the Labor Force Survey.

2. Conceptual issues

The definition of informal employment adopted by the 17th International Conference of Labour Statisticians refers to as “all remunerative work that is not registered, regulated or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise”. The application of labor laws and statutes is determined primarily by the presence of an employer-employee relationship.

By Philippine laws, an employer in the private sector is legally and morally obligated to provide their employees with the statutory-mandated social benefits and must pay a monthly contribution to the following funds: (a) Social Security System (SSS); (b) Philippine Health Insurance Corporation (Philhealth), and; (c) Home Development Mutual Fund or Pag-IBIG (*Pagtutulungan sa kinabusan: Ikaw, Bangko, Industriya, Gobyerno*) Fund. Philhealth members and their qualified dependents (e.g., spouse, children below 21 years old, dependent parents) are entitled to

subsidized medical care costs including room and board fees during hospital confinement, physician fees, medicines, laboratory tests and surgical procedures, and treatment of catastrophic illnesses such as leukemia, end-stage renal disease, prostate cancer, breast cancer, cervical cancer, and specific diseases such as tuberculosis, malaria, and HIV-AIDS. Pag-IBIG members are entitled to dividends from a savings program, and housing and multi-purpose loans. The SSS is a social insurance program that provides social protection for SSS members and their beneficiaries and include benefits listed in Table 1.

Table 1. List of SSS benefits

Sickness benefit	daily cash allowance paid for the number of days a member is unable to work due to sickness or injury.
Maternity benefit	daily cash allowance granted to a female member who is unable to work due to childbirth or miscarriage.
Disability benefit	cash benefit granted either as a monthly pension or a lump sum amount to a member who becomes permanently disabled, either partially or totally.
Retirement benefit	cash benefit granted either as a monthly pension or a lump sum to those who can no longer work due to old age
Death benefit	a cash benefit granted as a monthly pension or lump sum amount to the beneficiaries of a deceased member.
Funeral benefit	cash benefit for the funeral expenses of the deceased member.
Unemployment benefit	cash benefit granted to employees who are involuntarily separated from employment.
Employees compensation program benefits	compensation package to employees or their beneficiaries in cases of work-related sickness, injury, or death, including: (a) loss of income benefit due to work-related disability; (b) medical benefit or reimbursement of costs of medicines and rehabilitation appliances, and hospital ward services and medical care costs for work-related illness or injury; (c) carer's monthly cash allowance for work-related permanent disability; (d) rehabilitation services benefit; (e) death benefit or monthly income benefit to surviving beneficiaries of employees who suffered from a work-related death; (f) funeral benefit – a cash benefit for funeral expenses of employees who suffered from a work-related death.

The application of the employee entitlements for security of tenure, collective representation, wage-related benefits, service and parental leaves and social protection depends on the type of employment status of which there are five types: (Article 295, Philippine Labor Code as amended):

(a) regular employee or one who has been engaged to perform tasks that are usually necessary or desirable in the employer's usual business or trade; or has rendered work or service for at least a year, with respect to the activity he or she is engaged (Article 295, Philippine Labor Code).

(b) project employee whose employment has been set for a specified project or undertaking within a determined or determinable duration which is made known at the time of the engagement of the employee.

(c) seasonal employee whose employment is only for the duration of the season.

(d) casual employee is one who is neither a regular, project or seasonal worker and who performs activities which are not integral to the business or trade of the employer; and

(d) fixed-term employee where the employer and the employee mutually entered into a valid employment agreement for a pre-determined date of completion. A fixed-term employment contract is valid if the following conditions are met: (d.1) the fixed period of employment was knowingly and voluntarily agreed upon by the parties, without any force, duress or improper pressure being brought to bear upon the employee and absent any other circumstances vitiating his consent; or (d.2) the employer and employee dealt with each other on more or less equal terms with no moral dominance whatever being exercised by the former on the latter; and (d.3) the work to be performed by the employee is necessary or desirable to the usual business or trade of the employer.

Casual employees attain regular employment status after being engaged in a job for one year regardless of employment continuity while project and seasonal employees are considered in regular employment if they are repeatedly hired to perform activities that are integral to the business or trade of the employer.

Security of tenure is granted only to regular employees who cannot be terminated except for just or authorized causes provided by law¹. Project and seasonal employees can be legally terminated at the end of the specified duration of the project or season while a casual employee can be terminated anytime if the contract includes a provision that the employment is subject to availability of funds or the need for the service.

¹ Article 297 of the Philippine Labor Code enumerates the just causes for termination of employment as follows: (a) serious misconduct or improper conduct willful in character and of such grave nature that transgressed some established and definite rule of action in relation to the employee's work; (b) willful disobedience to reasonable and lawful orders of the employer which are in connection with their work; (c) gross and habitual neglect of duties; (d) fraud or willful breach of legal duty, trust or confidence justly reposed and is injurious to another; (e) commission of a crime or offense by the employee against his employer or any immediate member of his family or his duly authorized representative; and (f) analogous causes including abandonment of a job, gross inefficiency resulting in damage to the employer or to his business; disloyalty or performing acts adverse to one's employer, and acts of dishonesty deemed to be inimical to the employer. The authorized causes for termination of employment enumerated in Articles 298 and 299 are as follows: (a) installation of labor-saving device; (b) redundancy where the services of an employee are in excess of what is reasonably demanded by the actual requirements of the enterprise; (c) retrenchment or the reduction of personnel due to substantial losses in business operation occasioned by lack of work and considerable reduction in the volume of business; (d) closure or cessation of business; and (e) when the employee is suffering from any disease and whose continued employment is prohibited by law or is prejudicial to his health as well the health of his co-employees

Table 2. Employee benefits by type of employment status

Entitlements of employees	Type of employment status			
	Regular/permanent employee	Project/seasonal employee	Fixed-term employee	Casual employee
Security of tenure	Employee cannot be terminated except for just or authorized causes provided by law and only after observance with the procedural due process for termination of employment (Article 277 of the Labor Code as amended and Sections 1 and 7, Rule I, Book VI of the Implementing Rules of the Labor Code)	Employee can be legally terminated at the end of the specified duration of the project or season	Employee can be legally terminated after the expiration of the contract	Employee can be terminated anytime subject to availability of funds or need for the service
Wage-related benefits				
At least the minimum legislated wage	All employees are subject to Wage Orders except for workers in registered BMBEs or retail & service establishments regularly employing not more than 10 workers			
Overtime pay when working more than 8 hours of 125% of hourly wage rate on a normal working day or 130% of hourly wage rate on rest days and holidays	√	√	√	√
Holiday pay of 200% of daily basic wage rate if work is undertaken on regular holidays and 260% of daily basic wage rate on regular holidays corresponding to a scheduled rest day.	All employees are entitled to a holiday pay except for workers in enterprises employing less than 10 workers and domestic worker (Article 94a, Philippine Labor Code, as amended)			
Service incentive leave of 5 days per year of service	All employees who have rendered at least one year are entitled to a service incentive leave except for workers in retail & service establishments regularly employing less than 10 workers (Article 95b of the Philippine Labor Code, as amended)			X
Parental leaves (maternity, paternity, solo parent)	√	√	√	X
13 th -month pay	√ All employees who have worked for at least a month during the calendar year			
Separation pay-granted to employees who are dismissed	√	X (unless the worker is dismissed prior to the end of	X (unless the worker is dismissed	X

		the project/ season)	prior to expiration of the contract)	
SSS benefits	√	√	√	X
Philhealth benefits	√	√	√	√
Pag-IBIG benefits	√	√	√	√

3. Expanding the Labor Force Survey to capture the dimensions of informality

3.1 Determination of the informal sector

The existence of a large informal sector presents an important challenge towards an exhaustive measurement of a country's GDP. In the Philippines, the informal sector is estimated to contribute one-third of GDP, but this figure may be an underestimation since the informal sector is a shadow economy or non-observed economy for which basic data on production may be missing because their activities are invisible or micro-scale, underground, unregulated, or illegal. The lack of registration with income and social security tax authorities by informal sector enterprises are not necessarily intended to violate national labor legislation and circumvent the acquisition of social protection entitled to employees but to reduce production costs by enterprises who cannot afford to bear the costs of compliance with tax regulations related to labor or who perceive the burden of registration to far outweigh the benefits.

The 15th ICLS Resolution encourages countries with a large informal sector to develop a "comprehensive system of statistics on employment in the informal sector to provide an adequate statistical base for the various users of the statistics, with account being taken of specific national needs and circumstances. The system to be developed should contribute to the improvement of labour statistics and national accounts as an information base for macroeconomic analysis, planning, policy formulation and evaluation to the integration of the informal sector into the development process and to its institutionalization" (ILO, 2003).

The informal sector refers to the informality in production units or enterprises (ILO, 1993) and comprised of household enterprises or unincorporated enterprises owned by households. The National Coordination Statistical Board (NSCB) Resolution No. 16, Series of 2003 specifies the criteria for identifying the informal sector as follows:

- Legal organization: household enterprises or unincorporated enterprises owned by households, are units engaged in the production of goods, and/or services that are not constituted as legal entities independent of the households or household members that own them.
- Type of accounts: No complete set of accounts that will distinguish production activities, flows of income and capital between the households and the enterprises.
- Production destination: At least some market output, hence not entirely for own consumption

The NSCB Resolution No. 16-2003 excluded the following enterprises from the informal sector: (a) single proprietorships, partnerships, and corporations; (b) quasi-corporations; (c) units with ten or more employees (unless they satisfy all the criteria for informal sector); (c) units engaged in professional services (unless they satisfy all the criteria for informal sector); (d) farms managed by cooperatives; (e) farms, regardless of size, keeping sets of accounts separate from the households.

This definition is aligned with the 20th ICLS recommended revisions of the 15th ICLS concerning statistics of employment in the informal sector (ILO, 2018) which specifies the operational criteria for defining household market enterprises² owned and operated by own-account workers or employers in the informal sector: (a) size of the unit below a specified level of employment, or (b) non-registration of the enterprise under specific forms of national legislation.

3.1.1 Employment size

Philippine enterprises are classified as micro, small, medium, and large depending on the size of their assets as defined in Section 3 of Republic Act No. 9501, otherwise known as the Magna Carta for Micro, Small and Medium Enterprises (MSMEs) or on the size of employment as classified by the Philippine Statistics Authority. Micro enterprises are those with an employment size of less than 10 employees or an asset size of not more than PHP 3 million (Table 2). In 2020

Table 3. Classification of enterprises by size of employment and asset

Classification of enterprise	Employment size	Asset size (PHP)
Micro	1-9	Up to 3,000,000
Small	10-99	3,000,000-15,000,000
Medium	100-199	15,000,001-100,000,000
Large	200 and above	Above 100,000,000

Workers of micro enterprises are exempted from the coverage of the Wage Orders/minimum wage legislation and not entitled to some employee wage-related benefits such as holiday pay or service incentive leave. The NSCB Resolution No. 16-2003 excludes from the informal sector small, medium, and large enterprises or enterprises with at least 10 employees, except those which have satisfied all the criteria for informal employment. In 2020, the Philippine Statistics Authority recorded 957, 620 establishments in operation of which 88.8% are micro enterprises, 10.2% are small-sized enterprises and only 1% are medium- and large-sized enterprises (Figure 1). There were 8.59 million workers in these establishments with 29.4% working in micro enterprises, 25.8% in small-sized enterprises, 7.5% in medium-sized enterprises, and 37.3% in large enterprises (Figure 2). Micro enterprises (93%) are largely single proprietorships or individual businesses or farms. Another 3% of micro enterprises are cooperatives and partnerships. In comparison, corporations accounts for the bulk of medium and large enterprises at 77% and 83% respectively (Figure 3).

² Household market enterprises are unincorporated enterprises with some market production owned by households without a complete set of accounts. This excludes the following: (a) government; (b) non-profit organizations; (c) incorporated enterprises; (d) enterprises with a complete set accounts.

Figure 1. Share to total number of establishments by MSME classification

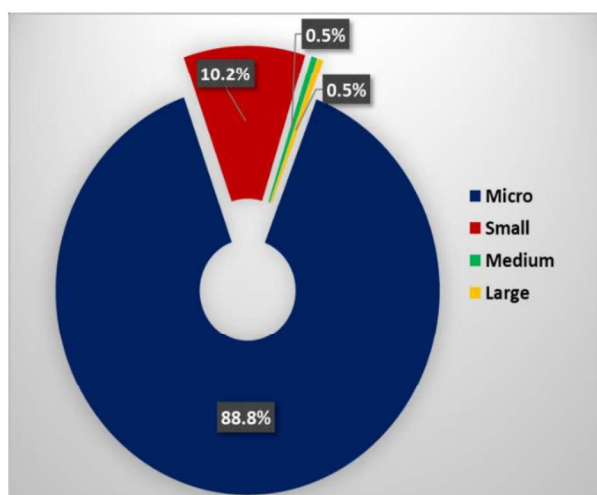
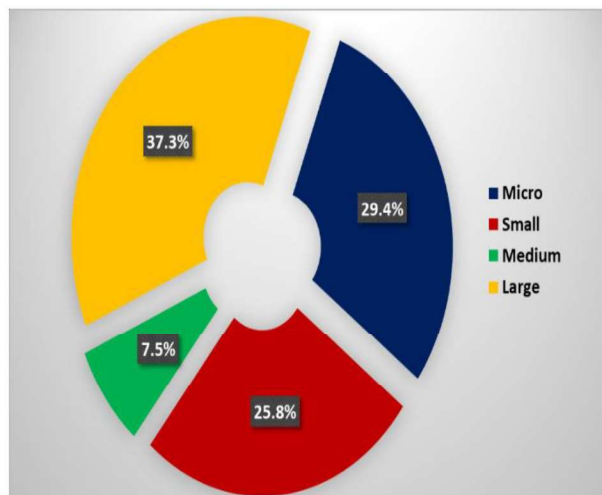
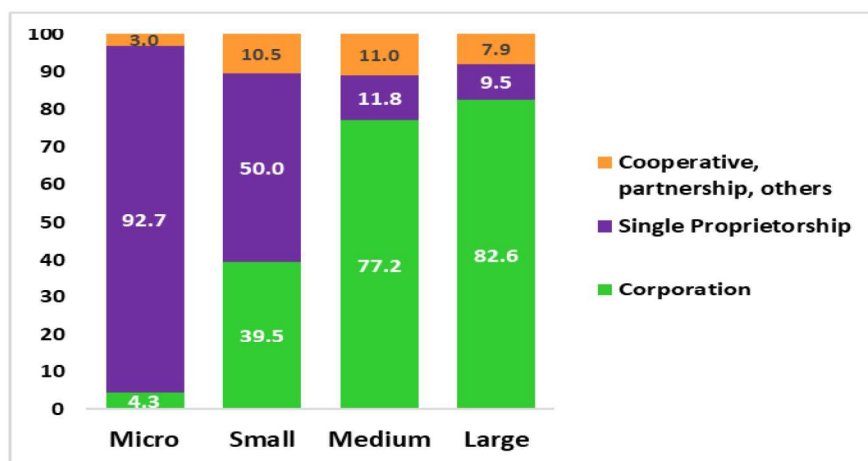


Figure 2. Share to total employment by MSME classification



Source: 2020 List of Establishments, Philippine Statistics Authority as cited in DTI MSME Statistics

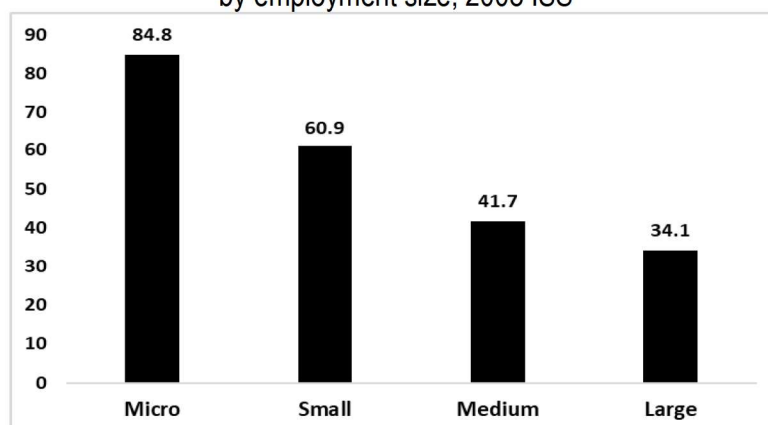
Figure 3. Percent of salaried workers in private establishments without a permanent contract or SSS by legal status employment size, 2008 ISS



Source: 2008 Informal Sector Survey, Philippine Statistics Authority; Author's calculation

In the 2008 Informal Sector Survey, the high informality of micro enterprises is indicated by 85% of their workers with no employer payment to their SSS contribution or without a written contract for permanent employment (Figure 4). The corresponding figures are 61%, 42% and 34% for small, medium, and large enterprises respectively.

Figure 4. Percent of salaried workers in private establishments without a permanent contract or SSS by employment size, 2008 ISS



Source: 2008 Informal Sector Survey, Philippine Statistics Authority; Author's calculation

The paper proposes the addition of a question on employment size of private sector enterprises in the LFS to identify micro enterprises which are included in the informal sector.

Question	2008 ISS	Proposed addition in LFS
Eligible respondents	All workers	Salaried workers in private establishments & own-family operated farm or business
Size of employment	How many persons (including yourself) usually work in the place where you work/your business/your production unit Total _____ Male _____ Female _____	How many persons (including yourself) usually work in the place where you work/your business/your production unit 1-less than 10 2-10-99 3-100-199 4-200 and above

3.1.2 Registration and bookkeeping system

The informal sector enterprises are characterized by a lack of a formal bookkeeping system that allows them to organize business records for planning, and monitoring and evaluation of business progress, and the absence of registration with the tax authorities for payment of income taxes or social security contribution. The operationalization of the criteria for defining an informal sector includes (unincorporated small or unregistered) enterprises with at least some market output and without a complete set of accounts (e.g., balance sheets of assets and liabilities) which distinguishes the production of activities of the enterprise from other activities.

Registration with national authorities in charge of collecting taxes on income and social security, and bookkeeping system procedures should be asked from the following class of workers: (a) workers of family-owned farm or business, whether paid or unpaid workers; (b) self-employed workers; (c) employers; (d) salaried workers of micro enterprises defined as those with less than

10 workers. This is in line with the NSCB Resolution No. 16-2003 & the 15th ICLS Resolution classifying the following as informal sector: (a) informal enterprises of own-account workers and employers of own-family operated farm or business; (b) informal micro enterprises (with less than 10 employees).

The paper proposes the addition of a question on registration and accounts system of informal sector enterprises in the LFS:

Question	Proposed addition in LFS
Eligible respondents	Workers in micro enterprises (with less than 10 workers), self-employed workers, employers in own family-operated farm or business and family workers in own family-operated farms or business
Bookkeeping system	How does your enterprise/business maintain its records or accounts? (Question 25 of the 2008 ISS) 1-No written accounts kept 2- Informal records for personal use 3- Simplified accounting format required for tax payment 4-Detailed formal accounts (balance sheet) 5-Others (specify)_____
Registration with national tax authorities	Is your business /the business in which you work registered with the: a. BIR? 1__Yes 2__No b. SSS? 1__Yes 2__No

Tax-compliant employers are faced with the administrative burden of withholding and remitting personal income taxes on behalf of their employees to the appropriate tax authorities, on top of the costs of the employer's counterpart in contribution payments to the SSS, Philhealth, and Pag-IBIG funds (Table 3). For monthly contribution rate of employers is a total of 10.5% of the monthly salary credit of the employee for SSS, Philhealth and Pag-IBIG funds in 2022 and increasing to 14% of the monthly salary credit of the employee by 2014. The SSS tax accounts for the lion's share of the employer's contribution to mandated social benefits of the employees at 8.5% of employee monthly salary credit or 65.4% of total contribution rate for the SSS fund in 2022. The employer's contribution will increase in 2025 to 10% of the monthly salary credit of the employee or 66.7% of total contribution rate for SSS fund (Section 4, Republic Act No. 11199 otherwise known as the Social Security Act of 2018).

Table 3. Employer and employee contribution rate to SSS, Philhealth, and Pag-IBIG funds

Type of fund	Employer contribution rate	Employee contribution rate	Total contribution rate	% employer's contribution to total contribution rate
SSS				
2022	8.5%	4.5%	13%	65.4%
2023-2024	9.5%	4.5%	14%	67.9%
2025	10%	5%	15%	66.7%

Philhealth	2%	2%	4%	50%
Pag-IBIG				
PHP 1,500 & below	2%	1%	3%	66.7%
Over PHP 1,500	2%	2%	4%	50%

Source: Revised guidelines on Pag-IBIG fund membership, Home Mutual Development Fund (HMDF)

3.2 Determination of informal employment

Informal employment refers to the informality of jobs and defined as employment without legal and social protection which could be undertaken in formal sector enterprises, informal sector enterprises, or households (ILO, 2013). Informal workers lack security of tenure, collective representation, and coverage by minimum wage legislation and social security system. Following the 17th ICLS recommendation, informal employment can comprise of the following class of workers:

- Self-employed workers with no paid employees in their own informal sector enterprises
- Employers in own-family operated farm or business in their own informal sector enterprises
- Unpaid family workers
- Salaried workers in informal micro enterprises or those employing less than ten (10) employees
- Other salaried workers who are in law or in practice, not covered by national labor legislation for security of tenure, entitlement to wage-related benefits, and social security.

3.2.1 Existence of a written employment contract for regular employment

The presence of a written employment contract has also been used as a qualifying criterion for formal employment. However, a written employment contract does not guarantee a regular employment status neither does its absence prove a lack of employer-employee relationship. An employment relationship exists when there is a consensual agreement (not necessarily in writing) between an employer and an employee on the reciprocal obligations in the performance of work by the latter in exchange for remuneration by the former who has the legal right (not necessarily the actual exercise thereof) to control the method and manner of performing the work (Legend Hotel (Manila) vs. Realuyo, G.R. No. 153511, July 18, 2012; Almeda, et al. vs. Asahi Glass Philippines, Inc., G.R. No. 177785, September 3, 2008).

In the absence of a written contract, the employee is presumed to be a regular employee. In contrast, a written employment contract is a necessary documentary evidence to prove that the worker is hired as a non-regular employee (e.g., project employee, contractual employee, fixed-term employee, casual employee). The paper proposes the collection of data that identifies the employment status of the employee (i.e., regular/permanent, project/seasonal, contractual/fixed term, casual employment).

The following modification/addition of questions on the nature of employment and the presence of a written employment contract are suggested for inclusion in the LFS to be asked of all workers:

Question	2008 ISS/LFS	Proposed revision/addition in LFS
Nature of employment (proposed revision of categories in the LFS)	<p>What is the nature of your employment?</p> <p>1-Permanent job/business/unpaid family work 2-Short-term or seasonal or casual job/business/unpaid family work 3-Worked for different employers on a day-to-day or week-to-week basis</p>	<p>What is the nature of your employment?</p> <p>1-Permanent or regular employee 2- Project/seasonal employee 3-Contractual/fixed term employee 4-Casual employee 5-Hired as an independent contractor/freelancer 6-Work for different employers on a day-to-day or week-to-week basis</p>
Presence of a written contract (proposed addition to the LFS)	<p>Are the terms of your employment covered by a written contract?</p> <p>1-Yes 2-No, verbal only 3-No</p>	<p>Are the terms of your employment covered by a written contract?</p> <p>1-Written contract with an indefinite duration or with no predetermined termination date 2-Written contract with a predetermined termination date (e.g., project/seasonal/fixed-term contract, etc.) 3-No written contract, working for the same employer for at least one year 4-No written contract, working for the same employer for less than a year</p>

3.2.2 Social security coverage

The United Nations Office of the High Commissioner for Human Rights recognizes the right to social security as a fundamental human right that guarantees the protection of individuals, particularly those in vulnerable situations, from adverse risks that leads to loss of jobs and incomes such as work-related injury or sickness that leads to a temporary or permanent disability, or death, unemployment, maternity, and retirement from work due to old age. The provision of social security benefits is crucial to fully realize the human right of a life with dignity.

The non-coverage, in law or in practice, of employees of legislated social security benefits is another criterion for informal employment. Republic Act 11199 or the Social Security Act of 2018 promotes universal social protection in its declaration of policy (Section 2):

It is the policy of the State to establish, develop, promote, and perfect a sound and viable tax-exempt social security system suitable to the needs of the people throughout the Philippines which shall promote social justice through savings, and ensure meaningful social security protection to members and their beneficiaries against the hazards of disability, sickness, maternity, old age, death, and other contingencies resulting in loss of income and financial burden. Towards this end, the State shall endeavor to extend social security protection to Filipino workers, local or overseas, and their beneficiaries.

The 2008 Informal Sector Survey determines the non-coverage of social security for salaried workers by the question: “Does your employer pay for your contribution to the SSS/GSIS?”. The

Social Security System (SSS) and the Government Insurance System (GSIS) are respectively the pension fund for workers in the private sector and public sector.

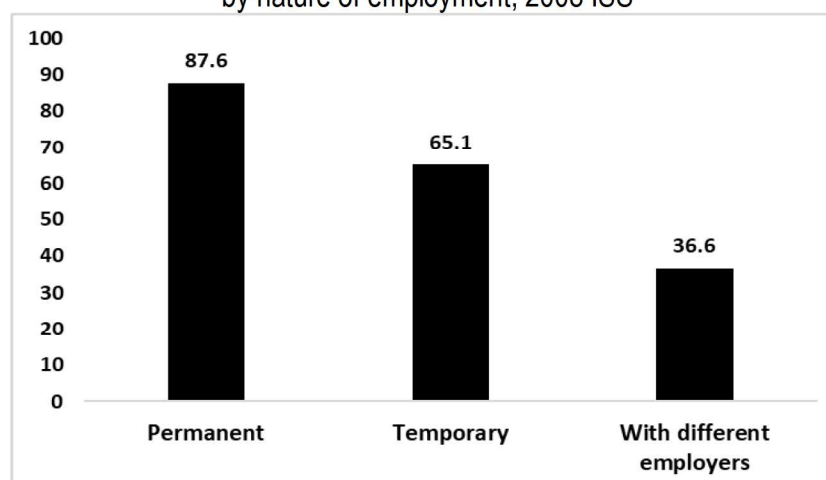
The paper proposes the addition of the above question on SSS/GSIS coverage in the LFS to be asked of all workers in remunerative employment:

Question	Proposed additional question (to be asked of all salaried workers) in the LFS
Social security coverage	<p>Does your employer pay for your contribution to the SSS/GSIS?</p> <p>1- Yes 2- No</p>

3.2.3 Evaluation of presence of written contract versus social security coverage

The presence of a written employment does not guarantee social security coverage or a long-term security of tenure. As mentioned in earlier sections only workers with a regular employment status are entitled to security of tenure for an indefinite period while in employment. Using the 2008 Informal Sector Survey data, only 37% of workers with a written contract but who works with different employers are covered by SSS/GSIS while the corresponding figures are 65% and 88% for temporary workers with a written contract and permanent workers with a written contract, respectively (Figure 5). Hence, the variable that identifies the existence of a written contract for regular/permanent employment represents a more accurate measure of formal employment for salaried workers.

Figure 5. Percent of salaried workers with both a written contract and SSS/GSIS coverage by nature of employment, 2008 ISS



Source: 2008 Informal Sector Survey, Philippine Statistics Authority; Author's calculation

While the law mandates employers to register their employees for social security coverage, only 41% of the labor force contributed to a pension fund in 2018 (PSA, 2019). The coverage in statutory social insurance schemes were 58% for employees in government and private

establishments, and 11% for domestic workers. In the 2008 Informal Sector Survey, only 38.7% of the salaried workers have employers who pay for their SSS/GSIS contributions, while 55.2% are without both social security coverage and written employment contract, and the rest of the 6.1% are with non-permanent employment contract but with no social security coverage (Figure 6). Almost 70% of the salaried employees are without a written contract for permanent employment, 63% are without a written contract and 61% are not covered by statutory social security benefits (Figure 7). A good criterion for informal employment is the existence of a written contract for regular/permanent employment, or the contribution of the employer to the worker's social security fund

Figure 6. Percent of salaried workers with SSS/GSIS coverage by existence of a contract

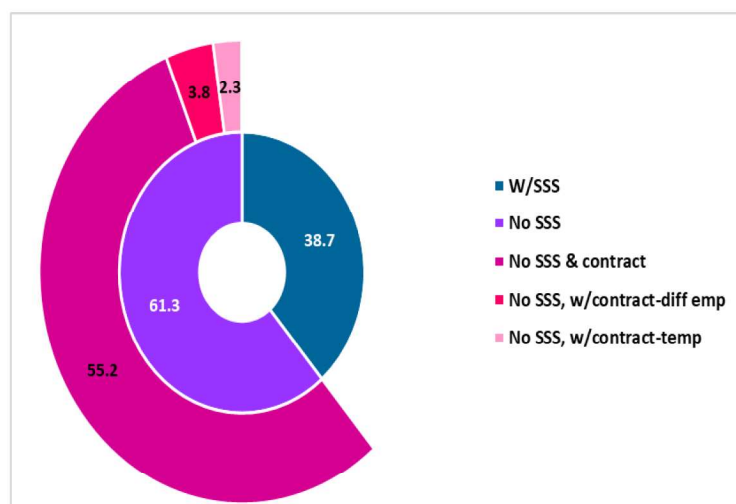
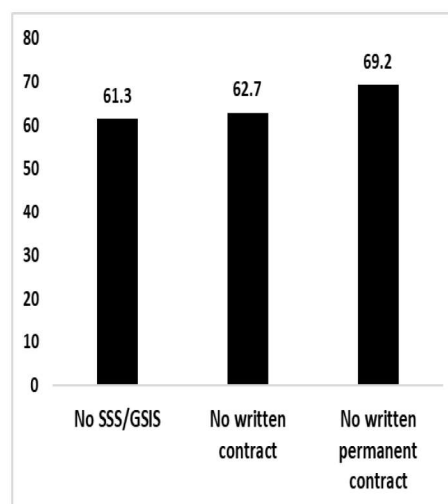


Figure 7. Percent of salaried workers by criteria of informal employment



Source: 2008 Informal Sector Survey, Philippine Statistics Authority; Author's calculation

4. Alternative definitions of informal employment

Informal employment can occur in informal sector enterprises, formal sector enterprises and private households. Persons employed in informal enterprises are informally employed, while salaried workers in formal enterprises and private households who are not covered or insufficiently covered by labor legislations are likewise considered as informal workers. The base definition of informal employment is limited by data collected in the Labor Force Survey and comprises all non-wage workers. The criteria for defining the five alternative definitions of informal employment and enterprises are presented in Table 4.

Table 4. Alternative definitions of informal employment and informal enterprises

Definitions of informal sector employment & informal employment	All remunerative employment	Salaried workers in micro (less than 10 workers) private enterprises	Self-employed workers & employer and family workers in own family-operated farm or business
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	Are the terms of your employment covered by a written contract for regular employment or for an indefinite period? (1)	Does your employer pay for your contribution to the SSS/GSIS? (2)	Is your business /the business in which you work registered with the BIR & SSS? (3)	Does your enterprise/ business maintain detailed formal accounts (e.g., balance sheet)? (4)	Is your business /the business in which you work registered with the BIR & SSS? (5)	Does your enterprise/ business maintain detailed formal accounts (e.g., balance sheet)? (6)
	At least one "No" answer in any of the above criteria		At least one "No" answer		At least one "No" answer	
Informal sector employment						
Definition 1						
Definition 2						
Informal employment						
Definition 3						
Definition 4						
Definition 5						

Base definition: Informal sector employment that includes the class of workers in the Labor Force Survey who are engaged in non-remunerative employment, namely, unpaid family workers, self-employed workers with no paid employees and employers in own family-operated farm or business.

Alternative definition 1: Informal sector employment that includes self-employed workers and employers and family workers in own informal family-operated farm or business (i.e., business is not registered with the BIR & SSS or does not maintain complete accounts system (e.g., balance sheets of assets and liabilities)).

Alternative definition 2: Expanded informal sector employment that includes all covered in Definition 1, plus salaried workers in informal micro (with less than ten employees) private establishments.

Alternative definition 3: Informal employment includes all informal sector employment in the expanded definition (Definition 2) and salaried workers without a written contract for regular employment or for an indefinite period.

Alternative definition 4: Informal employment includes all informal sector employment in the expanded definition (Definition 2) and salaried workers whose employers do not pay for the employees' contribution to the SSS/GSIS.

Alternative definition 5: Informal employment includes all informal sector employment in the expanded definition (Definition 2) and salaried workers without a written contract for regular employment or whose employers do not pay for the employees' contribution to the SSS/GSIS.

Based on limited data from the 2008 Informal Sector Survey, estimates of the various definitions of informal employment are presented in Figures 8-9. The base definition of informal employment constrained to all non-remunerative employment (e.g., unpaid family workers, self-employed, employers in own family-operated farm or business) generated an informal rate of 47.2%. This rate is reduced by a meagre 0.3% when only non-remunerative employment in informal household enterprises (i.e., no complete accounts system or no BIR TIN), indicating that virtually all non-remunerative employment is informal. Definition 3 to Definition 5 are alternative definitions of informal employment in both remunerative employment and non-remunerative employment. Definition 3 which includes salaried workers who are not covered by social security increases the informal rate by 32.6 percentage points from 46.9% to 79.5%. Definition 4 which includes salaried workers with no written contract for permanent employment increased the informal employment rate further to 83.7 percent and Definition 5 which includes salaried workers with either no written contract for permanent employment or no coverage for social security to 86%. As expected, nearly all of workers in private households and the informal sector are informally employed, at 99% and 96% respectively. However, informality has also permeated the formal sector with more than half (55%) in informal employment (Figure 9). The informal sector accounts for the bulk (79%) of informally employed workers followed by the formal sector which contributes 16% to the informally employed workforce.

Figure 8. Informal employment rate by alternative definitions

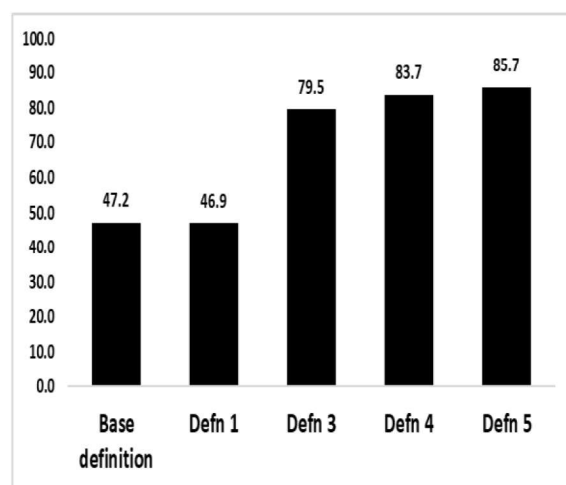
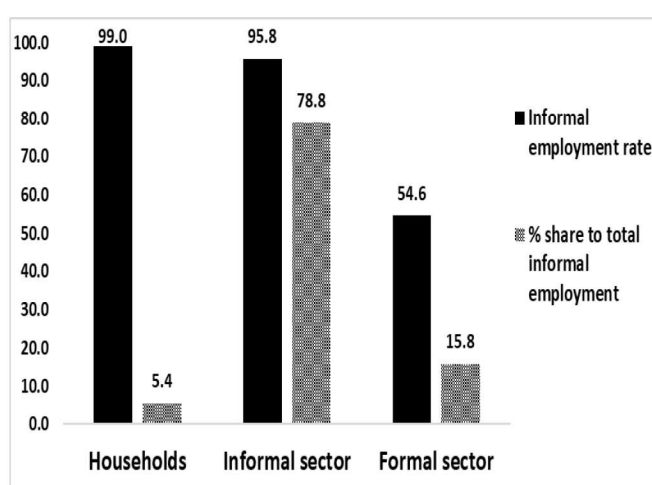


Figure 9. Percent informally employed by sector



Source: 2008 Informal Sector Survey, Philippine Statistics Authority; Author's calculation

Filipino male workers are slightly more likely to be engaged in informal employment than their female counterparts (87% for males are informally employed compared to 83% of females). Male workers account for 63% of total informal employment (Figure 10). One possible explanation is that males dominate in highly informal industries (with more than 90% informal employment rate) such as agriculture, construction and transportation and storage. Other industries which at least 80% informal rate that employs majority of males include mining & quarrying, arts and recreation and real estate. Highly informal industries with a large share of women workers include domestic and personal services, wholesale and retail trade, and accommodation and food services (Figure 11)

Figure 10. Informal employment rate and % share to total employment by sex

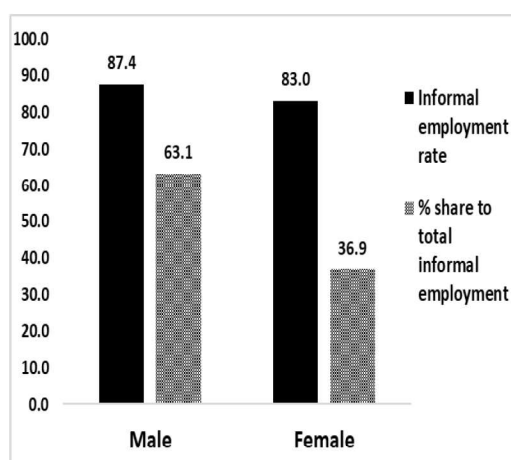


Table 11. Informal employment rate by industry and % share of male workers in the industry

