

THE CONCEPT OF WAGE IN CONTEMPORARY ECONOMIC SYSTEMS: THE GARMENTS INDUSTRY'S WAGE STRUCTURE AND SOCIAL ISSUES

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This article discusses some ideological and historical concepts of wage under various economic systems. It looks at the garments industry in the Philippines as a model for analyzing the impact of the wage structure on industrial performance and on the achievement of a "just" a "living wage."

Wage setting practices are examined and related to productivity under various conditions of production arrangements. In particular, subcontracting as an operation common in the garments industry is cited to illustrate the dilemma of achieving productivity at the same time with just and equitable wage. What appropriate government policies then need to be formulated, for the garments industry? For other industries? This is the key question being asked and attempted to be answered in this article.

INTRODUCTION

It does seem, at first glance, that a theoretical, if not philosophical, attempt to analyze the concept of wage within its framework of labor relations, does not fit into the intellectual stream of a business school. The perception of business as pure profit-taking, acquisitiveness, and competition - characteristics which are the motivational forces in a capitalist economy - is ingrained in the thinking of almost all of us, and to dissect and weigh these very forces for their contribution, not to the generation of personal profit but to the attainment of the good, more particularly, allocative efficiency coupled with distributive justice, for the broad mass of people loosely called "Society", is almost heretical, if not downright revolutionary.

Fortunately, the University is the very ground for evolving new thought, or for challenging established ideas as contemporary developments put their continued validity to severe test. It has thus served to encourage and to protect intellectual excursions into the non-traditional and unpopular, such as what this paper proposes to do.

STATEMENT OF THE PROBLEM

Using the garments industry and its wage rates as springboard, this paper will describe and compare the concept of wage within the framework of the three main contemporary economic systems, i.e., capitalism, socialism/communism, and The Third Way or The Third Universal Theory, and thereby to assess their respective capability to attain allocative efficiency and distributive justice for the general good.

PURPOSE OF THE STUDY

The Constitution of the Philippines provides, in Article XIII thereof, entitled "Social Justice and Human Rights", thus:

"Section 1. The Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political ine-

qualities, and remove cultural inequities by equitably diffusing wealth and political power for the common good.

To this end, the State shall regulate the acquisition, ownership, use and disposition of property and its increments.

Section 2. The promotion of social justice shall include the commitment to create economic opportunities based on freedom of initiative and self-reliance."

Under the provision on "Labor," the Constitution provides guarantees to security of tenure, humane conditions of work, and a living wage, aside from the right to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law. The Constitution also requires that in regulating the relations between workers and employers, the State shall recognize the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth.

In short, this study seeks to answer an economic and social issue: does the economic system now in place assure the realization of the aforementioned goals enunciated in the Constitution, or are they more realistic within the framework of one or the other system?

THE ECONOMIC SYSTEMS

One of the objectives of an economic system is to decide how to distribute its total material benefits (the material income) among the various members of society either in the form of wages, interest payments, rents, or profits, whether public, private, or both. This objective is sought to be attained in different ways, depending on the type of economic system which is in place. In differentiating the systems, the focus is on the basic characteristics because the realities of the modern world have considerably blurred the fine distinctions between and among them.

DEVELOPMENT MARKET (OR ADVANCED) CAPITALIST ECONOMY

Most of the First World or developed capitalist countries adhere to a system where wages and prices are both market and non-market determined, where there is

public and private resource ownership, with a combination of private and public economic decision-making. While the same may be said of the mixed capitalist/socialist economy, it should be noted that the institution of private property and the notion of individual economic freedom remain dominant. However, the role of the government is growing because of its direct participation in terms of nationalised industries, public enterprises, and public investments programs; and by exercises of greater control over aggregate economic activity through monetary and fiscal policies, and regulatory measures on the structures and activities of business enterprises as a deliberate attempt to diffuse wealth for the common good which otherwise would be the monopoly of the privileged.¹

COMMAND OR CENTRALLY PLANNED SOCIALIST ECONOMY. (SCIENTIFIC SOCIALISM)

This system is opposite to a developed market capitalist economy and obtains in the Second World such as the Soviet Union, Eastern European countries, and China. Here, all productive resources are under public ownership. The market price mechanism present in the capitalist economy is completely replaced by the central planning of all economic activities, with the entire economy composed of bureaus operating according to the decision of a central planning commission. Resource needs and availabilities are brought to balance by centrally determined allocations as opposed to the price signals of the market system.²

MIXED CAPITALIST/SOCIALIST ECONOMY

This obtains mostly in the Third World, with the State playing a decisive role in the economy more than it does in the advanced capitalist societies. Both resource and product allocation are determined by market and publicly-determined prices. Playing a dominant role is the State or People in planning and guidance of overall economic activity by the State.³ The Philippines, although a Third World country, falls not under this category but under the capitalist system with the United States as model.

While the Socialist People's Libyan Arab Jamahiriya is mentioned as among those whose economy falls under this category, it has evolved its own unique system called "The Third Way" or "Jamahiriya under the Third Universal Theory."

LIBYAN JAMAHIRIYA (NATURAL SOCIALISM)

The essence of the economic system obtaining in Libya is found in "The Green Book" under the chapter, "The Economic Basis of the Third Universal Theory." The Green Book was written by the country's revolutionary leader, Col. Muammar Qathafi, and meant to be "an ideology derived from Arab and Islamic values which would show the way to the rest of the world." The "Third Way" which lies between communism and capitalism became the official doctrine of the Libyan government beginning 1977. "Declaring the need for a new outlook since capitalism and communism had both failed, Qathafi said that his Third Way was based on religion and nationalism which are the motive forces of history." ⁴ Being of recent development, we reproduce the discussion of the new, or third, economic system, thus:

* * * The ultimate solution is to abolish the wage-system, emancipate man from its bondage and return to the natural law which defined relationships before the emergence of classes, forms of government, and man-made laws. The natural rules are the measure, the reference book and the sole course in human relations.

Natural law has led to natural socialism based on equality among the economic factors of production and has almost brought about, among individuals, consumption equals to nature's production. But the exploitation of man by man and the possession by some individuals of more of the general wealth than they need is a manifest departure from natural law and the beginning of distortion and corruption in the life of the human community. It is the beginning of the emergence of the society of exploitation.

If we analyze the economic factors of production from ancient times till now, we always find that they are composed of these essentials: raw materials, an instrument of production, and a producer. The natural rule of equality is that each of the factors has a share in this production, for if any of them is withdrawn, there will be no production. Each factor has an essential role in the process of production and without it production comes to a halt. As long as each factor is essential and fundamental, they are all equal in their essential character within the process of production. Therefore, they all should be equal in their right

what is produced. The encroachment of one factor on another is opposed to the natural rule of equality, and is an attack on the right of others. Each factor, then, has a share regardless of the number of factors. If we find a process of production which can be performed by only two factors, each factor shall have half of the production. If it is carried out by three factors, each shall have a third of the production, and so on . . .

Applying this natural rule to both ancient and modern situations, we find *** The means of production which were formerly primitive tools have now become sophisticated technical equipment. The essential natural factors of production are basically stable despite their great development. The essential stability of the factors of production makes the natural rule sound. It is inevitable, after the failure of all previous historical attempts, which disregarded natural law, to return to it in order, finally, to solve the economic problem.

The previous historical theories tackled the economic problem either from the angle of ownership of one of the factors of production only, or from the angle of wages for production only. They have not solved the real problem, namely, the problem of production itself. Thus, the most important characteristic of the economic systems prevailing in the world today is the wage system which deprives the worker of any right in his production whether it is produced for society or for a private establishment.

The industrial establishment is based on raw materials, machines, and workers. Production is the outcome of the workers' use of the machines in the factory to manufacture raw materials. In this way, the finished goods pass through a process of production which would have been impossible without the raw materials, the factory, and the workers. So, if we take away the raw materials, the factory cannot operate; if we take away the factory, the raw materials will not be manufactured; and if we remove the producers, the factory comes to a halt. The three factors are equally essential in the process of production. Without these three factors, there will be no production. Any one factor cannot carry out this process itself. Even two of these factors cannot carry it out. The natural rule in this

case requires that the shares of the three factors in the production be equal, i.e., the production of such factory is divided into three shares, a share for each of the factors of production. It is not only the factory which is important, but also those who consume its production.

The same is the case in the process of agricultural production. That which involves man and land without a third factor, the instrument, is exactly like the manual process of industrial production. Here, production is only divided into two shares in accordance with the number of factors of production. But if an agricultural machine of the like is used, production is divided into three shares; the land, the farmer and the instrument used in the process of agriculture.

Thus, a socialist system is established to which all processes of production are subjected, by analogy with these natural rule.

The producers are the workers. We call them 'producers' because the words 'workers', 'employees,' or 'toilers' are no longer applicable. The reason is that workers, according to the traditional definition, are quantitatively and qualitatively changing. The working class is continually declining as science and machines develop.

Strenuous tasks which previously had to be performed by a number of workers are now done by machine. To run a machine requires a smaller number of workers. This is the quantitative change in the labor force, while the qualitative change necessitated the replacement of a physical force by technical skill.

A power which is totally concerned with producing has now become one of the factors of production. As a result of these developments, the workers have changed from a multitude of ignorant toilers into a limited number of technicians, engineers, and scientists. Consequently, Trade Unions will disappear to be replaced by professional and technical syndicates because scientific development is an irreversible gain to humanity. Through such scientific development, illiteracy will be eradicated and the ordinary worker as a temporal phenomenon will gradually disappear. However, man, in his new work, will always

remain an essential factor in the process of production.⁵

THE CONCEPT OF WAGE

As earlier-stated, one of the objectives of any economic system is to distribute the material benefits derived from the resources, among the members of society in the form of wages, among others. "Wage" under the capitalist economy obtaining in the Philippines means the remuneration or earnings however designated, capable of being expressed in terms of money, whether fixed or ascertained on a time, task, price, or commission basis, or other method of calculating the same, which is payable by an employer to an employee under a written or unwritten contract of employment for work done or to be done, or for services rendered or to be rendered. It includes the fair and reasonable value, as determined by the Secretary of Labor and Employment, of board, lodging, or other facilities customarily furnished by the employer to an employee.⁶

The Omnibus Rules Implementing the Labor Code, Rule VII, governs wages by requiring the payment of a fair statutory wage. This is "to set a barrier below which wages may not fall, in order to develop competition on a high level of efficiency rather than in competition on a low level of wages." In other words, the law fixes a standard minimum wage in order to equalize the bargaining power between employer and the employees with respect to the wage rate and without which the workers would not secure a "fair return" for their labors.

The concept of wage in general has been viewed differently during different periods in economic history.

Just-wage Principle. This is premised on ethical notions of what is just and fair. The ethical man was central figure during this period of the Middle Ages and the Church was most influential. It was then held that just wage was what would make the worker enjoy a degree of dignity and decency for himself and his family.⁷

This principle is akin to socialist thinking that "from each according to his ability, to each according to his needs."

Doctrine of the utility of poverty. This was prevalent in the 17th and 18th century England which held that "low wages would tend to make

workers become more industrious and more willing to work for longer hours. It is presumed that many workers are lazy and are already satisfied with the low standards of living - an assumption which is of highly doubtful validity.⁸

Doctrine of high wages. An opposite view from the doctrine of utility of poverty is that of Adam Smith's view which holds that "where wages are high, we shall always find the workmen more active, diligent, and expeditious than where they are low."⁹

Subsistence theory or iron-law of wages. This holds the view that:

It is when the market price of labor exceeds its natural price that the conditions of the laborer is flourishing and happy, that he has it in his power to command a greater proportion of the necessaries and enjoyments of life, and therefore to rear a healthy and numerous family. When however, by encouragement which high wages give to the increase of population, the number of laborers is increased, wages again fall to their natural price, and indeed from a reaction some fall below it.

When the market price of labor is below its natural price, the condition of the laborer is most wretched; then poverty deprives them of those comforts which custom renders absolute necessities. It is only after their privations have reduced their number, or the demand for labor has increased, that the market price of labor will rise to its natural price, and that labor will have the moderate comforts which the natural rate of wage will afford."¹⁰

This theory has been criticised however on the ground that if the theory were true, the rate of wages in different occupations would not vary in accordance with the nature of the work.

Wage fund theory. This holds the view that the determination of wages depends upon the extent of the fund for the maintenance of laborers, compared with the number of laborers to be maintained. This has however been criticized by some authorities who find as more significant the productive power of the labor force rather than its number.¹¹

Marginal productivity theory. This holds that wages tend to measure marginal productivity. It is based on the law of diminishing utility. Thus, the value of labor, like other economic goods, is affected by marginal increments, such that in applying increments of the labor force to capital, a point is ultimately reached beyond which further additions would be economically unsound. At a certain point, adding more workers would only lessen the total output.¹²

Wage is slavery theory. This is the notion of "The Third Universal Theory" which seeks to answer the question, "why are the workers given wages?" According to this theory, the workers are given wages because they carry out a production process for the benefit of others who hire them to produce a certain product. In this case, they have not consumed their production but have been obliged to surrender it for a wage. The sound rule therefore is: "he who produces is the one who consumes."

According to this theory:

The wage-worker is like a slave to the master who hires him. He is even a temporary slave, since his slavery lasts as long as he works for wages from the employer, whether the latter is an individual or a State. The workers' relationship with the owner of the productive establishment as regards their own interests is one and the same.... Under all economic conditions prevailing now in the world, they are wage-workers, even though ownership varies.... from the Right to the Left. The public economic establishment itself gives to its workers only wages and other social benefits; and these do not differ from the charity granted to the workers by the rich, the owners of private economic corporations."¹³

PERFORMANCE OF THE GARMENTS INDUSTRY/WAGE RATES

As the foremost performer in the manufacturing and export sectors, the garments industry presents itself as a most

suitable model for analyzing the wage structure vis-a-vis industry performance, and ultimately, on a broader scale, the capacity of the existing economic system to respond to the constitutional rights of labor to "its just share in the fruits of production" and to "a living wage".

Sales Performance

The Department of Trade and Industry reports that from a cottage industry in the 1950's, the garments industry with about 1,855 manufacturers, has become one of the top non-traditional exporter of the country after a little over three decades. In 1988, the sales volume reached the US\$1.4 billion mark, 36 percent higher than that of 1987, and is expected to increase to US\$1.5 billion in 1989. Noted was an increasing popularity of Philippine garments both in the domestic and export markets such as the United States, Europe and Canada, making the garments industry one of the prime movers of the economy, and emerging as the top dollar-earner for the country's non-traditional exports, representing almost 20 percent of the total exports in 1988. On the basis of this performance, the garments industry was expected to become the powerful catalyst of Philippine industrialization¹⁴

Government Support

Because of its remarkable performance, the Philippine government has set up an P18 million training program to upgrade the skills of local garments workers and about 13,000 zero-skilled workers annually in the next five years.

In addition, the Government is committed to support the upgrading of productivity through improved skills and to modernize manufacturing equipment and machinery, and to enable the acquisition of appropriate technology.

The DTI Reports concludes, thus:

the modernization program will enable the textile millers to produce the necessary volume in the coming years; to improve the capacity to deliver on time; to be more competitive in the world market, with the capability to reach its target to provide the requirements of the garments industry in both domestic and international markets."¹⁵

"Sweatshops"

In the aforementioned industry review and projection for the Philippine garments industry, nowhere is mention made of the condition of the workers in the industry except on how

to improve their productivity by improving their skills. Despite its being acknowledged as among the flagbearers of the country's economic recovery, the DOLE reports that garments factories are still generally regarded as sweatshops with unsatisfactory terms and conditions of work.

The Institute for Labor Studies (ILS) of the Department of Labor and Employment reports:

* * * about 48 percent of the total number of workers employed in the industry (246,000) or 117,530 employees, work on a piece-rate basis, and not on a standard eight-hour shift. Only 35 percent of the total workforce in the industry who are employed in medium and large enterprises can be strictly classified within the standard working hours. The rest are merely employed through subcontracting arrangements.

More than 98 percent (24,232) of the 24,496 total registered garments firms in the country employ less than 100 workers. Majority (23,506) are categorized as micro and cottage establishments, such as tailoring shops and backyard garment subcontractors which employ less than 10 workers."

Current DOLE records also reveal that there are only 118 organized unions in the industry, covering 36,815 workers. Of this number, 87 unions with a total of 24,858 workers are located in the National Capital Region with 31 unions covering 11,937 workers spread through other regions.

Regarding terms and condition of work, the ILS study noted that these are generally acceptable to the workers who cited management compliance with the minimum wage law. Similarly, those in the micro and small establishments are satisfied particularly because of the flexibility of work hours."¹⁶

The DTI has announced plans of maximizing the generation of jobs in the labor-intensive garments industry by integrating with the textile manufacturing sector and the local machinery and equipment industry.

Wage-Fixing in the Garments Industry

From an actual observation of the contractual arrangements in the industry including those pertaining to wages, we find the following:

- (1) The exporter and/or domestic producer, as a matter of practice, subcontracts a substantial portion of job orders, retaining only a limited core of workers in its own payroll. This arrangement cuts down its overhead costs, insulates it from the vicissitudes of changes in utility rates, in price of inputs such as fabrics, threads, buttons, etc., thereby assuring with certainty, right at the outset, a bigger margin of profit. This also minimizes labor problems and the need to comply with multifarious Labor Code requirements including minimum wage rates, social security and medicare payments, etc. The pressure of complying with quality control standards and shipping deadlines is passed on to the subcontractors who bear the price of non-compliance. Under this arrangement, the exporter's most significant contribution in the entire process is its possession of a license to export, the conditions necessary for acquiring such a license, i.e., a specified number of machines, with a core of workers, and the task of having established the foreign connection - finding the buyer abroad after presenting an acceptable sample of the item to be produced.
- (2) The subcontractor is invariably a new enterprise with no real feel of the industry yet, and with no experience and connection to deal directly with buyers. However, the subcontractor has the requisite instruments for production: the machines, the factory, the sewers, or at least the capacity to call on sewers to work in the factory, some degree of know-how, and reasonable operating capital, most of which will be used to cover the payroll.
- (3) The subcontract agreement invariably provides for a lump sum payment on a per dozen basis, which looks substantial at first blush, but not upon an exact counting, i.e., ₱4.00 per T-shirt with collar, sewed/completed. For T-shirts without collar, the subcontract price is ₱2.80-₱3.00 to the subcontractor. This figure may not be the final figure in some instances, where the thread to be used by the subcontractor is to be provided by the latter. In the example cited of the T-shirts with or without collar, the subcontractor provides its own thread. While the contractor's actual cost is not available for purposes of this study, the same may be gauged from its retail price of the same T-shirt without collar in Metro Manila's

well-known department stores. This ranges from ₱105.00 to ₱125.00 per T-shirt under the brand of the exporter and/or contractor. In the export market, the price to the foreign buyer is higher excluding the shipping and related costs.

- (4) The subcontractors in almost all instances, engage their workers on a "per piece" basis. The piece can either be on the completed item, or on a "per operation" basis. On a per completed item of the same T-shirt abovementioned, the subcontractor would pay the sewer ₱1.95 to ₱1.97, retaining for its own inputs ₱0.83 to ₱0.85 per piece. The subcontractor absorbs the loss after paying costs such as maintenance of machines, electric power, water, transport costs, rental, administrative expenses, etc.

It is not always, however, that a sewer can sew and complete a T-shirt, knowing only one operation such as assembly of the body of the T-shirt, attaching the collar and the pichera (the part of the neckline to which the buttons and buttonholes are found), attaching of the pocket, if any, sewing of the cuffs or the sleeves, if any, or revising or cleaning the finished T-shirt of loose threads. The wage based on a "per operation" basis depends on the intricacy and skill required by the operation which could range from ₱0.10 to ₱0.50 to ₱1.00 a piece, but always, the subcontractor attempts to keep the total payment on one unit of T-shirt within the share allocated for labor, i.e., ₱1.95 to ₱1.97 per piece, otherwise, its own share will be further proportionately reduced.

Based on the type of operation which the worker performs, the questions arise, thus: how many minutes does she have to devote to complete the particular operation? How much does the worker earn for that particular operation? Based on the piece rate for that particular operation, how many pieces should the worker complete in order to approximate the minimum daily wage of ₱89.00? And within how many hours?

From industry sources, it is evident that the worker cannot normally produce enough to equate or earn the minimum wage for an eight-hour work on a piece rate basis.

Either she puts in more time by working more than eight hours, or strains herself to meet the minimum production target within the eight hour period by cutting

down on rest periods, or simply contents herself with less pay - options which are not "healthy" if carried on for prolonged periods.

Given these facts and figures, it is understandable why no subcontractor in its right mind would engage workers on a daily rate and thereby assume the uncertainty and pressure of an individual production target which would approximate for the worker a living wage each day.

- (5) The subcontractor can seldom afford to provide his workers the statutory benefits such as overtime pay, social security coverage, medicare, vacation and sick leave, etc. Moreover, exactions on the workers for lost or demand items have to be strictly imposed. The dilemma faced by the subcontractor is a spectre it must contend with from day to day: should it yield to statutory regulations and accord to the workers a bigger share of the pie, or retain a reasonable margin to at least break-even, and survive.
- (6) The subcontractor needs substantial operating capital to cover payroll which is usually given on a weekly basis because of the immediate needs of the workers. The payroll could be managed without difficulty were the exporter-contractor up-to-date in paying finished goods delivered as per deadlines. Unfortunately, some exporter-contractors' policy is to pay only on Fridays, and only when the bank signatories of the contractor are available to sign checks due to subcontractor. There are contractors who owe as much as P40,000.00 to P300,000.00 to one subcontractor, representing payments for deliveries made over a four-month period. This snags the cash flows of the subcontractor many of which have prematurely closed for lack of operating capital resulting in the loss of job opportunities in this labor-intensive industry.

Because some subcontractors are good and kind to their workers, it is not surprising to find many workers reporting for work with just a token pay or none at all for extended periods.

- (7) There is no formality observed in the employer-employee relationship between subcontractor and worker. The worker applies for a position and if she is qualified and there is a machine available, she is taken in. The terms are "like those of others with the same qualifications and responsibilities." When the worker

decides to leave, for a better position for some personal reason, she simply does not report for work. Terminations by the employer are very seldom, but "unofficial" resignations are frequent. Labor law provisions are not at all considered.

ANALYSES AND CONCLUSIONS

It is not inaccurate to say that one finds in the garments industry a case of double exploitation: exploitation by the contractor of the subcontractor, and inevitably the exploitation by the subcontractor of the workers who are in its employ. Note that legally there is no contractual relationship between the contractor and the workers of the subcontractor, although we submit that there exists a moral tie between them by virtue of the dependence of the workers on the terms and conditions of the agreement between the contractor-exporter and the subcontractor who is their employer. This makes out a case of indirect exploitation by the contractor of the subcontractor's workers.

Under strict interpretation of statutory provisions and applicable jurisprudence, the subcontractor is not an employee of the contractor, and therefore the contract price for the job order is not to be viewed as a wage. This is premised on the definition of employment as one bearing the following elements: (1) selection and engagement of the employee; (2) the payment of wages; (3) the power of dismissal; and (4) the power to control the employee's conduct, that is, the manner of doing the work.

However, looking at the elements closely in the light of the actual relationship between the contractor and the subcontractor, all elements are present including the last element which is considered as the most crucial. This element is manifest from the presence of quality control supervisors of the contractor who are assigned to the subcontractor to oversee the production of the garments ordered, and the stringent delivery deadlines imposed consistent with the shipping dates of the contractor. Insofar as the subcontractor and the sewers/workers are concerned, there is no doubt that the latter are employees of the former who work for wages, regardless of the basis for computing the amount paid for their labors.

In the light of the facts earlier-discussed, the conclusion is inescapable that the workers in the country's garments industries do not get their just share of the much-vaunted top production and sales performance of the industry. In short, despite the constitutional and statutory guarantees on social justice and the rights of labor, particularly on the conditions of work, they are chained to

socio-economic deprivations from which there appears no prospect of relief.

The worker's condition has been succinctly described, thus:

* * * The employer moved by the profit incentive in such (capitalist) system tries to realize maximum profits:

(a) On the one hand, he tries to increase the return often by price increases. Thus, we note a trend of price increases (or inflation) in the markets. This undoubtedly puts pressure on the final consumer of the commodity who may be the worker himself.

(b) He tries to reduce or minimize costs. If we wonder what are the costs the employer can reduce, we refer once more to the production elements he utilized in the production process. Assume he used three factors: machinery, material, and labor. The machine he buys at a certain price (100 dinars for example) he cannot undercost, so we have to take the price into account as it is, rather than the cost of maintenance which may be added to it. The same applies for production material. Since machinery and material used in production are in the possession of other employers who wish their value to be the highest possible, hence one element only in the production process may come under the control and exploitation of the employer which is work. Why? Because the worker may be under the threat of being fired and deprived of his work which is the source of satisfying his vital needs. Consequently, the workers may be forced because of his need to give up a part of his right and production.

Thus, the worker under the regulations that allow for exploitation is in the condition worse than that of machinery and material because he is giving up his production in return for wage. Under exploitation laws, he is paid wages as low as possible so that the employer may gain maximum profits. Worse than that, the

employer who may not play any role in the production process nevertheless gets profits. So we note that under exploitation regulations, the worker may become a slave who produces in favor of the employer who is the master in such relation. Society becomes one of masters and slaves.¹⁸

No amount of argument can overcome the facts drawn from our own observation that so little of the blessings from the industry's huge earnings trickles down to the workers who made it possible.

Our laws which espouse free enterprise give the contracting parties, both employer and employees, a so-called freedom to negotiate, and on that basis, to enter into contracts. We however view this to be an empty right because of their unequal bargaining positions. The constitutional and statutory benefits such as overtime pay, the right to a minimum wage, and beneficence of the employer. The full employment of these benefits is possible only by a stroke of luck: having a compassionate and sympathetic employer. But how many are willing to make self-sacrifices considering that they are in business?

The condition of our economy itself intensifies the disparity in their bargaining positions, what with millions jobless and underemployed, and at least 700,000 more entering the labor force each year. Besides, our laws embody hidden twists which could be used by clever management lawyers to their client's advantage and to the detriment of the workers.

It will also be noted that constitutional and statutory benefits such as overtime pay, the duty to bargain collectively, the prohibition against arbitrary dismissal, the right to a minimum wage and a host of others are tenously dependent on the beneficence of the employer.

Recent events have proved, government policy could undo the safeguards to these rights overnight. Proclamation No. 503 of December, 1989 declared a national state of emergency, and on said basis, the President of the Philippines requested Congress for broad emergency powers to cope with the emergency which included the power "to suspend such labor laws and standards that in the President's judgment impede or obstruct production and distribution of foodstuffs and (basic) commodities, as well as render difficult the economic recovery of the country." Fortunately, public opinion pressured Congress to deny such power to her.

Would the substitution of the role of employer, from private individuals or entities with Government, change the negative impact of the wage system? We believe not. The change of ownership from private to government, and in fact, the central planning which is intended to husband the economy to progress and prosperity of the workers, was shown to be a failure in Soviet Russia and Eastern European countries, making *perestroika* urgent and immediate. Serious rethinking of the basic structure and ideological premises of the socialist/communist economic system is now going on. The direction appears to be a return to one once rejected policy of making every person a worker and owner, and of dismantling the bureaucratic system which evolved into a tool of coercion.¹⁹

The trend among the socialist/communist countries appears oriented towards the road lighted by The Green Book: put an end to wage payment phenomena and transform workers into producers or partners, not wage-earners. *Perestroika* calls the new status of the worker, "the worker-master."

The transformation which appears imperative today is not to be confined to one industry or one sector. It calls for a drastic and radical change of the economic system, if not of the entire political structure itself because the existing system and political structure are both established and preserved by the Philippine Constitution, and are two sides to one coin. And for those who sincerely believe in implementing "social justice", unfettered and unqualified by self-interests, it is submitted that the ideas above-discussed deserve their serious consideration.

The final issue that performance must be answered is how change is to be accomplished. Change need not be through violence but through peaceful means. The Act Providing for a System of Initiative and Referendum and Appropriating Funds Therefor." Signed into law on August 4, 1989, it provides initiative for statutory or constitutional amendment by the registered voters themselves.

End Notes

1. Michael P. Todaro, *Economics for Developing World*, Longman Group Limited, London: 1977, p.17
2. *Ibid.* p.18
3. *Ibid.* p.19

4. Peter Mansfield, *The Arabs*, Penguin Books, Ltd, Middlesex, England: 1978, p.424
5. Muammar Qathafi, *The Green Book*, Public Establishment for Publishing, Advertising and Distribution, Tripoli: 1977, pp. 47-52
6. Salvador A. Poquiz, *Labor Law and Social Legislation*, Rex Printing Co. Inc. Quezon City: 1983, p.71
7. *Ibid.* p.71, citing Dankert, p.404
8. *Ibid.* p.71, citing Danker, p. 406
9. *Ibid.* p.72 citing Danker, p.408
10. *Ibid.* p.72 citing Ricardo, David., "The Principles of Political Economy and Taxation, p.71
11. *Ibid.* p.73, citing Senior, Political Economy, p.154
12. *Ibid.* p.74, citing Taylor, p. 168
13. *Ibid.* Muammar Qathafi, *Supra*; pp.45-46
14. PDI, Nov. 11, 1989, p.10
15. *Ibid.*
16. PDI, Nov. 10, 1989, p.20
17. Vienna vs. Al-Lazadan, G.R. No. L-8967, May 31, 1956
18. Muhammad Lutfi Farhart, *Landmarks of a New Economic Theory*, World Center for Studies and Researches of the Green Book, Tripoli, 1987, p.2-21. Dr. Fahart discusses the features of the proposed new economic framework as follows:

"First: He who produces has the right to consume his production according to the sound rule: "He who produces is the one to consume."

Second: Transformation of workers into producers (partners in production) means handling the ownership issue on a new basis. The ownership of capital grants the employer the right to exploit workers in order to increase his profits. In the socialist establishment, work for profit realization vanishes. "The economic activity in the new socialist society is a productive activity for the satisfaction of material needs and is not an unproductive activity or an activity seeking profit."

Third: Production is distributed over the elements that work jointly for its realization, which are the producer, production material and machinery. These elements are equally necessary

for the production process and without which there is no production. Natural law necessitates that they receive equal shares of production.

Fourth: The producers' share in the outcome of the production process (i.e. product) is determined by distributing production on its elements. Consequently, producers get their share of production, while the shares allocated to the production material and machinery goes to society at large which may spend it in the way it feels appropriate in accordance with the resolutions of popular congress.

Fifth: The final solution is the abolition of wages, liberating man of salary slavery and going back to the "natural relations" in addition to profit cancellation. This can be realized only if material fulfillment is achieved for both society and the individuals. This is what the Third World Theory has been aware of, unlike other theories.

Sixth: Production is sold at cost price unless when there is no need for money and the society is transformed totally to a productive one; that is when (production reaches the degree of satisfying the material needs of individuals in society). Selling

cost price means to increase in the prices of products for reasons not pertaining to real cost of production, such as the exploitation rule which stipulates looking for maximum profits.

Seventh: Prices of products are calculated in ways that ensure the continuity of the production process where the compensation (or substitution) of machinery, material and expenses needed by the factory to continue its production is calculated so as to keep the factory running.

Eight: That producers have the right to the popular management of the factory, dividing labor among them for production purposes. This requires that the "popular management system" be compatible with the essence of "popular management" in the whole society. The application of such points leads to democracy or "perplex authority" where the old-fashioned definition of democracy which states that "democracy is the people's control over the government" is substituted by the correct definition: "Democracy is people's control over themselves."

19. Ivan Vasilyer, *Perestroika*, Novosti Press Agency Publishing House, Moscow, 1989, p.16