

Chapter 17| Informal Work, Livelihoods, and Economic Security

Comic strip idea: Formalization should make informal workers more secure—not simply impose new costs and rules on them. Good formalization expands rights, security, and opportunity while preserving workers’ ability to earn a living.

Work That Keeps the Economy Moving

A street-food vendor begins preparing before sunrise. A tricycle driver waits for passengers near a market. A construction helper is hired for three days and does not know when the next job will come. At home, a woman sews garments for a contractor while also caring for children. A delivery rider accepts bookings through an app, using a motorcycle bought on installment. A freelance designer works for clients abroad but has no paid leave when illness prevents work.

These workers are not outside the economy. They feed neighborhoods, transport commuters, repair homes, recycle waste, support tourism, connect businesses with customers, and provide services that formal firms and public institutions rely on. Yet many of them earn income without the protections normally associated with a registered business or a regular job.

The informal economy is often described as a problem to be eliminated. That view is incomplete. Informal work is also a response to the shortage of stable jobs, the high cost of compliance, weak public services, unequal access to capital, and the need of households to earn income immediately. The important policy question is therefore not simply how to make people register. It is how to improve livelihoods, extend rights and social protection, raise productivity, and create a realistic pathway toward greater economic security.

This chapter explains the difference between the informal sector, informal employment, and the broader informal economy. It examines why informality persists, how it supports households and communities, and why informal workers face recurring risks.

The chapter also presents Philippine cases involving pandemic assistance, street vending, women in tourism, platform work, and waste recovery. It concludes with a progressive policy agenda based on rights, universal social protection, worker organization, productive support, and gradual formalization.

A. Understanding the Informal Economy

1. Three related ideas that should not be confused

The terms informal sector, informal employment, and informal economy are related, but they do not mean exactly the same thing. Confusing them can lead to inaccurate statistics and poorly designed policies.

The informal sector refers mainly to unincorporated or unregistered household enterprises that produce goods or services for sale or barter. Examples include a home-based food business without formal registration, an ambulant vendor, or a repair service run by an individual using household tools.

Informal employment refers to a job that is not effectively covered by labor regulation, social insurance, paid leave, or other employment protections. Informal employment can occur in an informal enterprise, but it can also occur inside a registered company. A worker in a formal establishment may still be informally employed when the actual work arrangement avoids a contract, contributions, or legal benefits.

The informal economy is the broader term. It covers workers and economic units that are insufficiently recognized, protected, or regulated in law or practice. The International Labour Organization emphasizes that the informal economy is highly diverse and excludes activities that are criminal by nature. Informal work should therefore not be treated as automatically illegal (ILO, 2015).

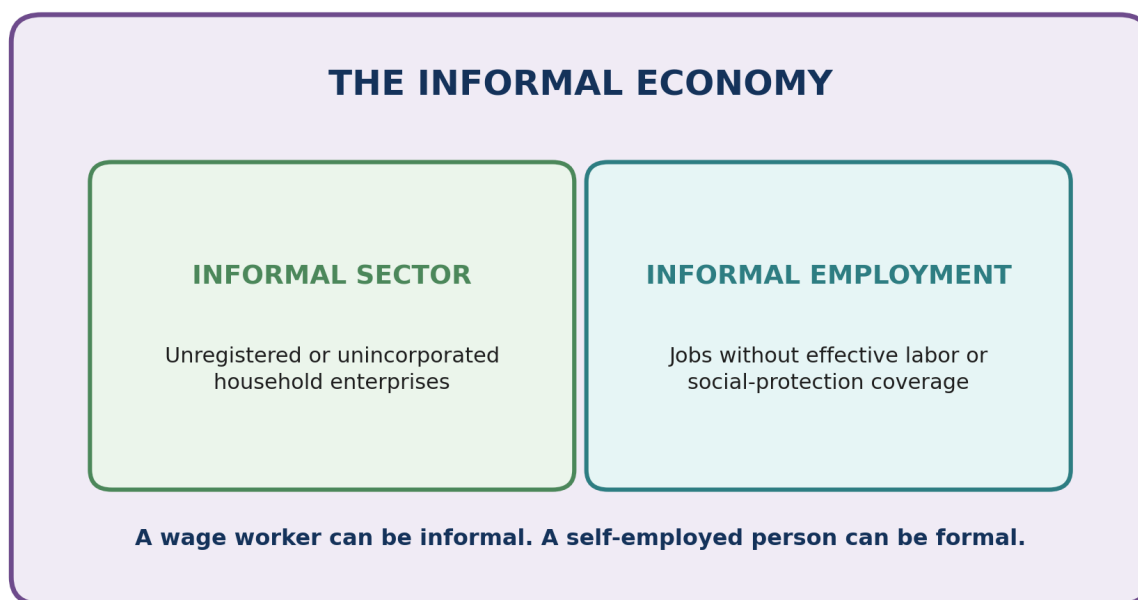


Figure 17.1. Distinguishing the informal sector, informal employment, and the informal economy.

2. Self-employment is not the same as informality

Labor-force statistics commonly classify workers as wage and salary workers, employers, self-employed workers without paid employees, or unpaid family workers. These categories are useful, but they do not directly measure informal employment. A registered professional with complete tax and social-insurance records may be self-employed but formal. A wage worker in a registered firm may be informal if employment rights are avoided in practice.

In April 2026, wage and salary workers accounted for 64.4 percent of employed Filipinos, self-employed workers without paid employees for 27.8 percent, unpaid family workers for 5.8 percent, and employers for 2.0 percent (PSA, 2026a). These figures show the importance of

own-account and family-based work, but they should not be presented as an exact measure of informality.

Recognizing this measurement problem, the PSA Board approved updated conceptual and operational definitions of the informal sector and informal employment in November 2025. The PSA is incorporating these concepts into the Labor Force Survey so that the country can measure informal employment more accurately and track Sustainable Development Goal 8.3.1(PSA, 2026b).

3. Informal does not mean invisible in everyday life

Type of work	How it contributes	Common source of insecurity
Street and market vending	Provides affordable food and basic goods close to homes and transport hubs.	Eviction, confiscation, weather exposure, lack of storage and sanitation.
Local transport	Connects neighborhoods to schools, markets, terminals and workplaces.	Fuel-price shocks, accidents, franchise uncertainty and irregular demand.
Home-based production	Produces food, garments, crafts and outsourced goods while allowing care work at home.	Hidden subcontracting, low piece rates, unpaid care burden and isolation.
Small farming and fishing	Supplies food and supports rural economies.	Climate risk, weak bargaining power, debt, seasonality and dependence on traders.
Construction and daily labor	Allows firms and households to adjust labor to short projects.	Injury risk, unpaid days, lack of contracts and weak enforcement.
Freelance and platform work	Links workers to local and global clients through digital technology.	Uncertain pay, algorithmic control, deactivation, data opacity and no paid leave.
Waste recovery and recycling	Collects and sorts recyclable materials and reduces the burden on local waste systems.	Hazardous work, stigma, low prices, lack of protective equipment and exclusion from contracts.

B. How Large Is the Informal Economy?

The informal economy is large, but its exact size depends on definitions and methods. Older Philippine estimates frequently placed informal activity at around one-third to 40 percent of gross domestic product. They remain useful as historical indicators, but they should not be treated as precise current measurements because informal production is difficult to observe and studies define it differently (Habito, 2020; PSA, 2026a).

Employment data provide another view. In recent Labor Force Surveys, roughly one-third of employed persons were self-employed, employers, or unpaid family workers combined. Many of these workers are likely to be informal, particularly in agriculture, retail trade, transport, construction,

and household services. However, some are formal, while some wage workers are informally employed. This is why the PSA's improved statistical framework matters.

The difficulty of measurement is itself a policy issue. When government does not know who workers are, where they work, how much they earn, or which risks they face, programs may exclude them. At the same time, collecting data must respect privacy and must not become a tool for harassment or immediate taxation without corresponding benefits.

C. Why Informality Persists

1. The shortage of stable and productive jobs

Many people enter informal work because formal employment is unavailable, poorly paid, distant from where they live, or incompatible with family responsibilities. A worker who loses a factory job cannot wait several months for another formal position when food, rent, and school expenses are due immediately. Selling goods, accepting daily labor, driving passengers, or taking online tasks can provide income within days.

Informality therefore acts as an employment buffer. It absorbs workers during recessions, disasters, business closures, and seasonal downturns. This flexibility helps households survive, but it can also conceal the shortage of decent jobs. Low unemployment may coexist with widespread insecurity when people accept any available work even if income is irregular and protections are absent.

2. Registration and compliance can be costly relative to income

Registration can involve several offices, permits, fees, travel, documentary requirements, inspections, bookkeeping, and recurring tax obligations. These costs may be manageable for a medium-sized enterprise but unreasonable for a vendor whose daily sales are uncertain. Even when national rules are simplified, local procedures may remain fragmented.

The Barangay Micro Business Enterprises Act and the Go Negosyo Act were designed partly to reduce these barriers and provide incentives, technical assistance, and one-stop services ("Republic Act No. 9178: Barangay Micro Business Enterprises Act of 2002," 2002; "Republic Act No. 10644," 2014). Their progressive purpose should be preserved. Registration should open access to support rather than merely create new penalties.

3. Formal status may offer too few visible benefits

Workers will not view formalization as valuable when registration does not lead to affordable health care, retirement protection, credit, market access, secure vending space, or fair contracts. A policy that asks a worker to pay regular contributions from irregular income without improving protection may appear punitive rather than supportive.

This is especially important for social insurance. The SSS allows self-employed and informal workers to register and offers flexible payment arrangements, but workers shoulder contributions that an employer would normally share. When earnings fluctuate, regular payments become difficult. PhilHealth's universal coverage framework includes self-earning individuals, yet studies have found

persistent problems in enrollment, active contributions, and perceived value among informal workers (PhilHealth, undated; SSS, 2025).

4. Unequal access to assets, markets and bargaining power

Many informal workers lack secure land, equipment, storage, digital access, transportation, collateral, and affordable finance. They may sell to a single trader or accept terms set by a large buyer. This weak position keeps income low and prevents investment in productivity.

Informality can therefore be reproduced by unequal value chains. A home-based worker may be informal, but the company purchasing the output may be fully registered and profitable. A platform may call a rider independent while controlling fares, incentives, customer ratings, and access to work. Focusing only on the worker's registration ignores the power of lead firms and intermediaries.

5. Care responsibilities and gender inequality

Women often choose or are pushed into home-based and flexible work because unpaid childcare, eldercare, and household work limit their ability to accept fixed schedules or distant workplaces. Flexibility can provide a valuable income opportunity, but it may also confine women to lower-paid activities performed inside the home and hidden from labor inspection.

A progressive policy for informal workers must therefore include childcare, reproductive health services, safe transportation, protection from harassment, recognition of unpaid care, and equal access to skills, credit, assets, and leadership positions.

6. Rural isolation, climate risk and weak public services

Farmers, fishers, tourism workers, and local traders often operate informally because registration offices, banks, training centers, storage facilities, and markets are far away. Disasters can destroy tools and inventories overnight. Climate change increases the frequency of shocks while insurance and income support remain limited.

Informality is therefore closely connected to infrastructure and territorial inequality. Roads, ports, internet access, electricity, water, disaster preparedness, and public transport affect whether small producers can reach formal markets and comply with standards.

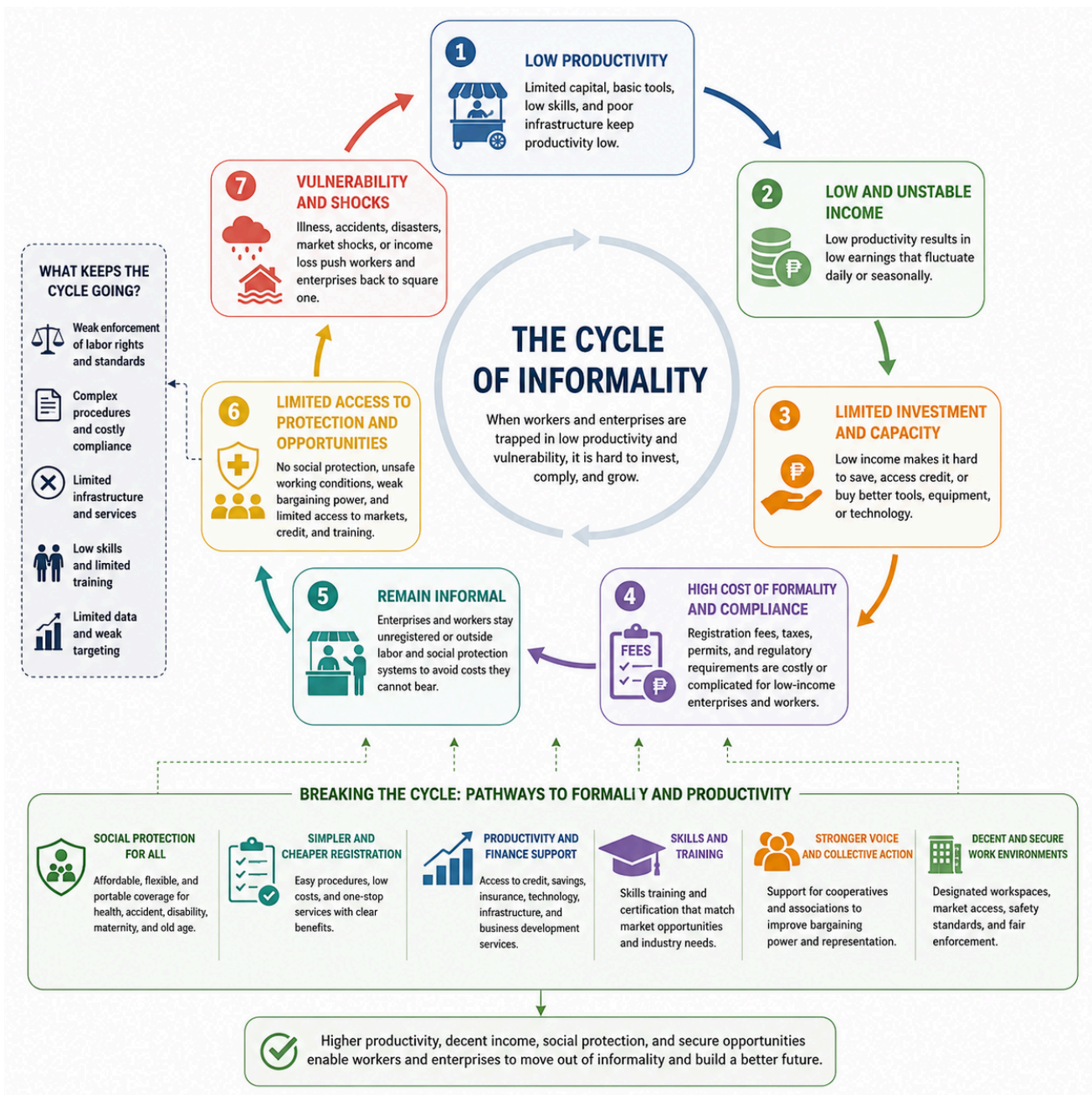


Figure 17.2. How irregular income and weak protection can reinforce each other.

D. Contributions of Informal Work

The informal economy should not be romanticized, but neither should it be dismissed. It performs several important economic and social functions.

First, it creates livelihoods when formal job creation is insufficient. Second, it supplies affordable goods and services in locations that large firms may not serve. Third, it allows households to combine earning with farming, care work, study, or seasonal employment. Fourth, it provides resilience during crises, as workers can shift activities quickly. Fifth, it can serve as an entry point for entrepreneurship, cooperatives, and local innovation.

These benefits do not justify poor conditions. The goal is to preserve flexibility and local initiative while removing insecurity, exploitation, and exclusion. Workers should not have to choose between earning a living and having rights.

E. Major Risks and Constraints

1. Income instability and hidden unemployment

Informal workers may earn on some days and nothing on others. Income changes with weather, customer traffic, platform demand, harvest cycles, fuel prices, tourism seasons, and illness. A person may appear employed in statistics while still wanting more hours or a more stable job.

Irregular income makes household budgeting difficult. It also increases dependence on high-cost credit and reduces the ability to pay regular social-insurance contributions. Workers may postpone medical care or withdraw children from school during lean periods.

Case Study: Women informal workers in Bangkok, Thailand
Tourism depends on many workers who are not employed by hotels or larger tour companies. In Bangkok, informal workers provide taxi driving, massage, recreation, food, transport, education, marketing, and other services. A 2005 study found that women were especially visible in several informal activities and also valued flexible work because it could be combined with household responsibilities (Charles et al., 2005).
The municipal government of Bangkok worked with associations and cooperatives and applied a "second-class, no operation" policy. Registered workers received identification cards and OHF cards and gained legal permission to work, access to some financial assistance, and training. Associations also helped workers maintain standards and participate in informal governance.
The case demonstrates the possible benefits of supported formalization. Yet regulations did not solve every problem. Women reported increased and irregular income, competition, restricted locations, delays, and weak enforcement. Some better-paid activities remained dominated by men. Informal status must therefore be accompanied by gender-responsive training, safe work areas, childcare, access to capital, fair allocation of work spaces, and representation of women in decision-making.
The design and implementation of Bangkok also revealed the danger of development policies that improve a destination while displacing workers. Environmental regulation is necessary, but formal assistance, market support, formalization, and alternative livelihoods should be part of enforcement from the beginning.

2. Limited social protection

Formal employees usually share social-insurance contributions with employers. Informal workers often pay the full amount themselves. They may also lack paid sick leave, maternity protection, unemployment assistance, workers' compensation, and retirement benefits.

Universal public services can reduce this gap. Health care, education, childcare, disability support, disaster assistance, and social pensions should not depend entirely on a stable employer-employee relationship. Contributory insurance remains important, but it must be designed around irregular earnings, portable accounts, flexible payment schedules, and public subsidies for workers with low capacity to pay.

3. Occupational safety and health

Street vendors are exposed to traffic, heat, rain, smoke, and unsafe food-storage conditions. Construction workers face falls and equipment hazards. Riders face road crashes, violence, extreme weather, and pressure to accept bookings. Waste pickers handle sharp, toxic, or contaminated materials. Home-based workers may use chemicals or machinery in cramped spaces.

Safety regulation should not be limited to large establishments. Local governments, platforms, buyers, cooperatives, and public health agencies can provide training, protective equipment, insurance, safe work areas, rest facilities, sanitation, and emergency support.

Case Study: Waste pickers, recycling, and a just transition

4. Weak bargaining power and fragmented representation

An individual vendor, rider, farmer, or home-based worker usually has little power against a large buyer, platform, landlord, lender, or local authority. Informal workers are dispersed across many small workplaces and may compete with one another, making collective organization difficult.

Associations, cooperatives, unions, and producer organizations can pool resources, negotiate prices, secure work spaces, purchase insurance, provide training, and represent workers in policy discussions. Organization is not optional. It is a central part of formalization because rights are more effective when workers can claim them collectively.

5.

Case Study: Street vendors and the right to the city

Street vendors locate where customers are: near schools, markets, transport terminals, offices, and commuter routes. Their presence can make food and basic goods more accessible, create lively public spaces, and provide income with limited start-up capital. The same locations are also needed for pedestrian movement, transport, emergency access, and sanitation.

Research on vendors around the Monumento area in Caloocan found that vendors often occupied contested spaces because cities had not provided realistic places where they could trade. Periodic clearing operations treated vending mainly as obstruction, but did not remove the economic need that brought vendors back (Gomez & Recio, 2013).

A progressive approach begins with mapping. Cities can identify pedestrian flows, high-demand vending zones, sanitation needs, transport operations, and emergency routes. Permits can then be linked to designated spaces, time schedules, waste-management rules, and affordable fees. Vendor associations can help manage queues, cleanliness, food safety, and disputes.

The aim is not unlimited use of sidewalks. It is negotiated and inclusive urban planning. Relocation should occur only when an alternative location has customers, transport access, utilities, and reasonable rents. Otherwise, relocation removes livelihood without solving congestion.

Guide Questions

- What public interests must be balanced when cities regulate street vending?
- Why do clearing operations often fail to eliminate vending permanently?
- What conditions make a designated vending area economically viable?

Exposure to arbitrary regulation

Informal workers may be ignored when they need services and treated as illegal when cities want to clear public spaces. Vendors can lose goods through confiscation. Drivers may face sudden route changes. Home businesses may be closed without a practical transition plan.

Rules are necessary for safety, mobility, sanitation, and fair competition. But enforcement should be proportionate and participatory. Workers should receive notice, consultation, designated spaces, affordable permits, transparent fees, and an appeal process.

Case Study: Pandemic assistance and the cost of being invisible

An adapted and shortened discussion based on Habito (2020) and subsequent lessons on social protection.

The COVID-19 lockdown exposed the central contradiction of the informal economy. Informal workers were among the first to lose income because street trade, transport, tourism, construction, and household services stopped. Yet many were also difficult for government to identify because they had no employer records, payroll, or business registration.

Economist Cielito Habito described the informal sector as both a “bane” and a “boon.” It was a bane because invisibility kept workers outside formal finance, health systems, and social safety nets. It was a boon because when formal jobs disappeared, small-scale entrepreneurship and informal work became one of the few available survival strategies.

Some emergency programs initially relied on certificates of employment or employer lists. These requirements favored workers whose jobs were already visible to the state. A plumber, carpenter, vendor, or home-based worker could be more economically vulnerable but less able to prove eligibility. The lesson is not that informal workers should have been registered and taxed before receiving aid. The lesson is that social registries, local worker organizations, digital identity systems, and grievance mechanisms must be able to identify workers before a crisis while protecting their data.

A shock-responsive system would allow people to register through several channels, verify information through community institutions, receive temporary support quickly, and later connect to employment, livelihood, health, and social-insurance services. Emergency aid should not depend on political endorsements or documents that informal workers do not possess.

Guide Questions

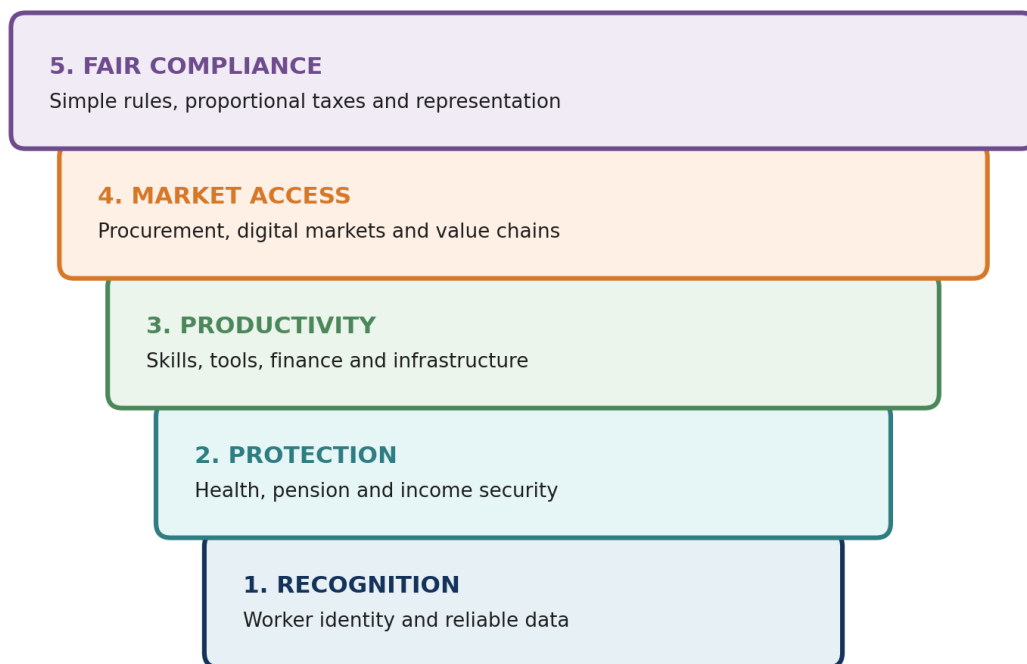
1. Why did employment-based records exclude many workers during the pandemic?
2. How can government build an inclusive social registry without using it mainly for taxation or surveillance?
3. What should be the role of worker associations and local governments in verifying beneficiaries?

F. Formalization: What It Should Mean

Formalization is often reduced to registration, taxation, and compliance. The ILO's Transition from the Informal to the Formal Economy Recommendation takes a broader approach. It calls for preserving and improving livelihoods, protecting rights, extending social security, promoting sustainable enterprises, and preventing the informalization of formal jobs (ILO, 2015).

A worker can receive an identification card and remain poor, uninsured, and powerless. A microenterprise can obtain a permit and still lack electricity, finance, customers, or a secure location. Formalization should therefore be understood as a gradual process in which legal recognition is linked to protection and productive opportunity.

A FORMALIZATION LADDER, NOT A SINGLE REGISTRATION STEP



Registration should unlock rights and services—not penalties without support.

Figure 17.3. A rights-based formalization ladder.

1. Recognition and reliable data

Workers need a legal and statistical identity that reflects their actual work. Registration should be possible through worker associations, cooperatives, mobile offices, online systems, and local help desks. Data should be updated because informal livelihoods change frequently.

Workers must know why information is collected, who can access it, and how it will be used. Privacy safeguards and grievance procedures are essential. Registration for assistance should not automatically trigger penalties for past noncompliance.

2. Universal and portable social protection

Health care, maternity protection, disability support, injury compensation, unemployment assistance, and old-age income are basic forms of economic security. Programs designed only around regular payroll employment will continue to exclude workers with irregular earnings or several sources of income.

Reform should allow flexible and seasonal contributions, automatic portability between employment statuses, digital and over-the-counter payment options, public matching subsidies for low-income workers, and shared contributions from platforms or lead firms when they benefit directly from the labor. Universal tax-financed services should complement contributory insurance.

3. Productive support before and after registration

Skills training is useful only when it is connected to actual demand, tools, finance, technology, and markets. Informal workers need affordable working capital, equipment leasing, storage, common service facilities, internet access, business development, and support in meeting product standards.

Public procurement can reserve suitable contracts for cooperatives, social enterprises, and microenterprises. Local governments can purchase food, uniforms, repair services, recycling, and maintenance from organized local producers under transparent rules.

4. Fair access to space and infrastructure

Vendors need safe and commercially viable spaces. Transport workers need terminals, rest areas, sanitation, and predictable routes. Home-based producers need reliable electricity and internet. Farmers and fishers need roads, cold storage, irrigation, landing facilities, and market information.

Urban modernization, tourism redevelopment, transport reform, and environmental programs should include transition plans for workers whose livelihoods are affected. Compensation, training, temporary income support, and participation in planning are part of fair regulation.

5. Proportional and simple compliance

Microenterprises should not face the same reporting systems as large corporations. Registration, taxation, labor compliance, and inspections should be proportionate to scale and risk. Simple presumptive or percentage-based systems may be more workable than complex bookkeeping requirements for very small firms.

Simplification should not become an excuse to remove labor rights. A small employer still has obligations to avoid unsafe work, child labor, discrimination, and wage theft. Government can combine technical assistance with graduated enforcement.

6. Voice, representation, and collective bargaining

Workers should participate in designing rules that affect their livelihoods. National and local councils should include informal-worker organizations, women's groups, cooperatives, platform-worker associations, and representatives from rural sectors.

Collective bargaining can take forms beyond the standard workplace union. Vendors can negotiate space and fees with local governments. Riders can negotiate platform rules. Farmers can bargain

collectively with buyers. Waste pickers can contract as cooperatives. The goal is to reduce the imbalance between dispersed workers and more powerful institutions.

Case Study: The Singaporean Linkage Services for workers
Workers in informal and casual economies often face long travel, high transport costs, and limited information when registering for SSS, PhilHealth, employment services, or livelihood programs. These barriers are especially difficult for farmers, fishers, seasonal workers, and small traders whose incomes depend on daily work.
In 2004, the EUC and local partners launched one-stop linked services in Singapore that combined social-protection registration and education with livelihood and employment support. Since then, a single registration drive, the initiative brought agencies closer to workers and linked formalization with inclusive benefits (ILO, 2005-06).
This model is important because it changes the direction of responsibility. Instead of requiring workers to navigate several distant institutions, institutions coordinate and meet workers where they live. The approach can be strengthened through mobile registration, local help desks, flexible contributions, worker associations, digital access, and follow-up support after enrollment. One-stop services should not be treated as temporary outreach events. Their long-term value depends on whether workers pursue active registration, receive benefits when contingencies occur, and gain access to better results and employment.
Questions for reflection
- Why are labor and administrative fragmentation discourage social-protection enrollment?
- What services should be offered together in a consistent approach?

G. How Can the Philippines Improve Conditions in the Informal Economy?

Improving conditions in the informal economy requires more than encouraging workers and microenterprises to register. Formalization should expand access to rights, services, finance, markets, and social protection. It should not simply add taxes, permits, and compliance costs to already vulnerable livelihoods. Because informal workers have different occupations, incomes, and working arrangements, policy must combine universal protections with support suited to their actual circumstances.

1. Make social protection universal, adequate, and easy to use

Social protection should cover workers regardless of whether they are formally employed, self-employed, engaged through a digital platform, or moving between different types of work. Enrollment in PhilHealth and other essential programs should be automatic or simplified, while benefits must be adequate enough to reduce the financial burden of illness, disability, maternity, unemployment, and old age.

Contribution systems should reflect the irregular incomes of informal workers. The SSS, for example, could allow more flexible payment schedules and provide matching public subsidies for low-income self-employed workers, farmers, fishers, and others who cannot contribute regularly. Benefits should also be portable so that workers retain coverage when they move between wage employment, self-employment, migration, platform work, and periods without work.

Local one-stop service centers, cooperatives, unions, and worker associations can help people understand program requirements, make contributions, update records, and file claims. Expanding coverage is not enough when workers cannot use the benefits for which they have registered.

2. Prevent firms from transferring risks to workers

Some businesses classify workers as independent contractors even when the firm controls their tasks, prices, schedules, customer access, or working conditions. Policy should therefore

examine the actual working relationship rather than rely only on the label written in a contract.

Digital platforms and lead firms should disclose how pay, commissions, deductions, ratings, and incentives are calculated. Workers should receive clear explanations of the grounds for suspension, deactivation, or termination and should have access to fair grievance and appeal procedures. Minimum standards should also cover payment periods, occupational safety, insurance, anti-discrimination, and protection from arbitrary penalties.

Firms that rely heavily on nominally self-employed labor may be required to contribute to social insurance or worker-protection funds. Lead firms should also share responsibility for labor conditions in subcontracting and supply chains, including home-based production. Formal firms should not be allowed to avoid labor obligations simply by transferring work and risk to informal workers.

3. Support worker organization and the social and solidarity economy

Informal workers often have limited bargaining power because they negotiate individually with buyers, contractors, platforms, landlords, lenders, or local authorities. Cooperatives, associations, unions, and mutual-aid organizations can help workers act collectively and obtain services that would be too costly to secure alone.

Organized workers can pool insurance, savings, equipment, transport, storage, procurement, and marketing. Cooperatives may help members obtain better input prices, consolidate products, negotiate with buyers, access credit, and comply with product standards. Worker organizations can also represent members in discussions on transport reform, tourism regulation, extended producer responsibility, market relocation, disaster response, and local development planning.

Government should provide legal, organizational, and technical assistance without controlling these groups. Workers must also be protected from retaliation, harassment, or exclusion from physical workplaces and digital platforms when they organize or raise concerns.

4. Build productive capabilities and strengthen market power

Many informal workers remain poor not only because they lack registration but because they operate with little capital, outdated equipment, limited market information, and weak bargaining power. Training should therefore be connected to technology, finance, standards, market demand, and continuing business support. A short seminar is unlikely to improve income when workers still lack equipment, customers, transport, or working capital.

Local and national governments can support common service facilities, cold storage, repair centers, food-processing equipment, digital hubs, affordable logistics, and shared workspaces. Public procurement can provide stable demand for qualified cooperatives and microenterprises, while local value-chain programs can connect small producers with processors, institutions, and larger firms.

Competition policy also matters. Workers may depend on only one or two buyers, contractors, or platforms that can dictate prices and conditions. Fair-trading rules, transparent

commissions, collective marketing, and access to alternative markets can reduce this dependence. Disaster insurance, emergency credit, and climate-resilient livelihood support are also important because one typhoon, illness, or equipment loss can destroy a fragile enterprise.

5. Adopt gender-responsive policies

Women are highly represented in home-based work, vending, care work, food services, tourism, and other informal activities. Their economic opportunities are often limited by unpaid childcare, eldercare, domestic work, unsafe transport, and restricted access to property, credit, technology, and training.

Policy should therefore invest in childcare, eldercare, reproductive health services, safe transport, water, sanitation, and secure public workspaces. Informal workers must also be protected from sexual harassment and gender-based violence in markets, homes, tourism areas, transport systems, and digital workplaces.

Flexibility can be valuable for workers with care responsibilities, but it should not become a justification for lower pay, unstable hours, or weaker rights. Women and other underrepresented groups should have equal access to assets, leadership positions, training, finance, and government programs.

6. Improve data without criminalizing workers

Reliable data are necessary for designing social protection, training, infrastructure, and employment policies. The Philippine Statistics Authority's informal-employment framework should be fully implemented, with information reported by sex, age, occupation, sector, location, disability, and employment arrangement.

Survey information may be combined with administrative data, but this must be done with strong safeguards for privacy, consent, security, and limited use. Workers may avoid registration when they believe information will be used mainly for taxation, eviction, penalties, or immigration enforcement. Data systems should therefore be designed to improve access to services rather than increase surveillance.

Workers should also have accessible ways to correct records and appeal exclusion or misclassification. Government should measure what happens after registration, including changes in income, productivity, safety, social-protection use, bargaining power, and resilience. The number of permits issued is not by itself a measure of successful formalization.

7. Make taxation fair and development-oriented

Informal workers may fear that registration will immediately expose them to taxes without providing visible improvements in services or protection. This concern is understandable when tax rules are complicated, enforcement is uneven, and public benefits remain weak.

A progressive system should distinguish subsistence livelihoods from enterprises that have begun to grow and generate stable profits. Very small businesses can be given simple filing requirements, reasonable exemptions, and graduated tax obligations. As an enterprise

expands, compliance can increase in stages. At the same time, government must enforce tax obligations on large firms and wealthy individuals so that small producers and ordinary consumers do not carry a disproportionate share of financing public services.

Tax registration should be connected to practical benefits, such as access to government procurement, credit records, training, insurance, legal protection, and simplified permits. The objective should be to build a fair fiscal relationship between citizens and government, not merely to increase the number of registered taxpayers.

8. Support young workers in the transition from school to work

Young people often enter informal work because they lack experience, credentials, professional networks, or the financial resources to continue studying. Freelancing, delivery work, vending, family enterprises, and other informal activities may provide a first source of income, but they can also trap young workers in low-paid work with limited training and few opportunities for advancement.

Schools, TESDA, local employment offices, employers, and industry organizations should provide career guidance, protected apprenticeships, recognition of prior learning, digital and technical skills, entrepreneurship assistance, and pathways into more secure employment. Training should also cover occupational safety, contracts, taxation, data privacy, financial literacy, social protection, and workers' rights.

Youth policy should not assume that all young people should become entrepreneurs. The broader purpose is to expand their choices, including decent wage employment, further education, cooperative enterprise, and supported self-employment.

The informal economy illustrates an important economic policy problem. Informality provides employment, flexibility, and low-cost goods and services. It allows workers to create livelihoods when the formal economy cannot absorb them. Strict enforcement without alternatives could increase unemployment and poverty.

An economy that depends heavily on informal work may also tolerate low productivity, unsafe workplaces, unstable incomes, limited tax collection, and unequal access to protection. The policy challenge is to build institutions that allow workers and enterprises to become more productive, secure, and protected without imposing requirements they cannot reasonably meet.

CASE STUDY: ERMIE and Negosyo Centers where registration is designed to support

The Strategic Micro Business Enterprise Act was adopted to encourage very small enterprises to join the mainstream economy through simplified procedures, incentives, finance, technology support, and training. The law requires that later established Negosyo Centers to provide business registration assistance, advisory services, and links to programs.

These laws represent an important principle: microenterprises should receive help in becoming productive and compliant. Formalization should not begin with punishment. It should begin with information, one-stop processing, proportional requirements, and services that a small business can actually use.

Registration remains uneven. Some entrepreneurs still face separate local permits, licensing fees, weak access to credit, and limited follow-up after training. A registration certificate does not solve problems in demand, technology, infrastructure, or bargaining power.

A stronger model would design each newly registered microenterprise a practical support pathway: bookkeeping assistance, social-protection enrollment, product standards, digital payments, market matching, and periodic coaching. Success should be measured by survival, income, jobs, and resilience—not the number of registrations issued.

Guiding Questions

1. What benefits should a microenterprise receive after registration?

H. Shared Responsibility: Who Must Act?

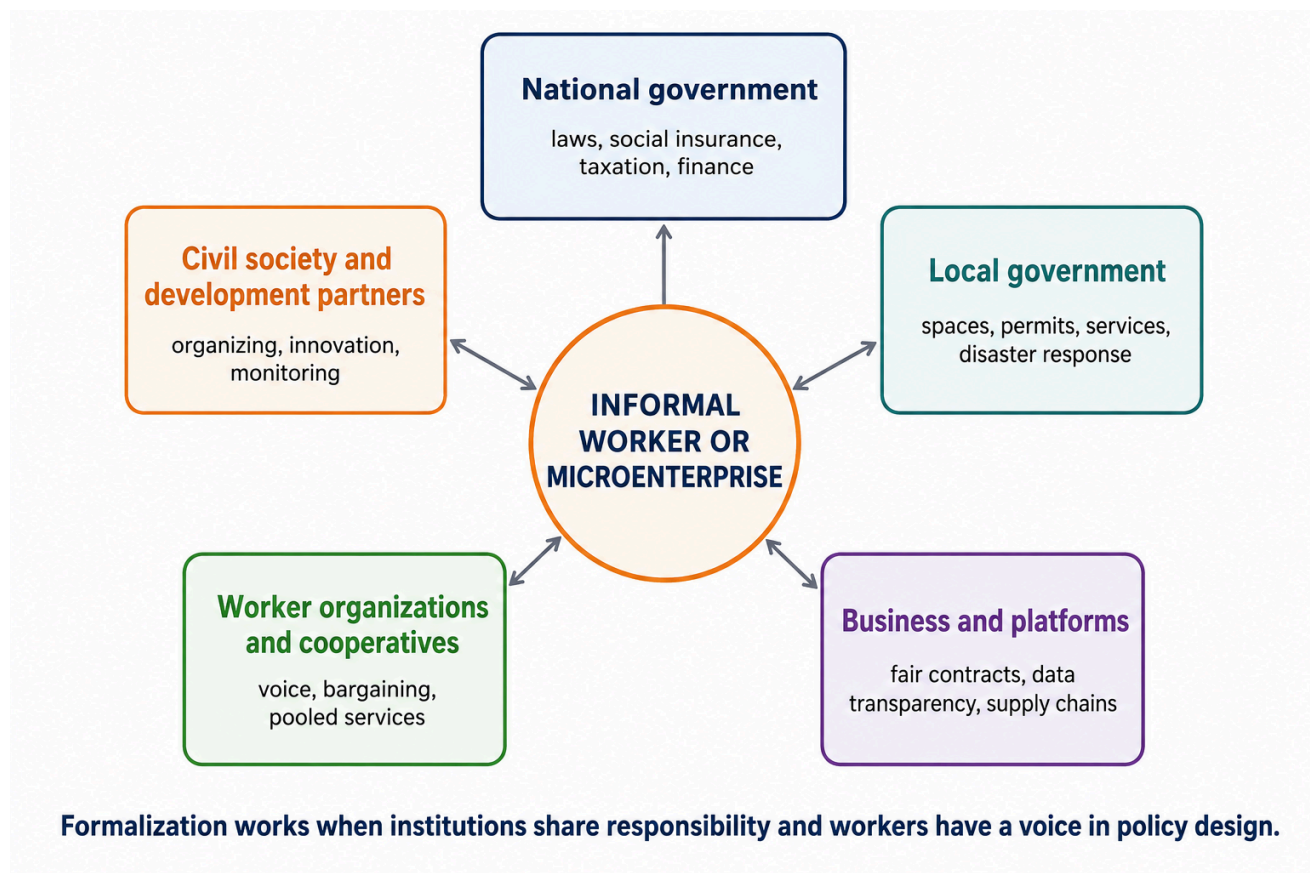


Figure 17.4. Formalization requires coordinated institutions and worker participation.

National government

The national government sets labor standards, social-insurance rules, taxation, competition policy, enterprise support, and national data systems. It should coordinate agencies so that workers do not repeatedly submit the same documents. Public budgets should finance universal services and targeted subsidies for those with limited capacity to contribute.

Local governments

Local governments control many permits, vending spaces, terminals, markets, sanitation systems, disaster responses, and local livelihood programs. They are closest to workers and can either make

formalization practical or turn it into repeated harassment. Local rules should be transparent, participatory, and consistent with national rights.

Private firms, platforms, and buyers

Businesses benefit from informal labor and supply chains and must share responsibility for fair pay, safety, social protection, and environmental standards. Platforms should not use technology to hide control. Large buyers should disclose terms, avoid abusive deductions, and support supplier upgrading rather than simply demanding compliance.

Civil society, unions, cooperatives, and worker associations

These organizations help workers claim rights, pool services, gather data, negotiate with authorities, and monitor implementation. Their role should not be limited to delivering government projects. Independent organization and advocacy are essential for accountability.

Development organizations and universities

International organizations, universities, and development partners can finance pilots, document worker experiences, evaluate programs, and bring international standards into national debate. Their projects should strengthen local institutions and worker organizations rather than create temporary systems that disappear when external funding ends.

Let's Review

- The informal sector refers mainly to unregistered or unincorporated household enterprises. Informal employment refers to jobs that lack effective legal or social protection. The informal economy includes both and is broader than either category.
- Self-employment is not automatically informal, and wage employment is not automatically formal.
- Informality persists because of limited decent jobs, costly compliance, weak benefits, unequal market power, care responsibilities, rural isolation, and poor public services.
- Informal work creates livelihoods and provides essential goods and services, but workers often face unstable income, weak bargaining power, unsafe conditions, and limited social protection.
- Formalization should be gradual, supported, and rights-based. It should combine recognition, social protection, productive support, market access, simple compliance, and worker representation.
- Government, businesses, platforms, local governments, cooperatives, civil society, and development partners all have responsibilities. The burden should not fall on workers alone.

Key takeaway

The informal economy is not a temporary space outside the “real” economy. It is a major part of how production, work, and survival are organized. The goal of policy should not be to punish people for earning outside standard systems. It should be to make every form of work safer, more productive, better protected, and more capable of supporting a dignified life.

Formalization succeeds when workers gain rights, social protection, bargaining power, and access to opportunity—not when government merely adds their names to a registry.

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