

Article

Using Marx to Understand the Working Class in the Philippines

Benjamin B. Velasco

Assistant Professor, School of Labor and Industrial Relations (SOLAIR),

University of the Philippines Diliman (UP Diliman)

Co-convenor, Program on Alternative Development, University of the Philippines

Center for Integrative and Development Studies (UP CIDS)

bbvelasco@up.edu.ph

Abstract

In the Philippines, service workers outnumber workers in industry and agriculture. Wage workers are the majority, but there is substantial nonwaged employment. Marxist categories as a relational theory of social classes can unpack these characteristics of the working class. Production relations and the labor theory of value are relevant concepts. The working class is defined by its situation—it is the propertyless mass who must sell their labor power in return for wages to the capitalist class who own the means of production. Thus, service workers are no less proletarian than industrial workers. Moreover, service workers engaged in the supply chain of commodity production—from engineers designing products to workers transporting goods to wholesale and retail employees laboring at the point of sale—all contribute to the creation of value and surplus value. Proletarianization subjugates sections of the working class and even independent producers to the industrial regime characterized by division of labor and mechanization of work. Capitalism simultaneously creates, destroys, and reconstitutes sections of the working class as it develops. For Marx, the working class is composed of the army of labor and the reserve army. The reserve army of labor is the nonwaged population or the urban and rural poor in the Philippines. They are the semi-proletariat, which connotes their similarity yet distinctiveness from the proletariat.

Keywords

working class in the Philippines, social classes, Marx, class analysis, service workers, semi-proletariat

Introduction

A furious debate erupted amid the distribution of government aid for the poor who were affected by the COVID-19 lockdown (Venzon 2020). Self-proclaimed “middle class” individuals criticized the social amelioration program which targeted the poorest 18 million households. The former found it unfair, since as taxpayers, they did not receive aid despite being similarly affected by the pandemic. Some of the critics were small entrepreneurs, but others were just wage earners who proudly accepted the middle-class label given by the media and the government. The uproar died down when the government announced assistance for the “middle class” in the form of wage subsidies for workers furloughed due to the lockdown. The fact that “wage subsidies” mollified the grievances of the alleged “middle class” should have alerted opinion makers to the misclassification.

With income as the criteria, minimum wage earners are classified as middle-income and thus are described as the middle class. This of course raises the question of the appropriate definition for social classes. How can the working class be distinguished on a more rigorous basis from other classes? What are the present characteristics of the working class in the Philippines? This would be important in avoiding confusion over terminologies and also in clarifying categories for the purposes of policy making.

Thus, it makes sense to interrogate the dynamics of the working class in the Philippines today. This paper seeks to use concepts developed by Karl Marx—such as proletarianization, value, and surplus value—in understanding the character of the working class. The paper reviews the basis for defining social classes and affirms the relevance of Marxist analysis. The succeeding sections discuss the development of the working class in the Philippines and its current composition. A key section uses Marx’s analytical categories to unpack the question of nonwaged workers and service workers. The final section proposes policy changes in light of the paper’s findings.

Defining Social Classes

The most common way to delineate social classes is to classify people on the basis of their income. The statistical distribution of

income can be divided into deciles and then classes can be demarcated by arbitrarily assigning boundaries. In this way, an upper class, a middle class, and a lower class are defined. Albert, Santos, and Vizmanos (2018) and Albert, Abriego, Quimba, and Vizmanos (2020), in their study of poverty before and during the COVID-19 pandemic, used this schema to designate the middle class in the country. In the absence of an accepted measure for the middle class, they defined it as “those whose per capita incomes are between two- and twelve times the official poverty line” (1).

Wright (1979) calls this type of defining social classes as “gradational theories.” Apart from income, gradational theories of classes can also use educational attainment. Draut (n.d.) classified the working class in America as those without a bachelor’s degree and the middle class as those who graduated from college.

Another type of defining classes is through relational concepts (Wright 1979). In this conceptualization, classes are demarcated by their dependent and causal relationships to each other. Therefore, the working class is defined through its relationship to the capitalist class and vice versa. Classes are conceived as entwined in social relations and embedded in social structures. Thus, classes are locked in relationships of dependence and causality. This is unlike gradational theories where the relationship between classes emerges through their degree of differences according to a certain measurable criterion, such as small and big incomes distinguishing the lower and upper class.

The weakness of gradational theories is that they are “static taxonomies” (Wright 1979, 7). They may be useful in categorizing people according to a criterion but are unable to account for the behavior of classes, specifically social conflict. On the other hand, relational concepts of class imply that classes are also real class forces. Thus, the power of this concept of class is its dynamic connection to class interests, class consciousness, and class struggle.

With Marx, classes are located in relationships of production. Thus, in a capitalist society, workers without the means of subsistence enter into a relationship with capitalists who own the means of production. Workers have the labor power needed by capitalists to enable the production of commodities. With their labor power, workers

create value over and above the wage they receive, and the surplus is appropriated by capitalists. The worker-capitalist relationship is therefore exploitative and antagonistic. The categories of production relations and class antagonisms are key insights of Marxist class analysis (Wright 1979; Hyman 1983).

In contrast, market relations define social classes for Weber. Workers are sellers of labor power, and capitalists are buyers of that commodity. The market is the domain where their relationship is forged, and where the possession of goods and opportunities for income is transacted. Thus, classes are circumscribed by their common economic conditions or life chances. For Weber, ideological position is not reducible to class but is also dependent on culture. Thus, status and privilege are more significant factors than class (Wright 1979; Hyman 1983).

Applications of Weber's ideas on class based on market, ranks, and income imply a multiplicity of classes which weakens its analytical rigor (Hyman 1983). Also using Weber has meant that class definition has become less detached from the dynamics of class consciousness and conflict because of the absence of a concept of exploitative class relations. In this, Marx's concepts retain their insights. Thus, this paper will use Marxist categories in analyzing class.

Capitalists appropriate the surplus value produced by the labor of workers in the process of production of commodities. In general, exploiting classes extract the surplus labor of exploited classes on the basis of private ownership of the means of production. In precapitalist forms of exploitation, nonmarket ways of appropriation are utilized. Thus, feudal lords take the surplus harvest of peasants by tradition or force (Marx 1990).

Lenin (1919) described the nexus between class and exploitation:

Classes are large groups of people differing from each other by the place they occupy in a historically determined system of social production, by their relation (in most cases fixed and formulated in law) to the means of production, by their role in the social organisation of labour, and, consequently, by the dimensions of the share of social wealth of which they dispose and

the mode of acquiring it. Classes are groups of people one of which can appropriate the labour of another owing to the different places they occupy in a definite system of social economy.

With Lenin and Marx, social classes are anchored on the locations they occupy within the production system of a society. In this schema, the ownership of the means of production determines the role of classes in the production process and the share of the classes in the wealth produced in society. Marx wrote,

The owners merely of labour-power, owners of capital, and landowners, whose respective sources of income are wages, profit and ground-rent, in other words, wage-labourers, capitalists and landowners, constitute then three big classes of modern society based upon the capitalist mode of production. It is undeniably in England that this modern society and its economic articulation is most widely and most classically developed. Even here, though, this class articulation does not emerge in pure form. Here, too, middle and transitional levels always conceal the boundaries (although incomparably less so in the countryside than in the towns). (1981, 1025)

Although Marx speaks of the three great classes, he does note the reality of transitional levels. Further down, Marx (1981, 1025) asks, “What makes a class?” But the question is unanswered as the text is unfinished. Marx left no theoretical elaboration of classes despite its primacy in his propositions about capitalist society and class conflict (Hyman 1983; Wright 1998). Marx’s ideas about class have been the subject of debate. For example, Marx thought that the progress of capitalism will eventually diminish, if not abolish, intermediary groups of people. Wright (1998, 13) calls this the “embarrassment of the middle classes” in the advanced capitalist countries and the “embarrassment of the peasantry” in the backward capitalist nations.

Wright (1979) sought to explain this gap in class analysis by proposing a theory of “contradictory class locations.” This refers to the intermediate strata such as managers who are conceived to be located between capitalists and workers; autonomous workers (technicians and professionals) who are located between workers and the petty bourgeoisie; and small employers who are located between capitalists

and the petty bourgeoisie. Relations of control and domination define these contradictory locations. Hyman (1983) criticized Wright (1979) for using Weberian categories in his avowedly Marxist theorizing. Later, Wright (1998) reformulated his theory of contradictory class locations to base it on exploitation, not domination, to pivot it back to Marxist moorings. This reformulation entailed a redefinition of the meaning of exploitation from property relations to production relations.

The Working Class in the Philippines

The birth of the first generation of workers came with the stirrings of capitalist development at the tail end of the Spanish colonial period. In the mid-19th century, the port of Manila welcomed British and American merchant houses whereas previously, there were only galleon traders and Chinese merchants. Opening up to world trade allowed the growth of various export crops, such as sugar, tobacco, hemp, and coffee. Interestingly, the origins of capitalism in the Philippines also saw the rise of a local bourgeoisie with firm ties to the land (Constantino 1975; Fast 1973).

It was not only the city of Manila, but also provincial ports such as Iloilo, Zamboanga, and Sual, Pangasinan that developed on the basis of global trade. In Iloilo, British capital poured in for the expansion of sugar production. The rise of sugar production and milling encouraged the diversification of Chinese mestizos from retail trade. Thus was born the sugar haciendas of Negros, first on the basis of sharecropping and later on the foundation of wage labor (Aguilar 2013).

Still, Manila was the trading center where the first generation of workers were concentrated and where the labor movement initially took root. *Gremios* or craft guilds in printing, tobacco, and stevedoring started in the 1870s. There were also *gremios* for clerks, woodworkers, carpenters, and barbers (Sibal 2004). Most laborers were male, but tobacco workers were overwhelmingly female. Four of five tobacco factories in the 1800s exclusively hired *cigarreras*. Still, *cigarreras* were the minority among working women since most were in domestic work as *criadas*, *labanderas*, *costureras*, and *bordadoras* in the homes of the affluent. Thus, factory work for women was an exception to the rule where they were in paid jobs that were extensions of household labor (Camagay 1986).

American colonial rule made sugar the number one export crop by the 1920s (Fast 1973). Manufacturing barely grew as U.S. duty-free products flooded the local market (Constantino 1975; Fast 1973). Labor and agrarian unrest from the 1920s to the 1930s led to the first labor laws (Sibal 2004; Ofreneo 2020). In the postwar period, the labor movement spread across the nation, a reflection of slow but sure capitalist development (Ofreneo 2020). Migration to Manila and other key cities continued apace through that era. A short period of import substitution from 1950 to 1962 facilitated a robust growth of manufacturing, led by local industrialists and subsidiaries of US corporations (Fast 1973; Ofreneo 2020). As a result, the number of blue-collar laborers and related white-collar employees, such as professionals, technicians, and managers in the services sector, increased (Ofreneo 2020).

During the Martial Law period, economic policy shifted to export-oriented industrialization and led to the rise of toys, footwear, and handicrafts as nontraditional exports, and pineapple and banana as new agricultural exports. This continued even after the transition in 1986 and eventually led to a shift to electronics and garments as key exports (Ofreneo 2020).

Manpower export started in 1975 as a temporary program to abet unemployment in the country. Outmigration would accelerate as the lack of quality jobs was a push factor for relatively skilled workers. Eventually, migration became the largest dollar earner, outstripping commodity exports, although today, revenues of business process outsourcing are not far behind (Agcaoli 2019). It is also the biggest job generator. Remittances provide support for 20 percent of the population and sustain housing and consumption in malls (Ofreneo 2010).

The shifts in economic policy and the impact of dependent relations have led to a society dominated by the services sector, with a weak industrial base and unmodernized agriculture (Ofreneo 2020). The development of capitalism and the growth of the working class in the Philippines have largely been determined by colonialism and neocolonialism. The working class in the Philippines today is shaped by this particular path of capitalist development.

Understanding Waged Employment

Labor force surveys provide a broad snapshot of the characteristics of the working class and other classes in the Philippines. It is worth remembering that these numbers are based on what is called the economically active population (International Labour Organization 2003). All people involved in economic activities are called workers, even if strictly speaking they are not all working class. Instead, they fall under different categories of social classes. Thus, employers are included in the list of workers who are economically active. Meanwhile, excluded are certain categories of people who are classified as engaged in noneconomic activities. A whole discourse and feminist theorizing revolve around the question of unpaid domestic and care work (Federici 2019). One limitation of this paper is that it will not delve into this issue except to note its importance.

Table 1 shows the labor force disaggregated by “class of worker.” Wage and salary workers are paid for their work by an employer. They come close to the Marxist category of working class. However, managers are included among wage and salary workers although they are a small number. Meanwhile, the nonwaged population is composed of self-employed and unpaid family workers.

Table 1. Philippine labor force by class of worker in 2019

By class of worker	Number in millions	As percentage of total
Wage and salary workers	27.2	64%
Self-employed	11.5	27%
Unpaid family workers	2.5	5.8%
Employers	1.2	2.9%
Total	42.4	100%

Source: Philippine Statistics Authority (2019)

Wage and salary workers outnumber the nonwaged population by two to one. Still, the nonwaged population of 14 million is significant. It is the substantial, predominant type of employment in India and other

developing countries (Bremen 2013). The distinction between waged and nonwaged employment is crucial in class analysis since the latter implies the absence of a direct experience of capitalist exploitation.

Nonetheless, a more granular analysis of wage and salary workers is necessary to gain insights into the composition of the working class. There is a section of wage workers who are employed in microenterprises, that is, those with fewer than ten employees. In these cases, the proximity of the employer to the worker attenuates class contradictions. For example, microenterprises may hire relatives or friends of the entrepreneur. Although exploitation exists, the contradiction is mitigated by personal relationships. Another case of close yet exploitative relations is the nexus between a jeepney operator and a jeepney driver. The exploitative relationship is so blurred that operators and drivers combine into jeepney associations (Pascual 2006). Thus, it makes sense to disaggregate the wage workers in microenterprises from those in larger firms. It is in these larger firms where class contradictions are more transparent.

There are 4.4 million wage workers employed in firms with more than 20 workers (PSA 2016). Meanwhile, there are 6.3 million workers in establishments with ten workers or more (Bersales and Llarina 2019). Whichever is taken as the boundary, workers in larger firms comprise one-fourth or less of the total wage and salary workers. It is this subset that experiences exploitative relationships in a more structurally visible manner. The base of the trade union movement is in practice limited to this subset of wage workers.

In the 1980s, up to a million workers were employed in the garment and textile industry, and it was a bastion of the trade union movement with most of the large factories organized (Ofreneo 2010). Up to the early 1990s, some 300,000 were in large factories, and around 500,000 were engaged in smaller workshops and homework. By 2006, it is estimated that only 300,000 were employed as garments declined due to competition by lower-waged countries (Ofreneo 2009).

Garment and textile workers hew closely to the stereotypical industrial proletariat in terms of structure and consciousness. Nonetheless, even workers in medium-sized factories in metal, plastic, and processed food displayed combativeness, such as in the Caloocan-

Malabon-Navotas-Valenzuela industrial area, which was known as a “strike capital” in the 1980s (Ofreneo 2009, 546).

The electronics industry, despite its much higher gross value added, employed a lesser number of workers. In 2002, despite cornering 69 percent of total export revenues, there were only 300,000 workers in electronics firms, almost all inside export processing zones (Ofreneo 2010). Unlike garments and textile, unionism failed to make much headway in the sector despite its proletarian profile.

At present, one in four wage workers do not have regular status, and one in eight are contractual. Nonregular workers can be contractual, project-based, seasonal, or casual. It should be noted that this data on precarity is underestimated; it covers only enterprises with 20 workers and more (PSA 2016). Nonstandard employment is evidently more widespread in micro and small enterprises.

Table 2 disaggregates the wage and salary workers into formal and informal status of employment. The informal economy is defined by Bersales and Llarina (2019) as comprising unincorporated household enterprises. These enterprises are either owned by the informally self-employed, who only occasionally hire workers and mainly depend upon family labor, or informal employers who continuously hire workers. But these informal employers only employ no more than nine workers, meaning they are microenterprises.

Table 2. Wage workers in formal and informal employment status in 2018

Employment status	Number in millions	As percentage of total
Total employment	40.896	100
Formal	15.230	37.2
Informal	25.667	62.8
Wage and salary	26.079	63.8
Formal	6.305	15.4
Informal	19.774	48.4

Worked for private establishment	20.559	50.3
Formal	4.550	11.1
Informal	16.009	39.1
Worked for government/ Government corporation	3.451	8.4
Formal	1.621	4.0
Informal	1.831	4.5
Worked for private household	1.923	4.7
Formal	117	0.3
Informal	1.806	4.4
Worked with pay in family-owned business	0.146	0.4
Formal	0.017	0.0
Informal	0.129	0.3

Source: Bersales and Llarina (2019)

Among the almost 20 million wage workers in informal status would be drivers of jeepneys and tricycles who do not own the vehicles (Pascual 2006; Serrano et al. 2015). In 2002, there are an estimated 1.6 million informal workers who are drivers of jeepneys, tricycles, and pedicabs—informal but popular means of public transport in the country (Pascual 2006). In the National Capital Region (NCR), the driver’s income is anywhere from ₱500 to ₱800, whereas the operator’s income ranges from ₱800 to ₱1,100 (Pontawe and Napalang 2018). Despite the significant difference in income, it is clear the heads of both operators and drivers are just barely above water, if at all.

Informal workers in construction comprise another key segment. Although workers in large construction firms soak up 74 percent of total employment in the industry, most of them are project employees. About 83 percent of nonregular workers in construction are project employees, who are hired only for a short duration and for a specific type of work. The average daily basic pay is above the minimum wage (Serrano and Castillo 2020). They usually work for the normal eight hours a day and

for six days a week. At times, they are contracted on “pakyawan” or paid for the whole project instead of per hour or day (Serrano et al. 2015).

Domestic workers, numbering almost two million in 2019, are also among informal wage workers. Despite efforts to transition them to formality through the passage of the Kasambahay Law, the reality is that most remain outside formal contracts and social security. Still, most are covered by the minimum wage which, however, is lower than the rest of the formal sector workers. Those who live outside the homes of their employers work for eight hours, but those who stay in would usually have working hours beyond the normal (Serrano et al. 2015).

Another section of the informal wage workers are homeworkers. Many are enmeshed as piece-rate workers at the bottom of the garment value chains. Today, their numbers would be much reduced from the peak estimate of 500,000 in the early 1990s due to factory closures and influx of imported clothes or *ukay-ukay* (Larsson 2018). There are numerous other forms of informal wage labor, such as agricultural laborers, municipal fishers, or small-scale miners who are paid in one form or another.

Understanding Nonwaged Employment

Employment in the informal economy intersects with the population engaged in nonwaged employment. It must be emphasized, however, that the category of informality refers specifically to the lack of regulation and social protection for those in the informal economy. Thus, employment in the informal economy is much larger than nonwaged employment since the former includes informal employment in formal enterprises (International Labour Organization 2003).

Again, a probe into the specifics of nonwaged employment provides insights into the composition of the working class. Table 3 disaggregates nonwaged employment into formal and informal status.

Table 3. Nonwaged employment in formal and informal status in 2018

Employment status	Number in millions	As percentage of total
Self-employed	11.140	27.2
Formal	7.910	19.3
Informal	3.230	7.9
Employer	1.517	3.7
Formal	1.014	2.5
Informal	502	1.2
Unpaid family worker	2.160	5.3

Source: Bersales and Llarina (2019)

The formally self-employed are highly credentialed professionals, such as doctors, lawyers, and accountants with their own private practice. Small entrepreneurs who continuously hire workers, but no more than ten of them, make up microenterprises. Rich farmers who also constantly employ farm laborers are similarly situated as small entrepreneurs, and both are counted as informal employers. Professionals whose incomes are enough for them to accumulate small property, small entrepreneurs, and rich farmers comprise the middle class. In contrast to workers who survive off their sweat and to capitalists who live off the toil of others, the middle class still partly depend on their own labor apart from income from their small property. They number just above eight million.

In contrast, the capitalist class comprises just one million. They own formal enterprises whose size may be small, medium, or large. Thus, there is wide differentiation within the bourgeois class. At the apex of the local bourgeoisie are local billionaire-oligarchs, such as the Villars and the Sys.

The informally self-employed and unpaid family workers comprise the urban and rural poor whose livelihoods are totally vulnerable and precarious. Oftentimes, the informal self-employed workers rely on family labor. In exceptional circumstances, they may even occasionally hire workers. Among the informally self-employed include street vendors, jeepney and tricycle operators, poor farmers

and tenants, small fishers, artisanal miners, and home-based workers, just to name the most important sections.

In contrast to homeworkers who are waged, home-based workers are self-employed, such as those in small-scale food processing or detergent production. Many homeworkers in piece-rate work shifted to home-based livelihood because of the decline of the garment industry. Although home-based work was welcomed because it provided autonomy and gave women leeway in juggling home and work, they nonetheless remain trapped in low incomes and poor working conditions (Larsson 2018).

There are no available accurate statistics on street vendors despite their high visibility as informal self-employed (Recio 2019). A study found that the number of ambulant vendors were almost double the figures reported by local authorities and vendors' organizations. There were also street vendors in semifixed positions as a result of verbal agreements with private lot owners. Finally, the study found the presence of waged streets vendors. They are paid to hawk for nine to 12 hours a day. Otherwise, they sell on a consignment basis; thus, they have no capital outlay. They earn ₱125 to ₱200 and get free meals. This is below the earnings of mobile or semifixed vendors: a low of ₱250 for selling food, ₱550 for fruits, and a high of ₱1,100 for digital video discs (DVDs) (Recio and Gomez 2013, 181). Most vendors are older, finished only high school, and have been vending on the streets for more than two decades (Bayatan and Palic 2020).

Similarly, the exact number of jeepney operators is hard to pin down since there are a number of unregistered units called colorums. Estimates of jeepney units range from 180,000 to 300,000. The number of jeepney operators is nearly the same as the number of units. Eighty percent of them possess just one vehicle (Pontawe and Napalang 2018; Mariano, Kaenzig, and Mettke 2019; T. Mendoza 2021).

Around 1.65 million tricycles are registered with the Land Transportation Office (2019). It is fair to assume that the tricycle sector is just as fragmented as the jeepney sector since this is a livelihood of the poor with a low barrier of entry. Thus, the number of tricycle operators probably approximates the number of units. Kim et al. (2020) found that tricycle operators who availed of loans for the vehicle earned ₱731 daily, significantly above the ₱551 daily earnings of tricycle drivers

in the boundary system, which is just above the minimum wage. Both operators and drivers worked for an average of 11 hours a day for 6.3 days per week. They earn significantly less than those in the jeepney sector while working just as long, if not more. Therefore, they are just as mired in poverty.

Also included in the informal self-employed are groups of people engaged in the gig economy. What is included in the gig economy is a matter of dispute. The United States Bureau of Labor Statistics (BLS) prefers to define it as “alternative work arrangements”—that is independent contract work, on-call work, temporary help agency work, and contracted work. Others would include labor that provides supplementary income: what Americans call “side-hustle” or “sideline” in Filipino. Compared to the restrictive US BLS definition, including sideline work implies an expansive characterization of gig work.

A high estimate of gig workers in the Philippines puts it at 2 percent of the population (The ASEAN Post Team 2019). Income of freelancers in the Philippines increased by 35 percent in 2019 from the previous year, putting the country sixth in a list of top 10 countries in terms of revenue growth (Payoneer 2019). The author believes these figures are overestimations since these are based on an expansive definition of freelance work. In contrast, the US BLS (2018) reported that the percentage of gig workers did not grow between 2005 and 2017. Using standard probability sampling, a European study (Piasna, Zwysen, and Drahokoupil 2022) found that platform work was generally homogenous throughout the region. Although a large “17 percent of the working age population did internet work in the past,” only a small “1.1 percent can be classified as ‘main platform workers’; that is, working 20 hours or per week and earning more than 50 percent of their income through platforms” (4).

An increasingly visible segment of the gig economy is working on digital platforms. In one indicative study, app food delivery riders and bikers were found to be usually male, younger than 35 years old, and high school or vocational-technical graduates. They were motivated to shift to platform work for the higher income primarily and secondarily for the autonomy in working hours. They worked seven to nine hours a day and five to six days per week. They also paid for their vehicle amortization and mobile data expenses out of their income (Galera 2022).

Understanding Sectoral Employment

In Table 4, employment by sector reveals the large number of the labor force in services compared to agriculture and industry. It is necessary to bear in mind that the category labor force includes not only the working class but also other classes. A significantly less, but still considerable, section of the working class is in industry or agriculture.

Table 4. Labor force by sector employed in 2019

By sector employed	Number in millions	As percentage of total
Agriculture	9.7	23%
Industry	8.1	19%
Services	24.6	58%

Source: Extracted from Philippine Statistics Authority (2019)

Informality is a defining characteristic of the sector; 84 percent of those employed in services are in microenterprises with fewer than 10 workers (Senate Economic Planning Office 2012). Much of the nonwaged employment discussed earlier is in services—street vending, jeepney and tricycle transport, and the gig economy. Nonetheless, there is a significant section of services in formal employment in larger enterprises—malls, business process outsourcing (BPO) sites, hotels and restaurants, and bus and rail transport. In the National Capital Region, while manufacturing has substantially relocated out to the industrial areas of Calabarzon (the provinces of Cavite, Laguna, Rizal and Quezon), malls and BPOs have mushroomed and soaked up employment.

One very important subsector of services are BPOs. They employ more than 1.2 million workers across some 700 firms, predominantly call centers. Although there are medium-sized start-ups employing several hundred workers, the biggest BPOs engage up to 80,000 workers in different sites across the country. The growth of BPOs has been explosive since the first call center was set up in 1992. At present, BPOs “contribute[s] over 11 percent” of the country’s gross domestic product (GDP) (Outsource Accelerator 2022). BPOs pay above-average salaries with generous benefits. However, there is rapid turnover and an exit mentality among workers in response to grievances, which contributes

to the difficulty of organizing BPO workers. BPO workers are generally young with no tradition or positive image of unionism (Bool-Sale and Sale 2010).

The labor force in agriculture is comparable to that in industry but is much smaller than that in services. In 2012, 8.6 million people worked in agriculture. Of these, 7.4 million worked in their own farms, 567,000 labored in both their own farms and another's, and 527,000 just worked in another's farm. Of all farms, 46 percent were owned by the tiller and the rest were worked by a tenant. The average size of farms shrank from 2.8 hectares in 1980 to 1.3 hectares, with more than half the number having sizes smaller than one hectare. Though fewer, corporate farms average 97.1 hectares (PSA 2017).

From these, it is possible to estimate that 3.7 million are farmers owning their land, and another 3.7 million are tenants or peasants. Most of them are small tillers. The middle to rich farmers hire additional laborers. There are half a million poor farmers and peasants whose incomes are so low that they also work in other farms. Finally, there are half a million landless agricultural laborers, of whom a minority work in corporate farms.

Not captured in the labor force surveys are Filipino migrant workers. In 2019, there are 2.2 million overseas Filipino workers (OFWs). Of these, 54 percent were females and 44 percent males, revealing the feminization of migration. Migrants are young, mostly in the 25–34 age bracket. Two in every five belonged to elementary occupations, mainly construction in Saudi Arabia and the United Arab Emirates. About one in five worked in service and sales, primarily domestic workers in Hong Kong. The rest are skilled workers like machine operators and nurses (PSA 2020). Thus, the profile of migrant workers does not mirror the dominance of services in the local economy.

Understanding the Modern Working Class

Two things need to be explained. One, what can be done to make sense of the large nonwaged population in the Philippines? Can the mass of self-employed poor and unpaid family workers be considered part of the working class?

Second, what can be done to understand the dominance of services over industry and agriculture? How are service workers integrated into the creation of commodities and value?

For Marx, the proletariat is that class of people who have been dispossessed of the means of production and have to sell their labor power to the capitalists in return for a wage, so that they can survive in a society where the necessities of life are for sale.

In the Philippines, there are a large number of informally self-employed and unpaid family workers who constitute the urban and rural poor. They all earn a living but do not work for a boss. They do not receive wages from an employer. However, they are propertyless, without ownership of any means of production. Some of them have been employed by a capitalist for part of their lives. Members of their immediate families may be workers. However, as long as they are not working for a boss in return for a wage, the question arises: what class do they belong to?

The answer lies in Marx's concept of the reserve army of labor. The army of labor is comprised of workers in a definite wage-labor relationship with capitalists. But alongside this army of labor is a reserve pool comprised of workers who have become redundant due to mechanization, would-be workers who are migrating from the countryside to the cities, and workers in marginal types of jobs or livelihoods whose incomes are not even enough to sustain a decent life. These correspond respectively to the "floating, latent, and stagnant" sections of the reserve army of labor (Marx 1990, 794). Broadly—though not exactly—these Marxist typologies correspond to the mainstream concepts of the unemployed, migrants, and the informally self-employed.

An important implication of Marx's description of the working class is the fluidity in its composition. The army of labor is not static but dynamic. Its ranks are depleted by the floating reserves, which would usually fall into the level of stagnant reserves. But its battalions are also reinforced by recruits from the latent and stagnant reserves. In times of business expansion, the ranks of the reserve army decrease as the army of labor increases in proportion. But in a period of economic crisis, masses of active workers are thrown into the reserve army (Marx 1990).

A would-be worker starts in the reserve, and then is hired into the active army of labor and may later be retrenched back into the reserve only to be recruited once more as a wage-laborer in better economic times. Such are the vicissitudes of the life of an individual worker. This implies that the working class is composed of both the army of labor and the reserve army of labor. Although the army of labor is strictly the proletariat, the reserve army is the semiproletariat.

Marx's key insight is that capitalism will always have a reserve army of labor. Rapid economic growth will diminish the reserve army and tend to strengthen the leverage of the workers in struggling for better wages, benefits, and conditions. This leads to a profit squeeze for capitalists. Their response would be to lessen the need for workers by replacing them with machines. Thus, escalating mechanization and productivity are brought about by the motivation to relieve the profit squeeze created by wage pressure on the one hand and by the competition among capitalists to cheapen commodity prices on the other hand. The reserve army of labor is a necessary weapon in the hands of capitalists in their class struggle against the workers (Marx 1990).

Accumulation of capital, therefore, creates both the proletariat and the semi-proletariat. Marx wrote,

But if a surplus population of workers is a necessary product of accumulation or of the development of wealth on a capitalist basis, this surplus population also becomes, conversely, the lever of capitalist accumulation, indeed it becomes a condition for the existence of the capitalist mode of production.

It forms a disposable industrial reserve army, which belongs to capital just as absolutely as if the latter had bred it at its own cost. (1990, 784)

On this basis, this paper asserts that the urban and rural poor in the Philippines are part of the working class. They are the semiproletariat, which connotes their similarity yet distinctiveness from the proletariat. For example, urban poor organizing is commonly done around issues of livelihood and welfare, not employment. Still, labor centers in the country have included urban poor and community associations in their ranks.

The reserve army is to be found in all capitalist countries. Still, vast numbers of working poor and extensive employment in the informal sector are particular features of capitalism in developing countries. The excess population of the countryside and the cities are in nonwaged employment and face difficulties transitioning to wage-labor because of weak industrialization. Rapid migration from the countryside to the cities in the wake of the postcolonial transition gave birth to a burgeoning army of day laborers, temporary workers, and itinerant vendors who were outside of waged employment and are lumped together as self-employed (Breman 2013). In contrast, the overwhelming majority of the population in the developed countries were absorbed into the labor force as wage laborers in their industrialized economies. Yet globalization has inflated the reserve army even in industrialized countries in the form of the precariat (Standing 2009).

The next issue to problematize is the dominance of the services sector in the economy. Since the birth of capitalism, workers on the one hand have been characterized as propertyless wage slaves. On the other, industrial workers have also been defined by a regime of division of labor and mechanized production. The consequence of this regime is the concentration of workers and the forging of collective labor.

The industrial workers became a collective mass that was both an exploited class and a productive force. The proletariat had the power to paralyze capitalist production by withdrawing their labor at the point of production. It facilitated the growth of unions and parties that organized and conscientized workers. It gave them the potential to be a revolutionary agent in the struggle against capitalism. The potential became real with the rise of labor struggles, the growth of unionization, and the explosion of socialist revolutions.

Today, industrial workers are a minority in the whole labor force. Those in the services sector comprise the vast majority. Without a doubt, service workers are propertyless wage-earners laboring for a boss. Furthermore, the tendency is for service workers to be subjected to a regime of division of labor and mechanized production.

The crew in fast food restaurants work under a system of mechanized production and division of labor, as do logistics workers manning warehouses and wholesale shops, and their counterpart retail staff in malls, department stores, and supermarkets. McDonald's pioneered the adaptation of the assembly line system used in the factories for the restaurant industry. Likewise, call center agents work under a system of social division of labor that is organized on a global scale. They use high-end computers and communications gadgets in their daily work, which is heavily supervised. The production quota in the factories is mirrored in the metrics of call centers. Like industrial workers a hundred or so years ago, service workers also comprise a collectivity with shared experiences of exploitation and the potential power to paralyze production.

This paper posits that the deployment of the industrial system is a fundamental trend in the development of capitalism. The industrial system refers to the subjection of workers to the division of labor and mechanized production in the quest of capitalists for higher productivity and profit.

The rudiments of the industrial or factory system emerged at the beginning of the industrial revolution but has continuously improved and adapted as capitalism developed. The industrial system first conquered manufacturing during the industrial revolution. Later, the same industrial system was adapted to agriculture. And since then, it has increasingly put services under the regime of mechanization and socialization.

Since mechanization and socialization in manufacturing have been deployed and improved over a long period of time, it has managed to increase productivity in this sector by leaps and bounds. The use of tractors, fertilizers, economies of scale, and other productivity-enhancing systems in agriculture has also led to a huge rise in farm production. One consequence is that for a comparatively smaller number of workers, a bigger mass of goods is made or harvested. This has resulted in the absolute and relative decline in the number of industrial workers, as well as of agricultural workers in advanced countries. In comparison, productivity in services is not yet at the same degree because of the relatively lower level of mechanization.

Thus, there is a much bigger number of workers in services than in manufacturing.

At the time Marx wrote *Das Kapital*, the factory system in manufacturing was churning out commodities on an industrial scale. Meanwhile, agriculture was in still transition from traditional farming. Services were very rudimentary, provided by artisans or professionals, or done at home by women as unpaid domestic chores (Hobsbawn 1977, 1987). In this context, Marx necessarily used the example of workers producing thread from cotton through spindles to illustrate his concept of value and surplus value.

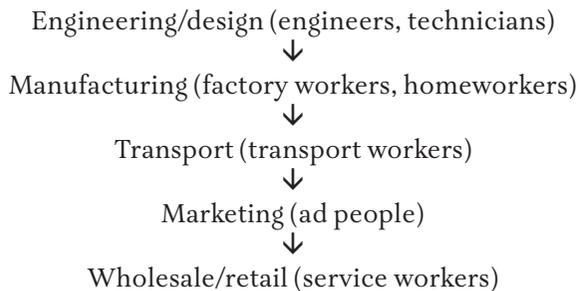
Marx (1990) explained that the value of commodities came from the labor time embodied in the material goods produced by workers. Raw materials consumed and machines used constituted the constant capital or dead labor component of the value of the commodity. The value of materials and machines was simply transferred into the commodity without creating anything new. New value was created by living, breathing, and toiling workers who comprise variable capital or living labor. Out of that new wealth produced by workers came their wages and the surplus value appropriated by the capitalists. Wage and profit emerge out of living labor.

The same dynamics of dead and living labor and constant and variable capital still animate industrial production. Except that in the modern world, the production of material goods is an integrated and comprehensive process that involves steps such as design and engineering; transport of raw materials, spare parts, and finished products; marketing of commodities; and finally, wholesale and retail trade so that they finally end up in the hands of consumers.

Under the system of globalized production, manufacturing in many instances is highly automated and may even use robots. But alongside this modernized production, manufacturing also includes to a significant extent the labor of homeworkers done predominantly by women. The global supply chain extends to sweatshops and poor households where homeworkers suffer from the worst working conditions.

Manufacturing, in all its various forms, is just one step in an integrated value and supply chain in a global system of production.

The production chain incorporates the services sector. This paper argues that value is created in every step of the modern production process from preproduction to production and finally postproduction. In preproduction, engineers, technicians, and scientists who design products already impart value through the labor time they expend. Transport workers also add value to commodities as they travel the length and breadth of the production chain. Wholesale and retail workers likewise increase the value of the commodity through their labor time. Without the labor of the preproduction workers, commodities will not be designed. And without the labor of the postproduction workers, commodities will not be sold. When consumers buy the commodities, then the value embodied in them can be realized.



In Marx's time, the services sector was undeveloped, since products did not have to be designed and marketed. Commodities like shoes had basic blueprints that hardly changed. Retail was in the hands of petty-bourgeois shopkeepers who did not usually employ laborers except for unpaid family workers. Although there was trade and the global market existed, most goods were consumed near where they were produced (Hobsbawn 1977, 1987). Today, shoes are still made to be worn. But in modern capitalism, shoes are designed in offices and laboratories to cater to market segments and niches. They are transported to be sold far from where they were manufactured. Additionally, shoes are advertised and marketed not as simple necessities but as lifestyle choices.

Along the value and supply chain, productivity is highest in manufacturing since it is the most mechanized. It may even be automated with the use of robots. But capitalists seek to increase productivity and tightly control workers all along the value chain. Thus, the industrial system of division of labor and mechanized production is deployed in all segments of the value chain, including services.

The rate of profit mediates the relationship between the various capitalists that are engaged in the different steps of the modern production process. The average profit rate must be realized by the different capitalists. However, global companies can exercise monopoly power over the supply and value chain and thus extract a monopoly profit that is above the average rate of profit.

This paper asserts that service workers who are part of the modern production chain create value and surplus value. Poulantzas (1975) and Carchedi (1975) have argued that service workers are nonproductive since they are not engaged in the actual production of material goods. But Mandel (1975) and Mallet (1975) aver that intellectual labor involved in the production process—called preproduction in this article—is indeed productive. Further, Mandel (1975) insists that the development of the services sector in late capitalism has made the distinction between productive and nonproductive difficult to untangle. Thus, the traditional distinction in Marxist political economy about the realization of the value being separate from the creation of value becomes blurred. In fact, Marx himself was ambiguous on the question of the boundaries of productive and unproductive labor. Marx makes the case for regarding the collective worker—or the totality of workers engaged in the production process—as a productive worker.

The product is transformed from the direct product of the individual producer into a social product, the joint product of a collective labourer, i.e. a combination of workers [...] With the progressive accentuation of the cooperative character of the labour process, there necessarily occurs a progressive extension of the concept of productive labour [...] In order to work productively, it is no longer necessary for the individual himself to put his hand to the object; it is sufficient for him to be an organ of the collective labourer, and to perform any one of its subordinate functions. (1990, 643–44)

If the entire modern production process—from preproduction to postproduction—is understood as an integrated whole, the collective laborer encompasses the entire gamut of workers from engineers and technicians to factory and homeworkers to transport workers to wholesale and retail workers. All of them are organs of the collective laborer who undertake subordinate functions. All of them are therefore productive workers whose labor contributes value to the commodity.

This analysis implies, however, that another section of service workers—those engaged in the reproduction of society, not the production of commodities—does not participate in the creation of value and surplus value. Examples are workers in the education and health sectors which are outside the realm of the production process. Work in education and health is undoubtedly useful and necessary to sustain life and society. But if we refer to Marx, such work is located at the point of reproduction, not production.

Nonetheless, workers in education and health increasingly labor under the industrial system of mechanization and division of labor. Organizing into unions and launching industrial struggles are ever-increasing phenomena among education and health workers, together with other service workers and public sector workers. Even if their work does not create value and surplus value, workers in these sectors are no less part of the proletariat and progressively engage in unionization and strikes.

To summarize, capitalism simultaneously creates, destroys, and reconstitutes sections of the working class as it develops. The proletariat is made and remade. The tendency to proletarianization and degradation of work proceeds due to the inexorable advance of the industrial system. It is counteracted by the rise of new forms of work and jobs until these occupations are later proletarianized as well. Thus, formerly independent professions or occupations, like programmers, engineers, and scientists, are proletarianized and become part of the working class. Despite changes in its demographics due to the evolution of capitalism, the working class retains its position as a collective mass with the objective and subjective potential to be an agent for social change.

Policy Implications

Two relevant policy proposals can be offered given the discussion and propositions made in this paper. First is the need to identify and count workers in the informal economy. The design and provision of social protection starts with an accurate assessment of the number of beneficiaries. Workers in the formal economy are not a problem since by definition they are covered by employment contracts and social security mechanisms. The challenge is ascertaining informal workers. Even Bersales and Llarina (2020) only estimated workers in the informal economy using indirect methods.

It is the working class that truly need publicly provisioned social protection. The members of the middle and the capitalist class avail themselves of private forms of social protection through commercially available health insurance, life insurance, accident insurance, and pension funds. But the working class is dependent on basic and publicly managed forms of social security, such as the Social Security System, Government Service Insurance System, PhilHealth, Pag-IBIG, and Employees' Compensation. In fact, social security was a demand of the labor movement in the early 1900s, and its establishment was a result of workers' unrest in the 1930s (Sibal 2014). Thus, Marxist class analysis illumines the imperative of provisioning social protection.

It is recommended that the PSA revise its survey questionnaire so that it can capture the state of informality. For example, the query, "Do you have an employment contract?" will separate formal from informal wage workers. Meanwhile, the question, "Is your livelihood/business registered in any public agency?" will differentiate formal from informal enterprises. The last question will further disaggregate the self-employed middle class from the self-employed working class.

Furthermore, the question, "Are you enrolled in publicly managed social protection?" will again separate formal from informal wage workers. Likewise, the query, "Are you covered by commercially available insurance schemes (health, life, accident) or bank-managed pension funds?" will disaggregate the middle and capitalist classes from the working class.

The design and implementation of universal social protection is a necessity amid covariate shocks like the COVID-19 pandemic, climate

change, and economic crisis (Bastagli and Lowe 2021). Reliable baseline information is a crucial first step in this regard.

The second policy-relevant proposal concerns gig workers. Even though they are considered independent contractors with no formal employment relationship and may even possess their own means of production like cars, motorcycles, gadgets, or laptops, their location within the value chain has to be understood to pierce the veil of fiction about their class. The restructuring of business has led to some of the risks being passed on to gig workers, like the procurement and maintenance of machines. Labor flexibilization has also meant that the formal employment relationship is severed so that apps and businesses can engage and disengage gig workers without complying with labor protections. Their economic dependence on particular clients, whether mediated by apps or not, reveals their proper status as employees. There is no question that they are working class and not petty bourgeoisie once they are located in their relations of production, and Marxist categories are used.

Amid their essential worker role during the pandemic, a series of protests by delivery riders broke out (Partido Manggagawa 2020; J. E. Mendoza 2021). Protests and even unionization among workers engaged by food delivery apps have been recorded in Asia, Latin America, and Europe (Trappman et al. 2020). Animating the campaigns of gig workers in these countries are issues of pay, working conditions, and recognition as employees.

Resolving the legal question of the employment status of gig workers will benefit from a framework based on Marxist class categories. The traditional control test used to determine employee–employer relationships should be complemented by the economic dependence test. The latter is based on a nuanced consideration of the economic relationship, nay dependence, of gig workers to their real employer. In the immediate, it is proposed that the Department of Labor and Employment issue a new department order to replace the one released in 2021 that merely affirmed the status quo. In the long term, legislation by Congress must resolve the controversy. Another pathway is a decision by the National Labor Relations Commission that can proceed all the way to the Supreme Court and thus set a precedent.

The author is motivated by the aim to clarify to gig workers, so-called “middle-class” wage earners, and others similarly situated about their real status: as members of the working class on the basis of Marxist class analysis. This paper has limited its focus on the structure of the modern working class and its objective dimensions. The subjective component and questions of agency remain to be examined. As Marx has stated, the proletariat as a class-for-itself must become a class-for-itself as it undertakes class struggle and attains class consciousness.

Benjamin B. Velasco is Assistant Professor of the School of Labor and Industrial Relations (SOLAIR), University of the Philippines (UP) Diliman. He is also co-convenor of the Program on Alternative Development, UP Center for Integrative and Development Studies (UP CIDS). • bbvelasco@up.edu.ph

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