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**A SPECIAL
ISSUE**

**The Informal
Sector:
Issues and
Concerns**

Community Mortgage Program: A Case
Study of the ALCOP Homeowners
Association, Inc.

Isagani A. F. Yuzon

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Government and the Private Sector in
Improving Working Conditions in the
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PREFACE

Harold Wilson mentioned: "A week is a long time in politics." Ten years is an eternity for the informal sector. While the informal sector has been significant to the fortune of nations in the last decade and, this same period, has seen massive changes in direction, complexity of systems, and in the sheer size of the enterprise, not to mention social and economic purpose yet it is low in the agenda of governments.

Against this background, an analysis of informal sector policies, which must occupy a crucial place in understanding the contextual setting of reform in individual countries, has acquired a new significance as the pace of internationalization itself accelerates. There are many reasons why this should be so: the creation of new economic blocs; the gradual emergence of a transnational policy for the formal sector that may infect, if not affect, the informal, the rise of new economies in Asia, etc. The breakdown of a seemingly established order has ushered in a renewed interest in the informal sector and in how other segments of society are going about tackling, through often similar issues, in different ways.

This special PJLIR issue offers critical reflections on important core and functional areas of the informal sector; it draws upon evidences needed in informed decision making. Hence, this collection of papers embraces a variety of disciplinary approaches and levels of analysis, a diversity that captures the multiple facets and determinants of the informal economy. Some studies analyze the practice of social responsibility at the national or policy level, while others focus on specific concerns such as safety and health, housing, cooperatives and retailing. This 'embeddedness' of the informal sector to the formal economy explains the apparent paradox that, in an age of global economic integration, national differences in economic institutions become ever more apparent and consequential. As these studies make clear, the determinants of change and development include not only market incentives, but institutional and strategic factors as well.

Researchers seeking to fathom the nature of the informal sector employed new frameworks from economics, political science and management studies to assess its multiple dimensions. Often encountering each other in the field, they recognized an opportunity to bring together their research results in order to fill

a crucial empirical gap in the study of the informal sector and its ongoing transformation. Various studies were assembled through casual networks and contacts made in the course of researches. This edition does not identify simple solutions, rather it recognizes that, like most endeavors, concerns of the informal sector is an ongoing challenge that needs to respond to local, national and international pressures.

In order to maintain their focus on the informal sector, the authors have kept away from three staples of existing literature. First, there is no evangelism as they are not proselytizing for (or against) the informal sector. Second, this is not a tool kit. Its purpose is to identify policy options and their strengths and weaknesses, not to provide didactic prescriptions. Third and closely related, it is not a management guide on the details of the informal sector. Rather its purpose is to examine issues and test theories in the so-called "people's economy"—which are current and practical concerns to its main constituencies—the poor, disadvantaged and disenfranchised, those researching in this domain and students

The editing of this volume was not a protracted effort but work still put an inevitable toll to those who have been part of it. The editor would like to thank the contributors for their willingness to submit their research findings for joint publication and for their patience in seeing the project to an end. As usual, the SOLAIR staff provided sterling help for much of the editorial work, for which we are most grateful.

Isagani Antonio F. Yuzon, PhD
Issue Editor

Community Mortgage Program: A Case Study of the ALCOP Homeowners Association, Inc.

Isagani A. F. YUZON

Introduction

The housing problem in the country is manifested in various forms—the proliferation of informal housing arrangements (e.g. squatting, ownership of structure without lease, poor quality of dwelling and infrastructure services); the growth of room letting, which create enormous congestion; unregulated housing and zoning; and land use conflicts.

The Philippines is one of the countries with a very high level of urbanization in Southeast Asia. By 1990, half of the country has become nearly urban, representing an urbanization level second only to Malaysia among the developing countries in the region. But compared to South Korea, Malaysia and Thailand, the Philippines' per capita income rate has not been impressive. The combined effect of a high urbanization rate and low per capita income has unavoidably led to growing poverty in the urban centers. Poverty incidence in urban areas has increased steadily over the past two decades.

Although it is generally believed that only the urban poor live in slum and squatter settlements, the shortage of affordable housing

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sites is forcing more and more of their non-poor counterparts into these informal settlements. Compared to other countries having more or less the same level of per capita income, the Philippines has the most number people living in squatter colonies.

There are two (2) explanations for this situation—overurbanization and a poor supply of low-cost housing units. Overurbanization as a phenomenon refers to a stage where a higher degree of urbanization exists relative to the rates warranted by their degrees of industrialization. In our case there is a mismatch between high degree of urbanization and low degree of industrialization. Rapid urbanization tends to produce a higher demand for housing, usually outstripping the supply of available housing units.

The poor supply of reasonably priced units, on the other hand, also aggravates the housing problem. This situation can be explained by the problems in the real estate and financial markets. Land market has been inefficient because land administration and management is weak in such aspects as legal and regulatory framework and land administration infrastructure. Land administration infrastructure is also inadequate. Information about land ownership, location boundaries, actual land uses, and land values cannot be provided systematically. Thus, sale and transfer of rights, issuance of required development permits and licenses, and land tax collection are constrained by bureaucratic inefficiencies and political maneuverings.

Government Housing Programs

In line with the constitutional mandate to undertake a continuing program of urban land reform and housing—which will make available at affordable cost decent housing and basic services to the underprivileged and homeless citizens in the urban centers and resettlement areas—several strategies have been adopted by the government. Until 1972, this kind of housing program was handled solely by the National Housing Authority (NHA). With the establishment of the Ministry of Human Settlements (MHS), this undertaking was expanded and rationalized into a National Shelter Program. The Human Settlements Development Corporation (HSDC), National Home Mortgage Finance Corporation (NHMFC) and Home Development Mutual Fund (HDMF or Pag-ibig), to name a few, were established under the umbrella of MHS.

To sustain the program, Republic Act No. 6846, otherwise known as the Social Housing Support Fund Act of 1990, as amended by Republic Act No. 7835 or the Comprehensive and Integrated Shelter Financing Act of 1994, created the *Abot-Kaya Pabahay* Fund (AKPF) "to enhance the affordability of low-cost housing by low-income families..." This law designated NHMFC as administrator of AKPF

In 1992, Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992, adopted the Community Mortgage Program (CMP) as a component of the National Shelter Program to assist legally-organized associations of underprivileged and homeless citizens "to purchase and develop a tract of land and to own lots they occupy or where they choose to relocate to, under the concept of community ownership." The law also designated the NHMFC as administrator of the CMP.

The Community Mortgage Program is both a technical and financing program to provide socialized housing to poor the informal settlers. The technical component is the community organizing and credit preparation wherein communities are made eligible for the credit assistance component. This component is the preparatory work undertaken with communities by originators which are mostly non-government organizations, local governments, key shelter agencies, and the NHA. Once the community is ready as an association and as an eligible borrower, they can apply for credit financing and amortize for a maximum repayment period of 25 years. Individual household members pay their monthly amortization to the homeowners association, which in turn remits them to the Social Housing Finance Corporation (SHFC).

Certain requirements are necessary. For project accreditation, aside from the application the requirements are: (1) originator's information sheet; (2) project basic information sheet; (3) landowner's intent to sell; (4) Housing Land and Use Regulatory Board (HLRUB) zoning classification certificate; (5) preliminary approval and locational clearance; (6) subdivision plan; (7) lot plan; (8) vicinity map; and (9) present titles and two back titles. For the homeowners association the requirements are: (1) HLRUB registration and incorporation; (2) Home Owners Association (HOA) Board resolution; (3) master list of beneficiaries and current address; and (4) Memorandum of Agreement.

The following are some of the community-based tenurial programs of NHA:

1. Grants In-Aid for Housing (GIAFH). Here, technical assistance is expanded to community/homeowners associations (C/HA). The NHA receives funding support from external sources or accepts land donations for and in their behalf and administers the fund/land according to the intent of the funder/donor based on the agreed terms and conditions provided in a Memorandum of Agreement. Technical assistance takes the form of project evaluation, documentation, implementation as receiver/administrator, and monitoring.
2. Land Tenure Assistance Program (LTAP). Assistance is extended for land acquisition using corporate or other NHA funds for a pre-identified community association-beneficiary. The maximum financial Assistance is P60,000.00 per member-household beneficiary payable in two to ten years at very low interest rates based on the capability of the member-household. The C/HA must shell out the equivalent of 10% of the total land price as equity contribution.
3. Community Land Acquisition Support Program (CLASP). A C/HA, which has financial capability to directly purchase a land it occupies or choose to be resettled in, is given technical assistance. The landowner's willingness and agreement to be paid on installment basis is crucial under this scheme. For non-NHA properties, conditions for purchase are subject to agreement by the parties concerned. For NHA properties on the other hand, the C/HA will pay the equivalent of 10% of the agreed price as equity and the balance payable in two to ten years depending on its capability.

The Actors

The actors are government agencies, a private corporation and a homeowners association.

ALMEDA COLLANTES PEREZ (ALCOP) HOMEOWNERS ASSOCIATION, INC. First organized as Nagkakaisang Mamamayan sa Barrio

Tambakan ng Sta. Ana (NAMBATSA) by residents of the area for the purpose of promoting common concerns. The organization was eventually renamed and registered with the Housing and Land Use Regulatory Board on March 4, 2001. As stated in its Constitution, its objectives are: to construct, manage, maintain and operate adequate facilities and services for its members; to initiate and organize socio-cultural projects and activities which will awaken community consciousness and belongingness; and to promote, enhance and foster the development and improvement of the quality of the life of the members through livelihood projects and other economic activities.

ALMEDA, INCORPORATED. It is a corporation owned by the Almeda family of Batangas. Founded by the late Ponciano Laurel Almeda, a businessman and real estate developer who had a keen eye for prime real properties, it was registered with the Securities and Exchange Commission on February 3, 1966. As stated in its Articles of Incorporation, its primary purpose is "(T)o purchase, acquire, hold, convey, lease, let, mortgage, encumber and otherwise deal with such property, real, personal and mixed in any part in the Philippines or any other country, provided that this corporation will not engage in subdivision business." The incorporation papers were amended in 1984 to allow it to engage in the subdivision business.

NATIONAL HOME MORTGAGE FINANCE CORPORATION. The NHMFC is the primary government home mortgage institution. Its initial function is to operate a viable home market by utilizing long-term funds principally provided by the Social Security System, the Government Service Insurance System, and the Home Development Mutual Fund to purchase mortgages originated by both public and private institutions.

Specifically, it is empowered to purchase, acquire, sell, discount, refinance, or otherwise deal in home mortgages; to borrow funds from domestic or foreign private or public financial institutions as may be from time to time be required for its operations and to issue bonds, promissory notes, debentures, and other debt instruments in local and foreign currency; to own, lease, purchase or otherwise acquire, sell or otherwise dispose of property, real or personal, as may be necessary and appropriate for the conduct of its functions.

SOCIAL HOUSING FINANCE CORPORATION. A wholly-owned subsidiary of the National Home Mortgage Finance Corporation, it was established by Executive Order 272 on January 20, 2004. The corporation absorbed the powers and functions of NHMFC relative to the "administration, management and development of the Community Mortgage Program (CMP) and the *Abot Kaya Pabahay* Fund Program (amortization support program and developmental program), as well as other social housing functions of NHMFC ..."

NATIONAL HOUSING AUTHORITY. The National Housing Authority is the sole national agency mandated to engage in housing production for low income families. It traces its roots to the People's Homesite Corporation (PHC)—the first government housing agency established in October, 1938 — and the National Housing Commission (NHC) which was created seven years later on September 17, 1945. The two agencies, the PHC and the NHC, were eventually merged on October 4, 1947 into the People's Homesite and Housing Corporation (PHHC).

Eventually, on October 15, 1975, NHA was organized as a government-owned and controlled corporation by virtue of Presidential Decree 757 on July 31, 1975. Other housing agencies were abolished by the said Decree. The NHA took over and integrated the functions of the abolished agencies—the PHHC and the six other housing agencies.

The NHA has the following corporate objectives: (1) To provide and maintain adequate housing for the greatest possible number people; (2) To undertake housing development, resettlement or other activities that would enhance the provision housing to every Filipino; (3) To harness and promote private participation in housing ventures in terms of capital expenditures, land, expertise, financing and other facilities for sustained growth of the housing industry.

The Project

The area is located in the boundary of the cities of Makati and Manila, in the Sta. Ana, Manila district. The project which covered 160 residents living in poorly-built structures originally consisted of eight residential lots and a road lot with a total area 6,065.30 square meters. This project is the subject of Transfer Certificate of Title (TCT) Nos. 98649, 98650, 98651, 98653, 98654, 98655, 98656, 98657 and 124621.