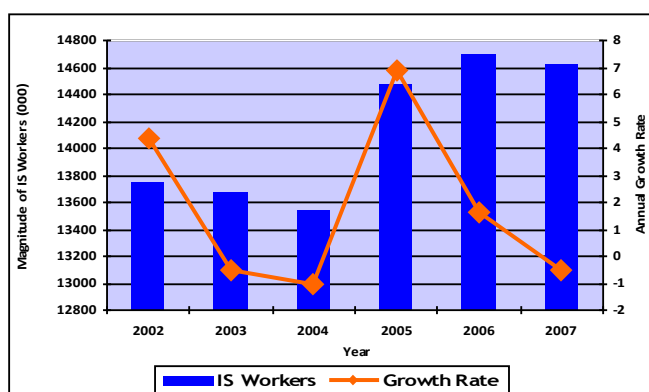


PROFILE OF THE INFORMAL SECTOR

The informal sector is characterized as a range of economic units mainly owned and operated by individuals alone or in partnership with members of the same household. They may employ one or more employees in addition to unpaid family members (ICLS, 1993).

According to the 2008 Labor Force Survey, almost half or 44.6 percent of the total number of employed persons in the Philippines in 2002-2007 were in the informal sector. The number of informal sector workers has been increasing over the years, growing by an average of 2.3 percent from 2002-2007 with the highest increase recorded in 2004-2005 at 6.9 percent. However, their annual growth rate dropped by 1.0 percent in 2003-2004 and 0.5 percent in 2002-2003.

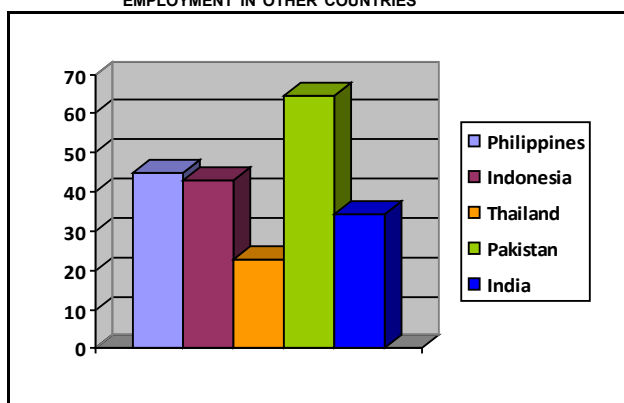
FIGURE 1
TOTAL EMPLOYED WORKERS IN THE INFORMAL SECTOR AND ANNUAL GROWTH RATE, 2001-2007



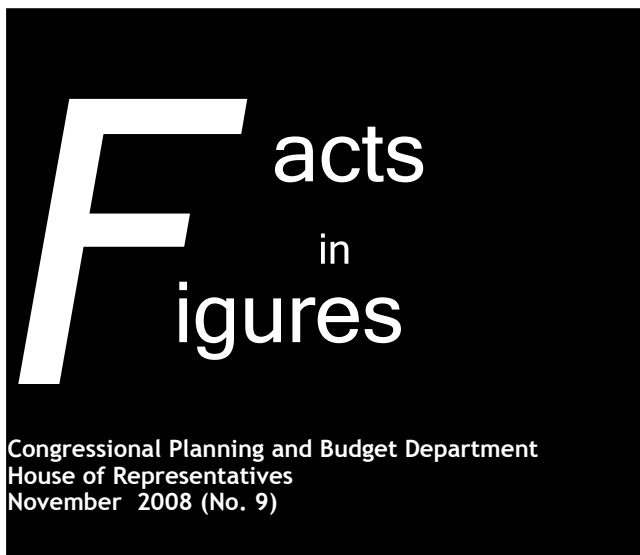
Source: LabStat Updates, May 2008 (BLES)

The size of the informal sector as a percent of total employment in the country is relatively large, accounting for almost half of total employment. In contrast, Indonesia and Thailand have relatively smaller informal sector at 42.9 percent and 22.7 percent, respectively.

FIGURE 2
INFORMAL SECTOR WORKERS AS PERCENT OF TOTAL EMPLOYMENT IN OTHER COUNTRIES



Source: Charmes, 2000



Share to the Economy. Recent estimates of the contribution of the informal sector to the country's total economic output have remained relatively unchanged since 1995 at 20-30 percent. In addition, it accounted for one-third of non-agricultural GDP. This suggests that the informal sector has contributed significantly to employment and output mainly through the proliferation of mostly labor-intensive undertakings (Charmes, 2000). On the negative side, it costs the country an estimated P100 billion in foregone revenues annually (Abola 2008).

TABLE 1
INFORMAL SECTOR SHARE IN GDP IN SELECTED ASIAN COUNTRIES

Countries (years)	Percent of Total GDP	Percent of Non-Agricultural GDP
Philippines (1995)	25.4	32.5
Philippines (2001-2006)	20-30	-
Korea (1995)	15.9	16.9
Indonesia (1998)	25.2	31.4
Pakistan (1997)	21.2	28.7
India(1990-91)	32.4	48.1

Source: Charmes 2000, BLES, 2007

Sectoral Distribution The bulk of workers in the informal sector are in agriculture, forestry and fishing (54.6 percent) while some 39.1 percent are in the services sector. Only 6.3 percent are found in the industry sector. This distribution did not vary over the years.

By industry group, the informal sector workers were mostly found in agriculture, forestry and hunting (47.9 percent) and wholesale and retail trade (27.3 percent).

In terms of percent distribution of workers in the informal sector by major occupation group in 2001-2007, about 34.6 percent of the informal sector workers were farmers, forestry workers and fishermen. Another 29 percent were identified as laborers and unskilled workers, while some 17.3 percent were in management, proprietorship and supervisory positions.

TABLE 2
PERCENT DISTRIBUTION OF INFORMAL SECTOR WORKERS, 2002-2007
(IN PERCENT)

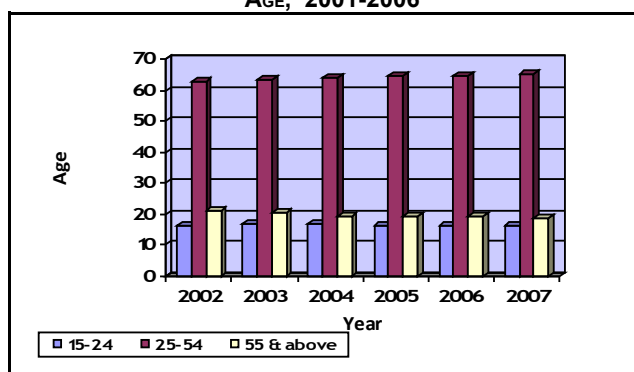
Group	2002	2003	2004	2005	2006	2007
All Occupations	100	100	100	100	100	100
Corporate Executives, Managers, Proprietors and Supervisors	15.2	16.2	18.7	17.5	17.9	18.4
Professionals	0.5	0.4	0.3	0.4	0.3	0.3
Technicians & Associate Professionals	1.5	1.3	1.1	1.0	0.9	1.0
Clerks	1.2	1.1	0.4	0.4	0.5	0.6
Service Workers & Shop & Market Sales Workers	6.5	5.8	5.5	5.5	5.8	5.9
Farmers, Forestry Workers & Fishermen	35.1	35.7	34.5	34.3	34.4	34.0
Trades & Related Workers	5.9	5.6	5.3	5.2	4.9	4.6
Plant & Machine Operators & Assemblers	5.2	5.3	4.9	5.2	5.5	5.5
Laborers & Unskilled Workers	28.9	28.5	29.3	30.3	29.7	29.5
Special Occupations	0.1	0.1	0.1	0.1	0.1	0.1

Source: LabStat Updates, May 2008, BLES

Demographics In 2001-2006, six out of 10 workers in the informal sector were male. This was constant during the six-year period where males outnumbered females.

By age group, almost two-thirds of these workers belonged to the prime working age of 25-54 years old. The largest increase in the percentage of informal sector workers was in the age bracket of 25-34 years, from 2,861 workers in 2001 to 3,239 in 2006.

FIGURE 3
PERCENT DISTRIBUTION OF INFORMAL SECTOR WORKERS BY AGE, 2001-2006



Source: LabStat Updates, May 2008

In terms of educational attainment, the country's informal sector workers were generally educated as more than half of their total reached high school and college, and only 4 out of every 100 had no formal schooling. Some 35.6 percent were either graduates or undergraduates of high school and an estimated 15.5 percent reached college or pursued higher education.

TABLE 3
DISTRIBUTION BY EDUCATIONAL ATTAINMENT OF INFORMAL SECTOR WORKERS, 2001-2006 (IN PERCENT)

Highest Grade Completed	2001	2002	2003	2004	2005	2006
No Grade completed	4.2	4.0	3.7	4.0	3.8	3.4
Elementary	46.1	45.9	45.6	44.5	44.1	43.7
Undergraduate	23.1	23.0	23.4	23.5	23.0	22.9
Graduate	23.0	22.8	22.2	21	21.1	20.8
High	35.0	35.0	35.1	35.6	36.1	36.7
Undergraduate	14.7	14.8	15.1	15.1	15.1	15.2
Graduate	20.3	20.0	19.9	20.5	21.1	21.5
College	14.7	15.2	15.6	15.9	16.0	16.3
Undergraduate	5.1	5.5	5.4	5.7	5.7	5.8
Graduate	9.5	10.0	10.2	10.3	10.3	10.5

Source: LabStat Updates, May 2008, BLES; NSO, Labor Force Survey

Regional Distribution From 2001-2006, regional data showed higher informal sector employment in largely agricultural regions of the country. ARMM and CAR posted the highest average percentage with 81.7 percent and 63.3 percent of total employment.

For the same period, the other regions with sizable average percentage(s) of informal sector workers (to total) include Eastern Visayas with 58.8 percent, Western Visayas and CARAGA both with 57.5 percent and Bicol Region, with 56.7 percent.

TABLE 4
PERCENT OF INFORMAL SECTOR WORKERS TO TOTAL EMPLOYMENT BY REGION 2002-2007
(IN PERCENT)

Region	2002	2003	2004	2005	2006	2007
PHILIPPINES	45.7	44.6	42.8	44.8	44.6	43.6
NCR	24.7	24.7	21.6	23.1	22.6	22.0
CAR	63.6	63.1	62.6	62.0	63.6	61.6
Ilocos Region	49.0	48.1	45.7	48.9	48.3	46.5
Cagayan Valley	38.7	37.8	36.2	38.5	39.0	37.7
Central Luzon	39.0	35.9	32.6	34.9	34.8	34.0
Southern Tagalog	40.7					
CALABARZON		17.0	34.2	35.9	36.7	35.0
MIMAROPA		26.4	53.6	57.8	58.9	56.9
Bicol Region	55.5	55.5	55.4	58.8	57.6	55.6
Western Visayas	40.5	39.7	39.8	42.7	42.2	41.1
Central Visayas	52.5	49.0	48.4	48.3	48.4	46.8
Eastern Visayas	59.1	59.0	58.1	58.0	58.2	56.5
Western Mindanao	56.2	56.8	57.2	58.1	58.6	57.8
Northern Mindanao	51.2	54.0	52.5	55.1	52.5	49.9
Southern Mindanao	51.4	46.1	43.8	44.9	43.1	41.7
SOCCSARGEN	51.6	49.3	40.7	44.4	44.9	47.5
Caraga	59.5	57.7	52.1	55.9	56.3	54.5
ARMM	79.9	83.8	84.6	84.1	84.2	84.4

Source: LabStat Updates, May 2008, BLES; NSO, Labor Force Survey