Globalization and Its Impact on Tricycle Drivers in the Philippine Informal Economy

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Abstract:
This paper is an inquiry on the impact of globalization on the livelihood of unionized tricycle drivers in the rural Philippines. In particular, it analyzes how the influx of motorcycles undermined the business of local tricycle drivers in Floridablanca, the third largest municipality in Pampanga. This paper examines the effects of these imported vehicles in the informal economy. The paper supports measures strengthening or providing social and labor protection for Filipino tricycle drivers in the Philippine informal economy.

Introduction
Globalization has failed to fulfill its promise to developing countries like the Philippines that it would bring in more jobs, promote economic growth and guarantee global competitiveness. In Making Globalization Work, Stiglitz (2007) acknowledges that "trade liberalization exposes

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countries to more risk, and developing countries (and their workers) are less prepared to bear the risk”.¹

It is against this risk, aggravated by growing unemployment problem and a flood of motorcycles with mixed imported and local parts, that many Filipino tricycle drivers have had to struggle to earn a decent living over the past few years. Global corporations like Honda, Suzuki and Kawasaki, have already dominated the motor vehicle industry, particularly in the rural regions of Luzon. The entry of these global corporations puts local makers of tricycle side-cars and tricycle drivers at a disadvantaged position because it is difficult to compete against the “giant” businesses. As a result, they have become the “losers” of globalization; global corporations, the “winners”. Simply put, not all developing countries benefit from the “win-win” assumption of globalization.

In the Philippines, 76.34 per cent or nearly 27 million Filipinos constitute the informal sector where the vast majority of these workers are unorganized.² Within these economic sectors, tricycle drivers play an integral part in the informal economy because they provide easy and quick transportation services in the remote regions of the Philippines. While they positively contribute to the domestic economy, the majority of these workers are not covered by the Philippine Labor Code, which makes them more vulnerable to exploitation and unemployment problems. In fact, this policy gap prompted one Filipino legislator, Danilo Ramon Fernandez, to introduce House Bill No. 1955 Magna Carta for Workers in the Informal Economy to develop social and labor protection for workers in the informal market. Under this bill,³ tricycle drivers are characterized as:

b.9 drivers of modes of transportation on land and sea whether motorized or not; three (3) wheels such as pedicabs, tricycles;

b.10 operators of jeepneys, tricycles, pedicabs, taxi and other vehicles or transportation whose capitalization is not more than one million pesos (P1,000,000), excluding land and building.

While the Magna Carta aims to provide “social safety nets”, the weak enforcement and the lack of government funding can serve as barriers in building strong labor protection for tricycle drivers in the rural areas. The inexpensive motorcycles—including the most popular ones—namely Wave, XRM or TMX—attract thousands of Filipinos
annually. These products have improved the transportation service in rural Philippines. The economic consequence for tricycle drivers is significant. The declining demand for tricycle service due to the influx of motorcycles threaten the livelihood of tricycle drivers.

Despite the rapidly increasing competition between sellers of motorcycles and local tricycles, limited studies exist to analyze one important question: How does the influx of low-cost motorcycles impact the livelihood of unionized tricycle drivers in the rural Philippines? Using the Municipality of Floridablanca as a case study, this paper attempts to examine the socioeconomic effects of low-cost motorcycles on tricycle drivers. According to the municipality data, unionized tricycle drivers represent 2.6 per cent of the 103,388 total population in 2007. They play a pivotal role in the municipality by providing local transportation services in the rural and urban localities.

**Methodology**

To better understand the impact of many low-cost motorcycles on tricycle drivers this researcher surveyed 124 drivers and conducted four focused group discussions from June 29, 2010 to August 14, 2010 in Floridablanca, Pampanga. Through the academic support from UP SOLAIR Professor, Isagani Antonio Yuzon and the guidance from Mar Tolentino, President of the Federation of Motorcycle Drivers Union, key municipal stakeholders, including local government officials, union zone presidents, board members, union association officers, tricycle drivers and passengers within the municipality were also interviewed. Twenty-seven tricycle zones and barangay tricycle zones (village zones) were visited. In addition, registered and non-registered drivers (known as colorum), were extensively interviewed. Given this particular opportunity, the researcher collected more than 89 informal interviews with tricycle drivers, who unconditionally expressed their concerns, challenges and struggles working in the local transport industry. Critical policy issues in the tricycle industry were identified by this study.

**Limitations**

The most problematic part of this case study is the limited data collected among tricycle drivers in Floridablanca, Pampanga. Many social
science researchers might prefer to use a larger sample size relative to the total population. This researcher was only able to survey 10 per cent of the total population due to some tricycle drivers’ refusal to answer the survey. However, instead of taking a sample size from the actual total population, this researcher centered his analysis on the number of active tricycle drivers because they provide an accurate depiction of the drivers’ actual labor and working conditions.

**Demographic Profile of Local Tricycle Drivers**

According to the annual municipal report, Brief Socio-Economic Profile: Floridablanca, Pampanga (2007-2010), more than 3,500 franchise holders, mainly jeepney and tricycle drivers have already been registered in the municipality. Of the total registered franchise holders, 3,066 tricycle drivers dominated the local transportation service, which represented at least 87.6 per cent of the total franchise holders in the municipality. Non-registered drivers also constituted more than 234 tricycle drivers, representing at least 7.09 per cent of the total tricycle drivers. Although registered tricycle drivers comprise 3,066 franchise holders, only 39.76 per cent or 1,219 tricycle drivers were considered “active”, according to the local survey. This study, focused only on the active tricycle drivers. The study sampled 124 respondents which represented 10.21 per cent of the active tricycle driver population.

All the surveyed respondents are male and the average age is 39.54 years old with at least eight years of tricycle work experience. They typically have at least two children (or two dependent children) and they earn an average of P3,467.74 per month, which is below the reported average income of P14,000 per month within the municipality. To compensate for the low income, 12.9 per cent of tricycle drivers choose to provide private tricycle service to local students and teachers, earning on average, an additional P1,256.25 per month. Yet using the municipality’s standardized income measurement, the total income of a tricycle driver is still below the local average. It is also noteworthy to recognize that 97.6 per cent of tricycle drivers surveyed had no alternative income. Only 2.42 per cent of respondents said they have other income-generating activities such as selling food or clothes in the local market. The survey indicated that a small proportion of tricycle drivers’ wives sell goto/arroz caldo (oxtripe/chicken porridge) in front of elementary schools, work as house cleaners or pick sampaguita flowers each morning. The wives’ additional
participation in the informal economy increases many of the families’ income, enough to fulfill basic needs (Yuzon, 2010). Some wives work as domestic workers in Hong Kong but the majority (93.55%) work as housewives.

As for the respondents’ educational attainment, 53.3 per cent of tricycle drivers completed high school, 23.3 per cent vocational education and 14.4 per cent elementary education. A few tricycle drivers, representing 6.45 per cent of the total respondents, finished undergraduate education or entered college. A good proportion of tricycle drivers previously worked abroad as contract workers in the Middle East. About 17.74 per cent had worked in the top ten destinations, including Saudi Arabia, Taiwan, Brunei and Japan.10

**The Effects of Foreign Motorcycle Products on Tricycle Drivers**

**Impact on Workers**

*Substitution Effect*

The direct impact of the influx of motorcycles on the tricycle workers is the sharp decline in their daily income. Before the arrival of motorcycle products in 2005, tricycle drivers could earn between P 202.08 and P 357.50 on a daily basis (see Table 1). However, when these single motorcycle products, particularly those from Honda Company, K-Servico, flooded the rural areas, many Filipinos were enticed to buy.

<table>
<thead>
<tr>
<th>Table 1: Effect on Daily Income</th>
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<tr>
<td>Waiting Time:</td>
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<td>High Earning:</td>
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<td>Low Earning:</td>
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<td>Local Survey (2010)</td>
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</table>
As one local resident, Pedro Sinaling acknowledges:

"I’m glad that I have a Wave (Honda motorcycle) now. Before, the local fare is too high and with my new Wave, I can easily travel from my barangay to Floridablanca easily. When I fill gas worth P50 in my new Wave, I can go back and forth—house and Florida—for three times. If I ride a tricycle, P50 is not enough. It will only allow one ride and it is not that convenient."

New owners of these motor vehicles described them as “gas-efficient, convenient and low-cost service,” and barangay residents, such as Maria Sta. Cruz, expressed her gratitude for the motorcycle. Ms. Sta. Cruz notes:

"I have three children—grade 6, 2nd year and 3rd year high school students—who used to take the tricycle and I pay a large amount of local fare, about P100 (they go out to school at different times). I decided to buy a new Wave because it is cheaper and faster. I only pay P1500 monthly and if you calculate P100 for 20 days, you’ll get P2000. I just thought that by saving this money we can own a new Wave and reduce the fare cost of my children. I now drive my kids every day to go to school. We don’t pay P100 everyday anymore and we have been able to cut costs from school. It’s better than riding the usual tricycle!"

Given these statements, local residents find that motorcycles can serve as the best alternative way of cutting transportation cost for their families. The cheap and easy navigation of single motor vehicles make these products appealing and cost-effective to the eyes of many. While local residents positively acknowledge the contributions of these new products, tricycle drivers perceived them negatively. The reason is that tricycle drivers could not simply compete with these motorcycles. In August 2010, K-Servico promoted single motor vehicles in Floridablanca, providing a special program, K-Servico: Rainy Season Sale. In this event, K-Servico advertisers provided a pamphlet which outlined the motor vehicle’s total prices (see Table 2).

With the growing popularity of motor vehicles, along with the declining demand for tricycle service, the daily income of tricycle drivers dropped significantly by P150 within five years.
Table 2: Sample Promo Price of K-Servico

<table>
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<tr>
<th>K-SERVICO</th>
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<tr>
<td>Sale Price:</td>
<td>P61,900</td>
</tr>
<tr>
<td>Model:</td>
<td>Curve 115</td>
</tr>
<tr>
<td>Down payment:</td>
<td>P6,000</td>
</tr>
<tr>
<td>Monthly: 6 months</td>
<td>P11,835</td>
</tr>
<tr>
<td>12 months</td>
<td>P6,585</td>
</tr>
<tr>
<td>18 months</td>
<td>P4,834</td>
</tr>
<tr>
<td>24 months</td>
<td>P3,959</td>
</tr>
<tr>
<td>36 months</td>
<td>P3,084</td>
</tr>
<tr>
<td>With Free registration, helmet, and plate holder!</td>
<td></td>
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</table>

Working Conditions

Based on the focused group discussions, the study found that working conditions of tricycle drivers have “worsened with the influx of foreign motorcycle products”. Although it has become difficult to earn decently as a tricycle driver, the survey indicates that they continued to work the same number of hours in order to earn enough for their families. To put it in quantitative terms, tricycle drivers worked 12.18 hours a day before 2005, and after 2005 they worked 12.23 hours a day, a slight and insignificant increase of 3 minutes a day. However, as Table 1 demonstrates, while tricycle drivers worked longer hours for the same low-income, they also had to wait on longer queues at terminals. In 2005, tricycle drivers had to wait only 45.47 minutes but today they have to wait 1.53 hours for a passenger in need of a ride. As one tricycle driver, Marin Jimenez, notes:

“I used to leave this line every 10 minutes. Although I made P15 each ride, if it’s quick, you can actually earn more in 2005. I really miss those days where I can earn lower but it was quick and very good. I could actually earn up to P400 and buy fish and rice at the local market nearby. Some sweets for my children as well. It was all well and good back then. With these new Waves, you can barely make P200 and as a result, I had to borrow money to compensate for our unmet financial needs.”

The waiting time for tricycle drivers has rapidly doubled, making it difficult to earn a decent living in rural Philippines.
Not only has the waiting time increased significantly, but the survey also indicates that the vast majority of tricycle drivers currently sleep only 7.07 hours at night. Before the influx of motor vehicles, tricycle drivers could sleep up to 8.11 hours at night, while at the same time, earning a high income for their families. However, after cheap motorcycle products flooded the rural communities, tricycle drivers began to sleep less. They continue to work more than 12 hours per day yet earn less compared to the period preceding the introduction of cheap motorcycle products. Thus, the lack of sleep, along with the longer working and waiting hours, significantly endanger the health conditions of many tricycle drivers who became more vulnerable to illnesses or depression in the long run.

Other Economic Effects

Another direct effect of the single motor vehicles is the decline on tricycle drivers’ family savings. The survey suggests that prior to 2005, tricycle drivers saved up to P133.02 on a daily basis. A tricycle driver wife, Maria Penaflor explains the changing times:

*My husband used to bring a good amount of money and we were able to save a certain amount to maintain our basic needs, including food, shelter and tuition fees for our children. We have been able to save some money in the bank, which we can use if a child gets sick. But now, we have been indebted on 5/6 (lending scheme with 20 per cent interest rate) and it is so difficult to live in the rural area.*

The decline of savings has negatively influenced how these families perceive their future financial security. Today, tricycle drivers reported that they can only save up to P25.61 daily and this makes it extremely difficult to sustain the basic educational and financial needs of their families.

The decline in savings among tricycle drivers can also be validated by looking at another important issue - if they are currently in debt. The survey suggests that 82.26 per cent of tricycle drivers are currently indebted. The average debt is P4,523. Only 10.48 per cent noted that they have debts from a 5/6 lender, while 6.45 per cent of respondents refused to answer the question. As one tricycle driver, Pedro Lintag, notes:

*I used to earn a decent amount of money and did not need to wake up early in the morning. Now, I have to wake each day around 4 a.m. to work because I have to pay all the 5/6 money that I have*
borrowed from an Indian guy. I have three children who go to school and I used the borrowed money to finance their education. I have no choice but to sacrifice for the children. I don’t want my kids to achieve the same level of education—elementary—that I had. I am afraid that they would become like me. I’m willing to do everything for my kids even if my life is at stake. 

The decline in demand for tricycle service, and subsequent decline in income, forced many tricycle drivers to take up 5/6 loans from Filipino or Indian lenders. In a previous work, 5/6 in the Rural Philippines: Harmful or Helpful to Development (2010), this researcher argued that 5/6 loans can play a positive role in local or national development if properly managed by the borrowers. However, he further contended that if the borrower mismanaged the funds, he or she would be deeply indebted, creating another cycle of poverty, depression and struggle for the families. Due to the declining income and savings, tricycle drivers have to find economic alternatives in order to meet their families’ basic needs. If Pedro Lintag and other 82.26 per cent indebted tricycle drivers fail to effectively manage their loans, they will most likely face stressful, depressing futures.

Causes of Deterioration of the Local Tricycle Industry

The first factor contends that the rapid inflow of motorcycle products with imported and local parts (mixed content) has created competition between tricycles and motorcycles. In 2010, Honda announced that they would introduce more Wave models and other brand new motor vehicle products (i.e. Wave 110 with CV Matic), significantly flooding the Philippine motorcycle industry with low-cost motorcycle products. To further control the motor vehicle market, motorcycle sellers lowered their prices in order to become the top producer of low-cost motorcycles in the country. As shown in Table 2, prices of motorcycles can be lowered even more, if buyers strategically bargained with sellers like K-Servico in the rural Philippines. Thus, as the motorcycle products flood the local market, they severely threaten the future of the local tricycle industry.

As Honda and other local motorcycle companies provided low-cost products, the livelihood of tricycle drivers will be significantly undermined due to Floridablanca residents’ growing preference to purchase their own motor vehicles. This is the second factor and is commonly known as the
substitution effect. The substitution effect occurs if the buyer substitutes one service or product with another because the other product has better quality or is more cost-efficient. In Floridablanca, a growing proportion of families have acknowledged the importance of motor vehicles at home, often citing them as a cost-reduction means on their transportation budget. As a new owner of a Wave motor vehicle, Lyka Prestonio explains her reasoning:

*I chose to buy a Wave motor because it saves me a lot of money. When I go to the market, I only need to put some gas and I will be able to go there very quickly. It will actually cost me P50 in total, and this will last at least four times going back and forth from my house to the local market—vice versa. However, if I ride a tricycle, it will cost me P60 and this will only give me one ride. I have to be practical with my money because I have three children. I just have to find ways to cut cost and I just saw these Wave motors as a way to cut my expenses totally. That’s why I prefer Wave motorcycles over tricycles.*

Local residents have to find different alternatives to cut their transportation costs in order to satisfy their basic family needs. While the cheap motor vehicles deeply impacts on the local tricycle industry, tricycle drivers have no control over the local residents’ preference for their own motorcycles. Therefore, tricycle drivers need to cope with the intense economic competition; they must develop other strategies to entice their former passengers to use tricycle service in the municipality.

The third factor is the growing proportion of motorcycle drivers in the municipality. Despite the 56.7 per cent unemployment problems in Floridablanca, tricycle drivers continue to work daily despite the potential low-earnings. As the head of Franchising Office, Antonio Carlos, states:

*Ahh! We have already reduced the proportion of tricycle drivers in Floridablanca by increasing the penalty and fees for the prospective drivers in the municipality. However, due to the unemployment problems, many tricycle drivers continuously ply their trade—work in the local tricycle industry despite the weak demand for them. As a result, it increases the number of tricycle drivers in the municipality; others decide not to register their vehicles but they keep driving them. We call them colorum drivers/tricycles.*
As the rural economy fails to provide sufficient employment, tricycle drivers will have to face tougher competition with motor vehicle sellers. They have no choice but to deal with the situation and develop marketing strategies to make them more appealing to their passengers.

The last factor is the limited enforcement of anti-colorum policy in Floridablanca. On May 9, 2005, two Sangguniang Bayan Officers (SBOs) passed Ordinance No. 12, a policy penalizing colorum tricycle operators/drivers within the territorial jurisdiction of the Municipality of Floridablanca, Pampanga, to halt the existence of colorum drivers in the locality. However, through Floridablanca Mayor Darwin Manalansan’s political support, a group of SBO officers were able to suspend the resolution by citing the “discriminatory nature” of the policy against those who do not have a registered status under the municipality. As a result, these SBOs were able to stop the implementation of an anti-colorum policy in the municipality. Yet, when Mayor Manalansan lost the election to Darwin Guerrero in 2006, the anti-colorum policy was gradually restored. Although Mayor Darwin Guerrero and other local officials dealt tirelessly against non-registered drivers, colorum drivers have significantly grown in the municipality, according to Mar Tolentino, President of the Federation of Motorcycle Drivers Union.

Other Essential Factors

Unemployment Problems

Aside from the said factors, it is also essential to identify other external reasons that contributed to the deterioration of the local tricycle industry. One deterrent factor, which negatively impacts on the labor conditions of tricycle drivers, is the growing unemployment problem in the rural communities. This is an essential point because one needs to realize that if people have limited money to spend in the rural areas, they would not be able to travel using tricycle service from the barrios to the Floridablanca market. Therefore, it is important to recognize that unemployment also negatively impacts on the livelihood of tricycle drivers.
The Role of Cellular Phones

It is also essential to examine how strong communication among local residents of Floridablanca affects the working conditions of tricycle drivers. According to the municipal data, more than 90 percent of households have cellular phones, while 30 percent have landline phones in the municipality. The biggest effect of cellular phones is that passengers can easily connect with their friends who own motor vehicles and can give them rides instead of waiting for tricycle drivers, thereby saving money and time. Before 2005, fewer local residents had cellular phones and most preferred using tricycle services as their medium of transportation. With the new cellular technology, potential passengers could easily connect with their friends who have motor vehicles instead. The focus group discussion indicates that these passengers prefer motor vehicles because they seem “more comfortable, fun and gas-efficient” in comparison to local tricycle vehicles.

Conclusion

Trade liberalization has a negative effect on the livelihood of tricycle drivers in the Philippine informal economy. While the Philippine government has existing laws to provide protection for tricycle drivers, they still failed to safeguard the livelihood of tricycle drivers in the rural areas. Despite their unionized status, many Filipino tricycle drivers struggle to earn a decent living due to the growing of these cheap vehicles with imported parts. The future direction of the tricycle industry in the rural Philippines cannot be predicted easily, but the quantitative and qualitative results of this study suggest the worst. The tricycle drivers will continue to have a hard time earning a decent living in the rural area, specially so if there are no social protection measures in place like those being proposed under the Magna Carta for Workers in the Informal Economy. Although the influx of vehicles with imported content has reduced the transportation cost for some Filipinos, the Philippine government should develop policies to provide labor and policy protection not only to the unionized tricycle drivers but also to other Filipino workers in the informal economy who are being displaced by economic liberalization.
Policy Recommendations

Having spent nearly two months in Floridablanca, this researcher tried to compile proposed policy recommendations from the tricycle drivers in order to address the growing competition they face with motor vehicle sellers. While they know that stopping the inflow of cheap motor vehicles is impossible, tricycle drivers hope that municipal government officials will comply with the existing laws to protect the overall welfare of the tricycle drivers in the locality. Several policy proposals, including the strict enforcement of anti-colorum policy and economic development programs, have been recommended by tricycle drivers in Floridablanca.

Table 3. Policy Recommendations

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<thead>
<tr>
<th>Proposals</th>
<th>Rationale</th>
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<tbody>
<tr>
<td>1. Strictly enforce anti-colorum policy within the respective regions of Floridablanca, Pampanga</td>
<td>Equalize the income effect between registered and non-registered tricycle drivers</td>
</tr>
<tr>
<td>2. Include tricycle drivers in the development of social policies</td>
<td>Provide transparency and accountability among key government officials</td>
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<tr>
<td>3. Develop the agricultural industry and other local business industries</td>
<td>Serve as a substitute/option to the deteriorating tricycle labor market</td>
</tr>
<tr>
<td>4. Approve House Bill No. 1955 Magna Carta for Workers in the Informal Economy</td>
<td>Provide adequate labor and social protections for informal sector workers</td>
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<tr>
<td>5. Follow ILO Recommendations of promoting the protection of workers’ rights</td>
<td>Comply with ILO labor standards</td>
</tr>
</tbody>
</table>
Endnotes

1 See p. 21, Making globalization work.
3 See p. 150-151, The Philippine Informal Sector.
4 Using the definition from the Municipality of Floridablanca, a registered tricycle driver is the driver/operator of a tricycle or one with a driver’s licensed operated under the supervision of the Franchising Office within the Municipality of Floridablanca, Pampanga. On the other hand, a colorum tricycle driver is the driver/operator of a colorum tricycle or one without a driver’s license or with a drivers license other than a professional driver’s license.
5 The annual municipal report is not published online and it can only be accessed by visiting the Municipality of Floridablanca or requesting a copy at (045) 9701374.
6 According to the Municipality’s estimate, there are 3,066 registered tricycle drivers. On the other hand, the local survey indicates more than 234 non-registered drivers. Thus, there are at least 3,300 tricycle drivers.
7 Based on our survey, a tricycle driver is considered “active” if he works at least 5 times/week and 4 hours/day in the locality.
8 See annual report, Brief Socio-Economic Background: Floridablanca, Pampanga, particularly the section on “Physical Characteristics and Features, Demography”.
9 Ibid.
10 This information is cited by Professor Patricia Daway in her unpublished article, *The legal regime governing the export of filipino workers*.
12 Focused group #2
14 For more information, please visit Honda.com or K-Servico online.
15 Focused Group #1
20 See the annual report, Basic Socioeconomic Profile: Floridablanca, Pampanga (2007-2010).
References

Daway, Patricia P. (Unpublished). The legal regime governing the export of Filipino workers.


Personal interviews


Sta. Cruz, Maria, 2010. Floridablanca, Pampanga, 29 July.