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Philippine Labor Relations and Labor Problems

Pablo A. Pena
Loyola University Chicago

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PHILIPPINE LABOR RELATIONS AND LABOR PROBLEMS

by

Pablo A. Peña

A Thesis Submitted to the Faculty of the Institute of Social and Industrial Relations of Loyola University in Partial Fulfillment of the Requirements for the Degree of Master of Social and Industrial Relations

June

1955
LIFE

Pablo A. Peña was born in Davao City, Philippines, on January 25, 1911.

He was graduated as Valedictorian from Zamboanga High School, Zamboanga City, Philippines, in March 1930; from the University of the Philippines, Manila, in March, 1932, with the degree of Associate in Arts, and from the Philippine Law School, in March, 1936, with the degree of Bachelor of Laws, with honors. He was admitted to the Philippine Bar in 1936.

From 1936 to 1937 the author practised law in Manila; 1937 to 1939 he served as Technical Assistant to his senior law partner who was elected member of the National Assembly; 1940 to outbreak of Pacific War, he was a Technical Assistant of the National Assembly assigned to the Committee on Public Services.

From 1941 to the Liberation the author served with the Western Luzon Guerillas in the Zambales sector; in 1945 he joined the Civilian Intelligence Service (CIS) of the United States Army; in 1946 he served in the United States Veterans Administration in Manila as Contact Officer until his resignation to come to the United States as a Philippine Government scholar in Foreign Service after qualifying in competitive civil service examinations, both oral and written.
He was graduated with Commendation in Note Verbale from the Foreign Service Institute, Department of State, Washington, D.C., in September, 1946.

He completed specialized instruction and internship in the Division of International Labor, Health and Social Affairs (ILH), Department of State, in November, 1946.

He represented the Republic of the Philippines as an Official Observer at the 29th Conference of the International Labor Organization held in Montreal, Canada, in September, 1946, charged to pave the way for the admission of the Philippines into the ILO. He is the first Filipino to attend an international conference on labor.


He was graduated from The John Marshall Law School, Chicago, Illinois, in June, 1953, with the degree of Master of Laws. Wrote graduate thesis entitled "A Comparative Analysis Between the Philippine Corporation Law and the Illinois Business Corporation Act."

From 1947 to 1950 the author served as Vice Consul of the Republic of the Philippines at New York City and thereafter assigned to Chicago.
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103 - An Act to afford protection by creating the Court of Industrial Relations empowered to fix minimum wages for laborers and maximize rentals to be paid by tenants, and to enforce compulsory arbitration between employers or landlords and employees or tenants, respectively, by prescribing penalties for the violation of its orders. (October 29, 1936) -Amended by Commonwealth Acts Nos. 254, 355 and 559 and Republic Acts Nos. 602 and 875  

186 - Government Service Insurance Law. (November, 1936)  
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213 - An Act to define and regulate legitimate labor organizations. (November 21, 1936) -Amended by Republic Act No. 875  

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<td>1054</td>
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CHAPTER I

INTRODUCTION

A. THE BACKGROUND

The average American has a rather hazy idea about the Philippines and its geographical location. Even among businessmen, there are those who confuse them with the Hawaiian Islands or place them somewhere among the West Indies in the Caribbean Sea. Consular officials of the Philippine Foreign Service report of amusing experiences of this nature. Concerning the casual interest generally taken by the American public in the Philippines, Malcolm, once a member of the Supreme Court in the Islands, writes:

It is, however, lamentably the truth that the American people evinced only a spasmodic interest in Philippine affairs. This lack of understanding of the Filipinos and their problems following half a century of American association with them is particularly regrettable, even hazardous, to both parties. ¹

Close upon the heels of V-J Day, but in accordance with the time schedule set in the Philippine Independence Act,

¹George A. Malcolm, First Malayan Republic (Boston, 1951), p. 21.
otherwise known as the Tydings-McDuffie Act passed by the United States Congress on March 21, 1934, the Philippines became an independent republic on July 4, 1946. The Republic proclaimed by the Filipinos under American auspices is the first Malay State of the modern world, the only Christian and truly democratic nation in the Orient. Quezon City is the capital, but Manila continues as the seat of the National Government.

The Filipinos, as the twenty-one million inhabitants of the Philippines are called, are of Malay origin. However, because of the Spanish and American influence, they have become culturally more of the Occident. Of about eighty-seven dialects and languages spoken all over the country, English and Spanish are the official and Tagalog the national language.

The Philippines, located at the outer rim of Southeast Asia in the Western Pacific and lying south of Japan and Formosa, is composed of about 7,083 islands with an estimated land area of 115,600 square miles. It has a patrimony of abundant natural resources. That the Filipino people are sufficiently numerous to constitute a nation and occupy a territory endowed with material attributes adequate to support a sound and prosperous economy can be taken as easily demonstrable facts.

2Ibid, 23.
B. THE PURPOSE OF THE THESIS

There is a dearth of up-to-date source material in American public libraries concerning the Philippines and the problems which confront its people. The bibliography on Southeast Asia issued by the Library of Congress in 1952 has listed reference works on the Philippines. It reveals, however, a gap of information on Philippine economic and labor problems. Even the Institute of Pacific Relations has not published any study on post-war Philippine labor problems. Neither has any material been published by the Social Science Foundation at the University of Denver which, incidentally, subscribes to two Philippine periodicals for use in its research studies on the Philippines. The Foreign Operations Administration (FOA) at Washington, D.C., publishes reports dealing with the Technical Cooperation and the Mutual Security Programs which contain some general material on the United States aid program in the Philippines. Concerning more specific and detailed informative materials on economic projects that have been, and are being carried on in the Philippines, these are not

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3 Information in a letter to the author from Mary F. Healy, Publications Secretary, Institute of Pacific Relations, January 14, 1955.

4 Information in a letter to the author from Professor Donn V. Hart of the University of Denver, January 21, 1955.
available to the public because of their limited number restricted to office use. 

This study makes use of pertinent official reports of the various departments, bureaus, and agencies of the Philippine Government; of messages and statements issued by the President, Congressional leaders, and prominent businessmen; and of periodical information published in the Islands. It deals with the existing labor laws and legislation. It also incorporates current information obtained from traveling Filipinos who were recent Chicago visitors. It is intended to furnish as much information as possible within a limited compass on Philippine economic conditions, but with a qualitative approach designed to project Juan de la Cruz, the common working man of the Philippines.

Philippine economic problems have been described as though divorced from a labor base. Labor problems have been approached as though detached from the economic context. All these problems should be examined most advisably in their totality, if one is to achieve a better understanding of the tasks of nation-building which beset the young Republic invested with a vital role in the drama now being staged in the macabre setting of an Asia aflame. For the comprehensive examination of these problems

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relates to the issue presented by Hayden:

Whether good or evil flows from national as from individual wealth is determined by many other factors than the mere physical value of things possessed. As often happens in the case of rich youths approaching their majority, the national wealth of the Filipinos concerns others as well as themselves. A glance at a map of the Western Pacific more than suggests that the natural resources and strategic location of the Philippines and its proximity to overpopulated and far more powerful neighbors make its future a matter of concern to many states. Will circumstances permit the Filipinos to develop their island empire in their own way, at their own time, and to their own advantage?  

While no panaceas are sought for the resolution of Philippine problems, the Filipino people, through measures of self-help and through the guidance of the United States in the recognition of its high stake in Asia, have the will to overcome them in their own way, to their own advantage, although perhaps racing against time.

CHAPTER II

ECONOMIC CONDITIONS IN THE PHILIPPINES

A. ECONOMIC SURVEY

The Philippines is a predominantly agricultural country, heavily dependent on foreign trade for the orderly continuation of its economic life. As of July 1, 1954, it is estimated by the Bureau of Census and Statistics that during the peak of employment in the Nation, 8,276,000 workers are gainfully employed. Of these, 5,899,000 are classified as being in agricultural employment, 297,000 in national and local government, and 2,080,000 in non-agricultural employment. It is from this broad base of its agrarian economy, with foreign trade as an outstanding feature, that the approach to Philippine economic problems must be made to be sufficiently realistic.

Since 1909 trade relations between the Philippines and the United States have been based on reciprocal free trade. Lacking in manufacturing facilities, the Philippines had to import all its requirements for manufactured goods, largely consumers items. To pay for such imports, it had to export its local produce made up of agricultural products and raw materials. Production for exports became associated with partial neglect of prod-
duction for local consumption, with the result that even for its principal staple food, rice, it has to import from abroad.

Within that export trade, there developed elements of concentration both as to export products and market outlet. Sugar, coconut products, and abaca products, which in the five-year period 1936 to 1940 accounted for four-fifths of its export receipts, continue as important exports. Given preferential tariff treatment, the main bulk of Philippine exports has been channeled to a single market, the United States.

TABLE I

DIRECTION OF INTERNATIONAL TRADE7
(F.O.B. value in thousand pesos)*

<table>
<thead>
<tr>
<th>Year</th>
<th>All Countries</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Imports</td>
<td>Exports</td>
</tr>
<tr>
<td>1949</td>
<td>1,172,750</td>
<td>507,510</td>
</tr>
<tr>
<td>1950</td>
<td>684,865</td>
<td>674,339</td>
</tr>
<tr>
<td>1951</td>
<td>962,512</td>
<td>819,403</td>
</tr>
<tr>
<td>1952</td>
<td>841,326</td>
<td>703,836</td>
</tr>
<tr>
<td>1953</td>
<td>855,116</td>
<td>784,917</td>
</tr>
</tbody>
</table>

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7Central Bank of the Philippines, Statistical Bulletin, VI-No. 2 (Manila, June 1954), p. 84.

*Two Philippine pesos (₱2.00) equal one United States dollar ($1.00) under the current official rate of exchange.
A larger volume of import over exports, principally drawn from the United States, has been registered annually, resulting in a continuing unfavorable trade balance in the over-all foreign trade of the Philippines.

TABLE II

FOREIGN TRADE OF THE PHILIPPINES\(^8\)
(F.o.b. value in thousand pesos)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Negative Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>1,172.8</td>
<td>507.5</td>
<td>-665.3</td>
</tr>
<tr>
<td>1950</td>
<td>684.9</td>
<td>674.3</td>
<td>-10.6</td>
</tr>
<tr>
<td>1951</td>
<td>962.5</td>
<td>819.4</td>
<td>-143.1</td>
</tr>
<tr>
<td>1952</td>
<td>841.3</td>
<td>703.8</td>
<td>-137.5</td>
</tr>
<tr>
<td>1953</td>
<td>855.1</td>
<td>784.9</td>
<td>-70.2</td>
</tr>
</tbody>
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While the free trade arrangement enabled the Philippines to sell larger quantities of its agricultural commodities in the American market than would have been possible without the preferences, it led to the failure to diversify the economy. The sobering fact has remained that the economy is extremely vulnerable to declines in prices of and demand for the few Philippine agricultural export commodities.

\(^8\)Ibid., p. 83.
With the advent of Philippine independence, the commercial relations between the United States and the Philippines have become subject to the Philippine Trade Act of 1946, which was embodied in the United States-Philippine Trade Agreement signed in Manila on July 4, 1946. Following the necessary congressional ratification in the two countries, the Agreement became effective on January 2, 1947, and is to remain in effect until July 4, 1974. It provided that free trade would continue for eight years, to be followed after July 4, 1954, by diminishing preferences for a period of twenty years. An outstanding feature of the eight-year free trade period is that Philippine exports to the United States were placed under duty-free quotas; American imports to the Philippines were not.

The diminishing preferences scheduled for a period of twenty years from July 4, 1954, would take the form of the gradual imposition of the basic tariff rates in force in each country, the respective customs duties increasing five per cent (5%) each year so that after July 3, 1974, the duties paid by each country would be the regular rates in force. As to Philippine exports, however, the system of diminishing preferences provided that during the period from July 4, 1954, to July 3, 1974, sugar, cordage, and rice were to pay duty at the graduated rates. In the case of the other items, it provided that instead of paying duty, the
duty-free quotas would decline by five per cent (5%) each year.

The basic aim of the system of diminishing preferences was to provide the Philippine economy with a transition period to adjust itself to the prospective application of the tariff rates on its exports at the American market. But the schedule thus anticipated for the transition period was upset by the recession of 1950 in the Islands, with the Philippine Government floundering in a financial crisis and the Hukbalahaps, a Communist-led dissident force, threatening its overthrow. The United States Economic Survey Mission sent to the Philippines to look into the situation reports:

The international payments position of the country is seriously distorted and a balance has been maintained in recent months only by imposing strict import and exchange controls. The country has had an excessive volume of imports, which hitherto could be paid out of very large dollar receipts from United States disbursements and accumulated dollar balances. These balances have been drawn down and receipts from the United States Government have been declining sharply.9

Various remedial measures were recommended by the Mission, which were implemented under the Quirino-Foster Agreement

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of 1951. With this economic situation as backdrop, the free-trade period was extended up to December 31, 1955. In the interim, basic modifications in the United States-Philippine Trade Agreement of 1946 were negotiated between the two countries and embodied in the Laurel-Langley Agreement which is, however, still subject to Senate ratification in both countries.

B. INDUSTRIAL SURVEY

In the Philippine economic system of private enterprise, as it is in other capitalistic systems, the entrepreneur assumes the lead role which provides the dynamics of industrial development. Designed to create a favorable investment climate for the purpose of attracting American investors, the Constitution of the Philippines was amended in 1946 to grant parity rights to American and Philippine citizens in the exploitation, development, or utilization of agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other natural resources, and the operation of public utilities, with the requirement, as to corporations or associations, that at least sixty per cent (60%) of the capital must be owned by these citizens.10

10Constitution of the Republic of the Philippines, Article XIII, Section 1.
Did the Parity Amendment serve to attract American investors as expected?

From January 1, 1946, to December 31, 1953, only forty-one American establishments entered the local manufacturing field. This represents hardly one per cent (1%) of an overall total of 4,140 concerns registered during the period. In paid-up capital, American investments totaled only thirteen million pesos or only about seven per cent (7%) of the total paid-up investments of more than 186 million pesos.¹¹

The failure of American investors to enter the local manufacturing field has given the Parity Amendment the label of "an error of judgment."¹² The lack of interest on the part of American investors to take advantage of the parity rights could be due to any number of causes. Certainly one of them, as drawn from business contacts made by Philippine consular officers, has been the lack of information in large sectors of American commerce and industry that such parity rights ever exist.

Alongside the Parity Amendment to the Constitution, the Philippine Congress passed Republic Act No. 35 which exempted "new and necessary" industries from the payment of all revenue


¹²Ibid., p. 1.
taxes for a period of four years from the date of approval of the application for such exemption. The Act left to the President of the Philippines, upon recommendation of the Secretary of Finance, the periodic determination of the qualifications that an industry must have to be entitled to its benefits.

As of June 1953, only 163 establishments were granted tax exemptions under Republic Act No. 35. They deal in the manufacture of a light range of iron and steel products, chemicals and allied products, paper and paper products, textiles, rubber products, plastics and plastic products, fiber and fiber products, leather and allied products, and clay, cement, and glass products.\footnote{PHILCUSA, Industrial Development Branch, Industrial Philippines: A Cross Section (Manila, 1953), p. xxvii.}

The consensus in official circles, however, was that Republic Act No. 35 failed to achieve its purposes. The main argument was that, after six years from the approval of the Act, with the exception of some light industries, there was no industrial development to speak of in the country. It was felt that the four years of tax-exempt period was not sufficient inducement for risk capital to invest in new ventures. Furthermore, by leaving to the Chief Executive the promulgation of the necessary regulations governing the qualifications of new and necessary industries, there
was basic instability in the law, which was ascribed to be one of the principal deterrents to the realization of its objectives. This thinking resulted in the enactment of Republic Act No. 901, approved on June 20, 1953, which exempts all new and necessary industries from the payment of all revenue taxes for a period of ten years. All regulations promulgated under Republic Act No. 35 were consolidated in the new statute.

In the State-of-the-Nation Address to the joint session of Congress on January 24, 1955, the President of the Philippines reports:

In the field of industrial development, some progress has been achieved by private enterprise with government stimulus and encouragement. Induced by tax exemptions, 72 new industrial plants were established during the year. More processing industries are utilizing local raw materials.

Encouraging results in manufacturing and processing are evident from the increase by 28.2 per cent in the output of reporting manufacturing establishments, which amounted to 752 million pesos in 1954. Another index of the improving industrial situation is the increase by 24.5 per cent in capital-goods imports, amounting to 125.2 million pesos, for the first eight months of 1954, compared to the same period in 1953.14

The industrial development of the Philippines is not without pressing problems which call for some analysis here. They stem from the very elements that make for industrialization among them being the enterpriser, the supply of capital and savings process, the supply of labor, and the institutional and cultural contexts of the society undergoing the transformation to industrial civilization.

One of the special problems common to under-developed areas is the lack of risk capital. In the Philippines, despite the "favorable investment climate" sought to be established by a system of tax exemptions, the local entrepreneur has not stepped in to fill a near-vacuum in the risk capital supply needed to accelerate the tempo of the country's industrial development. His shortcomings have been listed as follows:

1. A pronounced tendency to flock towards enterprises which have been demonstrated by intrepid pioneers to be profitable without considering the effect of overcrowding in the industry;

2. A timidity to engage in untried industries even though these show great promise of success.

3. A lack of moral strength to resist the temptation of excessive profits which are only made possible by certain artificial conditions such as import controls;

4. A tendency to over-extend their activities to unrelated field which makes efficient control and management difficult;
5. A tendency to rely heavily on favorable conditions which are temporary in nature, the removal or cessation of which would make profitable operation difficult;

6. Too much dependence upon government controls and regulations to provide the profitable climate rather than strive for more efficient operation. 15

Whether the Government should take up the entrepreneurial role, in the demonstrable absence of private initiative, is questionable. The fact of the matter is, however, that the Philippine Government has for some time gone in for deficit spending to meet its fiscal needs.

Where the entrepreneurial role, through capital inducements, is to be assumed by aliens, there is indicated a definite policy for the protection of their investments. Aside from a provision against confiscatory measures arising from surges of nationalistic sentiments, the policy should well define the conditions governing the repatriation of capital as well as the remittance of profits and earnings. There is as yet no clearly defined government policy in the Philippines in this direction.

In the Philippines, much is yet to be accomplished by legislative action to provide for the expansion of the capital and credit bases to sustain its economic and industrial development.

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15 PHILCUSA, Industrial Development Branch, op.cit., p. xi.
ment programs. A step in this direction has been taken under the Industrial Loan and Guarantee Program in which a fund was set up to guarantee eighty per cent (80%) of the risk of financial institutions in loans to worthwhile projects. Another step in this direction would be for the Philippine banking laws to encourage private savings by providing a reasonable amount of protection for savings deposits along the experience of the federal deposit insurance system in the United States. The recent demonetization measure covering all currency denominations over one hundred pesos (P100.00) directed against hoarding, while it strikes at the roots of a pernicious practice, so prevalent in the Philippines, of hiding moneys in bamboo tubes or "piggy" banks, in effect, also deprives their owners of the traditional security in their property rights. A "voluntaristic" attitude in the thrift habits of the nation tending to the use of banks as deposit media can well be developed through reinsurance and guarantee as obtains in the United States.

In the Philippines, the loan policies of banks and of other financial institutions are governed by restrictive laws. Within the limits permitted by the applicable laws, both as to terms and amounts limitations, these loan policies tend to be even more restrictive through lack of experience in evaluating industry's soundness and bankability resulting in heavy collateral coverage
generally demanded.

Moreover, the Philippine industrial development plan should be periodically examined to check on "industrial" soundness. Considerations determinative of industrial soundness should go for the verification of the contribution which each of these industries make to the expansion of national income and employment. Montinola, Secretary of Finance, writes:

    To my mind, the defects of the present law and the appurtenant executive orders lie in the fact that they have not made substantial contribution to the achievement of the objectives of raising our level of national income and employment.

    ......................................................

    Since we are bent on promoting greater utilization of local raw materials, let me make the following tentative suggestions for future consideration: tax exemptions for ten years for industries using exclusively local raw materials and producing highly essential goods to be specified; tax exemption for five years for industries no more than 30 per cent of the cost value of whose final products is represented by foreign raw materials, and no tax exemption should be granted to industries whose raw materials are wholly imported with certain few exceptions. These, I believe, will remove any qualms that anyone may have about the length of the time period of the tax exemption and will at the same time promote our objective of increased use of local materials.16

A Philippine industrial development gravitating towards heavy dependence on foreign supply markets for raw materials will endue the industrial structure with the instability noted in the agrarian-export economy which it seeks to supplement. More than mere complacence in this direction and instead of leaving the search and adoption of local substitutes in the hands of industry, the Government should formulate definite policies and correlate all industrial research efforts. The creation of an Industrial Research Center, to be supported by an Industrial Research Fund, will fill a great gap in the research facilities of the country. In order to develop industry research-consciousness, the Industrial Research Fund should be "contributory." All "new and necessary" industries which have obtained tax-exemption benefits, should be subject to a research levy to be based on paid-up capital, capital stock or capitalization, the aggregate collections to be matched in reasonable ratio by Government appropriation. The patent rights over the research achievements shall belong to the Industrial Research Center to be open to all contributing members of the Fund under an appropriate licensing system to provide additional revenues to it.

There are numerous other problems confronting the industrial development of the Philippines. In the present effervescing
state of economic affairs of the country, with forces pulling in all directions, some in unison, most in conflict, and generally without any definite policy determination, what the country needs is a Filipino Henry Ford, with a vision to lead, courage to organize, integrity to serve, and last but not least, to take risks.

C. AGRICULTURAL EXPANSION AND INDUSTRIALIZATION

Following the report of the United States Economic Survey Mission, otherwise known as the Bell Report and the Bell Mission, the Philippine Government launched a five-year "economic mobilization program" covering the period 1950 to 1954. Its guiding principles were the rehabilitation and development of principal agricultural industries, the reconstruction of prewar industrial plants and the development of new industrial projects, and the rehabilitation and construction of commercial transportation facilities. It also provided for the growth of vocational education and the promotion of domestic and foreign commerce.17

To dovetail into the "economic mobilization program," the National Economic Council (NEC) prepared the blue-prints of another five-year development program for the period 1954 to 1959. The goals set by the NEC economic development program consist of the following:

1. A gradually rising annual increase in agricultural production so that the 1959 production will be fifty per cent greater than the 1953 production.

2. Increased mineral production of eighty-one per cent in gold and silver production; 130.4 per cent in base metals production, and 140.8 per cent in non-metallic mineral production over the 1953 level.

3. Improvement and additions to the transportation and communication systems.

4. Construction of new housing to a total value of ₱56.9 million during the entire program period.

5. Construction of miscellaneous public works projects consisting of roads, port works, irrigation systems, waterworks and artesian wells, flood control and drainage projects, public buildings and others at an aggregate cost of ₱835.3 million during the entire program period.\(^\text{18}\)

In view of the changes embodied in the Laurel-Langley Agreement recently negotiated at Washington, D.C., and now subject to ratification by the Senate of both countries, revising some of the basic provisions of the United States-Philippine Trade Agreement, the President of the Philippines appointed an eight-man Economic Planning Board (EPB) as a super economic planning body to restudy the economic development program of the Administration.

Contrary to public speculation on the continuance of the National

Economic Council as a government economic advisory body, the President recently ordered its reactivation.\textsuperscript{19}

In carrying out its development programs, the Philippines has received continued financial assistance from the United States. The Bell Report concluded with a recommendation for the United States Government to provide $250,000,000 through loans and grants conditioned on the provision of a counterpart fund in pesos by the Philippine Government. The Report also suggested that the expenditure of these funds be subject to the supervision and control of the Technical Mission of the Mutual Security Administration (MSA), now the Foreign Operations Administration (FOA) which has functioned in close cooperation with the Philippine Council of United States Aid (PHILCUSA). Both in Washington and Manila, the FOA recently announced that it is shifting its emphasis in the Philippines from improvement of agriculture, education, public administration, public health, and development of natural resources to a program for stimulating industrialization. This shift in goal emphasis, however, has not altered the working arrangement prescribed by the Bell Report and implemented by the Quirino-Foster Agreement of 1951, namely, that in carrying out measures of self-help, the Philippine Government must provide the peso-counterpart

\textsuperscript{19}The Philippine Newsletter, January 27, 1955, p. 5.
for every United States aid-dollar received.

In order to encourage American investment in the development of Philippine industries, the President recently created the Foreign Investments Committee. In its first report to the President, the Committee recommended the enactment of a foreign investments law repealing all laws and regulations which discourage the entry of foreign capital. It proposed the creation of two commissions to promote foreign investments, the publication of a general brochure on investments, and Philippine participation as supplier of the needs of the United States Armed Forces in the Pacific area. One of the two agencies suggested to be created is a foreign investments commission which would hold office in Manila and serve as the central body to assist foreign investors. The other is a commission with offices in the United States which would help promote American interest in investing in the Islands. It also reported that various American firms had backed their professed interest with "letters of intent" to invest in the Philippines from $50,000,000 to close to $100,000,000 provided the Government create a more favorable atmosphere for such investments.\(^{20}\)

CHAPTER III

LABOR IN THE PHILIPPINES

A. UNIONISM IN THE PHILIPPINES

Had Ortega y Gasset and Frank Tannenbaum lived in Asia among the teeming millions composing the other half of the world's population, they would have seen the seeds of revolt of the masses of an utterly different variety and a philosophy of labor which, derived from totally distinctive modal life, is taking on varying casts and colors. For in the East the Clock of Centuries seem to have stopped for those who have long been kept under subjugation by alien rule. Jarred though by the explosion of World War II, it has come to tick out again. Hence, in the bizarre setting of Oriental splendor and squalor, the masses on the march, gathering whatever philosophy gives them purposeful action, move on under the inexorable that the world cannot survive half slave and half free, starving in want and surfeiting in wealth.

Three hundred and seventy-seven years of Spanish colonial domination, followed by about fifty years of dependency under the United States, have left almost indelible imprints on the fabric of Philippine life and labor. It cannot be gainsaid that the Filipino workingmen share the aspirations of workers
everywhere for the improvement and security of their lot. Yet for over a quarter of a century in modern times, after the bombs of Coronado had restated in the language of violence, as it were, the role of unionism as an instrument of protest and a medium of self-fulfillment, the union movement across the sea in the Philippines did not catch on, until very recently, to become such an instrument of protest, even much less a medium of goal realization. Immersed in poverty, ignorance, and oppression, the Philippine workers, at long last, from impetus given by an Administration alert to the danger signals, began to look to the union movement as a means to smash the shackles that have moored them in the abyss. Many have joined and broken free; many more remained, a failing not wholly their own.

To get a proper perspective on the Philippine union movement, it is necessary to give due recognition to the country's stunted industrial growth and the existence, although now claimed to be on the wane, of transmuted serfdom in the system of landlordism which underlies its agrarian economy. While today as progress increases under the intensive economic development programs, the urban centers have put up the semblance of modern industrial life, there is still much poverty and backwardness in the rural areas. Tenants, sub-tenants, farm hands, and laborers, generally
with large families, continue in lifetime indebtedness. Of poverty and ignorance were the chains of human bondage forged in the Philippines and in so much of Asia. So that throughout the whole system of agricultural employment as well as of industry, the landlord-tenant and employer-employee relations still derive attitudinal patterns that have based their concepts on the master and servant rule. The assumption of superior moral ascendancy by the landlord or employer over the tenant or employee, taking on the various forms of paternalism or intimidation, coupled with the timidity of the workers and the absence of economic alternatives for the latter, explain why unionism in the Philippines has been long in making headway.

The history of the union movement in the Philippines did not commence with its discovery by Magellan in 1521, although it marks the beginning of a land tenure system which still breathes forth ill winds. Forced labor was an outstanding feature during the Spanish times when the subjects were pressed for service in the army or in the public works upon failure to pay tax exactions, especially their cedulas. As a result, revolts broke out in different regions in the Islands at various times throughout the Spanish regime. Except for the Philippine Revolution of 1896, culminating in the overthrow of Spain which nevertheless ceded the
country to the United States in the Treaty of Paris of December 10, 1898, ending the Spanish-American War, revolts as an instrument of protest of the Filipinos were suppressed through the implementation of the colonial principle of divide and rule.

However, no arbitrary date need be chosen to mark the beginning of the union movement in the Philippines. There is not much of a choice to make at all. The history of the union movement in the Philippines begins with the coming of the Americans at the turn of the century.  

In 1902, the Union Obrera Democratica was founded in Manila among the workers in the lithographic and printing shops. It grew into a federation called Union Democratica de las Filipinas and took into its membership workers of other trades. In 1903, the union led an unsuccessful strike against the Manila Electric Railway and Light Company. It resulted in the arrest and imprisonment of the union president as well as of his successor, and the union disintegrated in no time.

On what grounds the union president and his successor were arrested, imprisoned, and later on even deported to Guam as a result of the unsuccessful strike of the Union Obrera Democratica in 1903, is not clear. A student of Philippine trade unionism at home or abroad could at best only hazard the guess that it

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was from the application of the doctrine of criminal conspiracy which had prevailed in the United States and England in the nineteenth century. No record is locally available and none has been collected at home to throw light on this important highlight of Philippine labor history. It may not be an impossible task of research, but arduous, in view of the destruction of government records from action of the last War if one were to endeavor to secure the information.

It was not until after five years from the first labor debacle, when another union was organized. In 1908, the cigar-makers in Manila formed the Katubusan. About the same time another union, Liga Obrera Filipina, was founded. Both appear not to have a strike history in the brief period of their animation.

After another cycle of five years, the Congreso de las Filipinas was founded in 1913. For its accomplishment, and no other, its first president later became Secretary of Labor in the Government of the Philippine Commonwealth.

With the outbreak of World War I, there was a war boom among the Philippine sugar centrals, coconut mills, oil factories, lumber mills, cigar and cigarette factories, and land and water

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22 Information in a letter to the author from Cicero D. Calderon, Director of the University of the Philippines Labor Education Center, January 28, 1955.
transportation. New enterprises sprang up to meet national and international requirements. There was an increase in employment avenues and also increasing cost of living. The union movement gained organizational impetus.

TABLE III
GROWTH OF LABOR ORGANIZATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Unions</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1918</td>
<td>143</td>
<td>147,331</td>
</tr>
<tr>
<td>1919</td>
<td>31</td>
<td>42,006</td>
</tr>
<tr>
<td>1920</td>
<td>87</td>
<td>63,652</td>
</tr>
<tr>
<td>1921</td>
<td>99</td>
<td>61,935</td>
</tr>
<tr>
<td>1922</td>
<td>97</td>
<td>68,976</td>
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<tr>
<td>1923</td>
<td>118</td>
<td>70,548</td>
</tr>
<tr>
<td>1924</td>
<td>145</td>
<td>89,826</td>
</tr>
<tr>
<td>1925</td>
<td>122</td>
<td>83,544</td>
</tr>
<tr>
<td>1926</td>
<td>119</td>
<td>62,858</td>
</tr>
<tr>
<td>1927</td>
<td>103</td>
<td>61,716</td>
</tr>
<tr>
<td>1928</td>
<td>110</td>
<td>68,828</td>
</tr>
<tr>
<td>1929</td>
<td>114</td>
<td>62,366</td>
</tr>
<tr>
<td>1930</td>
<td>122</td>
<td>78,781</td>
</tr>
<tr>
<td>1931</td>
<td>110</td>
<td>91,041</td>
</tr>
<tr>
<td>1932</td>
<td>116</td>
<td>?</td>
</tr>
<tr>
<td>1933</td>
<td>135</td>
<td>13,109</td>
</tr>
<tr>
<td>1934</td>
<td>122</td>
<td>72,613</td>
</tr>
</tbody>
</table>

Following the pattern of the union movement in other democratic countries, labor unrest which loomed under restraint du-

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23Kurihara, op. cit., p. 70.
During the war years resulted in increased labor disputes after the close of the war.

**TABLE IV**

**NUMBER OF LABOR DISPUTES AND WORKERS INVOLVED**

<table>
<thead>
<tr>
<th>Year</th>
<th>Disputes</th>
<th>Workers Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914</td>
<td>10</td>
<td>1,017</td>
</tr>
<tr>
<td>1915</td>
<td>11</td>
<td>970</td>
</tr>
<tr>
<td>1916</td>
<td>17</td>
<td>4,485</td>
</tr>
<tr>
<td>1917</td>
<td>50</td>
<td>5,842</td>
</tr>
<tr>
<td>1918</td>
<td>84</td>
<td>16,289</td>
</tr>
<tr>
<td>1919</td>
<td>67</td>
<td>4,150</td>
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<tr>
<td>1920</td>
<td>68</td>
<td>11,139</td>
</tr>
<tr>
<td>1921</td>
<td>35</td>
<td>19,782</td>
</tr>
<tr>
<td>1922</td>
<td>24</td>
<td>14,956</td>
</tr>
<tr>
<td>1923</td>
<td>26</td>
<td>8,331</td>
</tr>
<tr>
<td>1924</td>
<td>20</td>
<td>6,784</td>
</tr>
<tr>
<td>1925</td>
<td>23</td>
<td>9,936</td>
</tr>
<tr>
<td>1926</td>
<td>27</td>
<td>7,279</td>
</tr>
<tr>
<td>1927</td>
<td>53</td>
<td>8,567</td>
</tr>
<tr>
<td>1928</td>
<td>38</td>
<td>4,729</td>
</tr>
<tr>
<td>1929</td>
<td>26</td>
<td>4,939</td>
</tr>
<tr>
<td>1930</td>
<td>36</td>
<td>6,096</td>
</tr>
<tr>
<td>1931</td>
<td>45</td>
<td>6,976</td>
</tr>
<tr>
<td>1932</td>
<td>31</td>
<td>4,396</td>
</tr>
<tr>
<td>1933</td>
<td>59</td>
<td>8,066</td>
</tr>
<tr>
<td>1934</td>
<td>63</td>
<td>17,662</td>
</tr>
<tr>
<td>1935</td>
<td>27</td>
<td>7,040</td>
</tr>
<tr>
<td>1936</td>
<td>51</td>
<td>5,649</td>
</tr>
<tr>
<td>1937</td>
<td>57</td>
<td>4,667</td>
</tr>
<tr>
<td>1938</td>
<td>125</td>
<td>20,426</td>
</tr>
<tr>
<td>1939</td>
<td>222</td>
<td>28,104</td>
</tr>
<tr>
<td>1940</td>
<td>158</td>
<td>18,184</td>
</tr>
</tbody>
</table>

---

The Great Depression of the thirties dealt the union movement a staggering blow. However, with the return of normalcy and the introduction of the Social Justice Program of the Commonwealth Government which was inaugurated in 1935, it got fresh impetus. The pro-labor policy of the Administration led to the enactment of various legislative measures designed to promote the interests of labor. The most important of these was the Collective Bargaining Law (Commonwealth Act No. 213) of 1936, the counterpart of the Wagner Act in the United States.

Following the Japanese Occupation of the Philippines, organized labor may be said to have entered its Dark Age. All labor agencies essential to the operation of labor laws and the execution of their aims were not reconstituted and the enforcement of all labor laws, particularly the Collective Bargaining Law, was suspended under the Japanese Military Regime by virtue of a proclamation issued by the Commissioner of Justice of the Military Administration on October 7, 1942.\textsuperscript{25} During the three and a half years of Japanese Occupation, the economic life of the Nation was completely disrupted. In the interim, all labor gains vanished.

Following the cessation of hostilities of World War II,

the union movement again gathered stock to start anew. It took far greater strides during the post-war years than at any other comparative period before Pearl Harbor.

TABLE V

POST-WAR GROWTH OF LABOR ORGANIZATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Unions</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>19</td>
<td>3,922</td>
</tr>
<tr>
<td>1946</td>
<td>237</td>
<td>74,976</td>
</tr>
<tr>
<td>1947</td>
<td>407</td>
<td>106,909</td>
</tr>
<tr>
<td>1948</td>
<td>622</td>
<td>131,144</td>
</tr>
<tr>
<td>1949</td>
<td>860</td>
<td>140,000</td>
</tr>
</tbody>
</table>

Again, even as the Nation was yet to recover fully from the wounds of war, labor grievances which, during the war days were hardly noticeable, broke through the surface.

TABLE VI

LABOR DISPUTES AND NUMBER OF WORKERS INVOLVED

<table>
<thead>
<tr>
<th>Year</th>
<th>Disputes</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>69</td>
<td>45,573</td>
</tr>
<tr>
<td>1947</td>
<td>93</td>
<td>23,051</td>
</tr>
<tr>
<td>1948</td>
<td>212</td>
<td>49,968</td>
</tr>
<tr>
<td>1949</td>
<td>249</td>
<td>44,943</td>
</tr>
</tbody>
</table>

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As of 1954, however, unionism in the Philippines has not yet reached the broad masses of workers in the various trades and industries. Del Rosario, a columnist of a popular Manila daily, observes that "labor unions are still in diapers and many a capitalist is still living in the nineteenth century."28

However, clearly discernible patterns of growth of organized labor in the Philippines can now be pointed out. "Horizontal" unions prevail among service workers, printers, carpenters, shoe and slipper makers, mechanics, clerks, and salesmen. In the industrial centers, "vertical" unions are gaining ground, involving all the workers of a given industry regardless of craft or trade. Industrial unions are found among the workers in manufacturing, mining, lumber, and tobacco industries; in transportation and communications, and in sugar centrals. Lack of large-scale enterprises, however, account for the prevalence of horizontal trade-unionism.

Among the federations established, the more prominent are the Federation of Free Workers (FFW), the Philippine Labor Unity Movement (PLUM), and the Philippine Labor Union (PLU). None of these operates on a national scale or industry-wide basis. Unaffiliated unions, which constitute the vast majority, guard their respective jurisdiction and independence with jealous zeal.

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B. ORGANIZING THE UNORGANIZED

The great majority of the unorganized workers and farm laborers in the Philippines were said to be between the devil of illiteracy and the deep sea of apathy.29

Following the Bell Report of 1950, which pointed to the widespread social unrest, the conditions of labor were brought to sharp national focus. Numerous legislative measures were enacted during the ensuing years, the most important of them being the Industrial Peace Act of 1953 (Republic Act No. 875), otherwise known as the Magna Carta of Labor, which firmly established collective bargaining as an "economic institution".

Aside from the legislative enactments designed to create favorable climate for organized labor, the Government sponsored an extensive program of seminars on the various aspects of unionism in the different cities and rural areas throughout the country. The Labor Education Center was established in the University of the Philippines at Manila and labor experts from the staffs of various American universities were engaged and sent to the Philippines to preach the gospel of unionism. Furthermore, under the Exchange Visitors Training Program, a number of government offic-

29Remark of the late Francisco Varona, a technical adviser in the former Office of the Philippine Resident Commissioner at Washington, D.C.
cials and labor leaders were sent to the United States for training in union affairs and labor law enforcement.

Despite all these endeavors to bolster the ranks of organized labor in the Philippines, only a small portion "very much less than 10% of the wage earners" are unionized as of February 28, 1955. About ninety per cent of the working population in the various trades and industries are outside the union fold. The Manila Chronicle editorially comments:

The intensification of the government's industrialization program makes it imperative for our country's legion of workers to organize themselves into free, responsible trade unions. This is the compelling challenge that already existing unions face today and which they must meet successfully if they are to make a vital contribution in the establishment of industrial peace.

Despite the enactment of labor laws conducive to the growth of a strong and progressive trade union movement, two factors still pose serious setbacks to the development of free unionism in our country. These are the refusal of management groups to accept collective bargaining as an economic institution and the failure of the movement to bring the protection of unionism to over ninety per cent of our wage earners who are still unorganized.

While "organizing the unorganized" in the United States had represented a question of organizing the workers in the mass-

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production industries, which resulted in an schismatic movement in the House of Labor and, later in the creation of the CIO, in the Philippines it is a drive that must be undertaken to have the workers unionized.

In addition to the refusal of management to accept collective bargaining as a factor militating against union growth, however, there must be some recognition given to the quality of labor leadership which operates as a deterrent from within. Unlike the men who lead labor in America, Philippine "labor leaders", in preference to being called "union leaders", did not spring from the mine pits, factories, or work benches of the nation. Traditionally, manual work is looked down by those who have some educational attainment. Even among high school graduates, there is a mental habit to strive for white-collar jobs. Only the "uneducated" compose the rank and file of labor and remain there. The present labor leaders in the Philippines, as a rule, have received college education of some kind, a majority of them being lawyers. These men have no root in the rank and file of labor. Some of them may be said to have shown evangelistic zeal for the labor cause. A majority have been drawn into the movement by prospects of legal business or political built-up or both, rarely

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32 Information from a personal interview of the author with Dominador Reyes, Chief of the Information and Publicity Section of the National Employment Service, Department of Labor.
for organizational leadership. The role of the shop steward re-
 mains undeveloped and labor disputes and grievances are mostly
 handled by labor leaders qualified in the practice of the law
 profession. Others have built their political fortunes on labor
 votes; many still seek them that way.

 Whereas the American union movement is said to be char-
 acterized by lack of education on the part of leadership and ir-
 responsibility on the part of membership, the converse appear to
 hold true in the Philippines. Aside from the maritime strike in
 Manila, where unions were pitted against unions over non-juris-
 dictional issues, there is ample evidence to decry the irrespon-
 sibility of leadership and the lack of education of the member-
 ship. Hence, the aggravated reluctance of management to deal with
 unions at the bargaining table.

 Whereas the National Labor Relations Act, passed by the
 United States Congress in 1935, was a product of the Great Depres-
 sion of the thirties, the Industrial Peace Act of 1953, otherwise
 known as the Magna Carta of Labor, was a result of the social un-
 rest of the early fifties with threats of the Hukbalahaps to over-
throw the Government. Unlike the Railway Labor Act of 1926, which
 was, in effect, a legislative ratification of the articles of
 agreement between the railway carriers and the brotherhoods of
 their employees, both the National Labor Relations Act and the
Magna Carta of Labor were impositions by legislative fiat upon management and labor. In both instances, management was as unprepared as was labor. This condition continues in the Philippines under the Magna Carta of Labor as shown by the reluctance of management to accept collective bargaining and as evidenced by labor's quandary as to what to do about it for lack of sound leadership, with thousands of defenseless workers still unorganized.

What the Philippines needs most today is a Filipino John L. Lewis to provide the organizational dynamics to get the unorganized workers into the unions. That need is not to be minimized, much less, ignored lest unorganized labor, lured by siren songs of an alien ideology, turns into a Frankenstein, feeding upon the ignorance and frustration that had enslaved it.

C. LABOR LAWS AND LEGISLATION

Unlike Cuba, Peru, and Costa Rica, with their respective Code of Labor, or Brazil, with its Consolidation of Labor Laws, where coverage of the entire field of labor affairs has been provided for in a single legislative enactment, the Philippines has followed the same pattern as the United States by providing for such coverage through separate pieces of legislation approved on different occasions. In the Philippines, these consist of the Constitution, the Civil Code, and special laws.
The Constitution of the Philippines, Article I, Section 5, provides, as part of the Declaration of Principles, that the promotion of social justice to insure the well-being and economic security of all the people should be the concern of the State. The declaration of this principle was given specific reinforcement in another Constitutional provision, Article XIV, Section 6, which provides that the State shall afford protection to labor, especially to working women and minors, and shall regulate the relations between landowner and tenant as well as between labor and capital in industry and in agriculture, and that the State may provide for compulsory arbitration.

In order to implement the guaranty of social justice embodied in the Constitution of the Republic, various provisions have been incorporated into the new Civil Code. Articles 1700 to 1712 are designed to promote fair dealing between labor and capital. The relations between labor and capital are considered not merely contractual in nature, but impressed with public interest. Neither is capital or labor permitted to act oppressively against the other or impair the interest and convenience of the public.

In case of doubt, all labor legislation and all labor contracts shall be construed in favor of the safety and decent

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33Civil Code of the Philippines (Republic Act No. 386) which was approved by the President of the Philippines on June 18, 1949, and became effective in June, 1950.
living for the laborer. One of the innovations introduced by the Civil Code declares that the laborer's wages shall be a lien on the goods manufactured or work done. Under this provision, the laborers who contributed their work to the manufacture of the goods may ask for the sale of the articles in order to satisfy their unpaid wages.

Among the most important special laws is the Industrial Peace Act of 1953 (Republic Act No. 875) heretofore mentioned as the Magna Carta of Labor. It is substantially in accord with Convention No. 98 concerning the application of principles of the Right to Organize and to Bargain Collectively, which was approved by the International Labor Conference in the course of its 32nd Session held in 1952. According to the Explanatory Note accompanying the measure, it is modelled partly after the United States National Labor Relations Act.

The Industrial Peace Act of 1953 guarantees workers the right to organize, bargain collectively through representatives of their own choice, and engage in other concerted activities for the purpose of mutual aid and protection. To effect these guarantees, employers are forbidden to engage in unfair labor practices such as restraining or coercing workers in the exercise of these rights, promoting or supporting unions, or discriminating against employees in order to encourage or discourage union membership.
Workers and employers are required to bargain collectively by using the procedures outlined in the law when either party desires to negotiate an agreement. The Conciliation Service of the Department of Labor is responsible for minimizing labor disputes through conciliation and mediation. When a strike or lockout is contemplated, the Conciliation Service must be notified thirty days in advance.

Under the law, the Court of Industrial Relations (CIR) no longer has the power to enforce compulsory arbitration and to issue injunctions against strikes, except in disputes in industries considered by the President of the Philippines to be "indispensable to the national interest." Strikes of workers employed in government administration are forbidden.

The Court of Industrial Relations is converted into a quasi-judicial body similar to the National Labor Relations Board, from its previous status as a judicial body having "jurisdiction over the entire Philippines to consider, investigate, decide and settle all questions, matters, controversies or disputes arising between and/or affecting employers and employees...and regulate the relations between them..." In its new role, the CIR may be called upon to determine appropriate bargaining units, ascertain the wishes of employees as to their bargaining agent, and prevent unfair labor practices. Court orders regarding unfair labor prac-
tices may be appealed to the Supreme Court. Unlike the National Labor Relations Board, however, the CIR may not fix the limits of its jurisdiction by administrative rulings.

Before the enactment of the Industrial Peace Act, workers had no legal protection from unions which might be run primarily by labor racketeers or management. If several unions existed in a plant, the employer could bargain with one or more of his choice. A union not recognized by the company was, therefore, at a great disadvantage. Under the new law, however, ten per cent or more of the workers in a plant or a bargaining unit may petition the CIR to hold an election to determine which union shall represent them. After twelve months, another election may be requested.

In addition, the law enables the workers to eliminate undemocratic practices within unions through specific safeguards in regard to trade union administration. Union members are now to elect union officers by secret ballot at least once every two years. They have also the right to vote on all policy questions affecting the entire membership, including the question of strike action. Union officers must furnish full reports on financial transactions, and members may inspect the union account books at any time. The disbursement of union funds is limited to properly authorized expenditures; arbitrary and excessive initiation fees and fines outlawed. Persons known to be "subversive" are not eli-
gible for union membership, and persons who have been convicted of crimes involving moral turpitude may not be union officers or be entrusted with union funds. If ten per cent of the workers in a union believe any of these provisions are not being carried out, they may report the alleged violation to the CIR which must then hold hearings and act according to the procedures established for "unfair labor practices" cases.

The new law amends Commonwealth Act No. 213 of 1936, which has been criticized because it enabled the Secretary of Labor to deny or cancel the registration of any union without holding a hearing or notifying the union of his decision. This power was of great importance because only a trade union registered by the Department of Labor was entitled to "the rights and privileges granted by law," including the right to collective bargaining. The registration of labor organizations has been made the function of the Registrar of Labor Organizations under the immediate supervision of the Secretary of Labor. A bill now pending approval by Congress provides for the removal of this function from the Department of Labor and its transfer to the Court of Industrial Relations.

The Secretary of Labor is required by the law to recognize as a "legitimate" trade union any organization which files certain documents with the Registrar of Labor Organizations, in-
cluding a notice of its existence, a copy of its constitution, a list of officers, and a sworn statement that no officer is a member of a subversive organization. If the Secretary of Labor believes the union application does not meet the registration requirements, he must hold a public hearing before making his decision. Unions have the right to appeal adverse decisions to the Supreme Court. Similar safeguards are provided for renewal and for cancellation of union permits.\(^3\)

From June 17 to December 31, 1953, the total number of unions registered with the Secretary of Labor grew from 836 to 1,092. This growth indicates that the new provisions are having the desired effect of making the achievement of legal status readily possible for any trade union that does not have subversive leadership and that meets certain specified standards with regard to union organization.

From June 17 to December 31, 1953, the Department of Labor's Conciliation Service reported receipt of seventy-eight notices of intent to strike from trade unions under the thirty-day cooling off provisions of the Industrial Peace Act. Thus, the formal notice appears to have been used as almost an automatic device.

to signal the intent to bargain. 35

The Conciliation Service has so far proved to be an effective agency in the settlement of industrial disputes. In 1954, it reported 702 industrial disputes conciliated; 2,222 conciliation conferences held; 57 labor-management agreements made; 88 collective agreements prepared; and 160 strikes averted. 36

As a direct sequel of the Industrial Peace Act, the Congress of the Philippines passed Republic Act No. 1167 in 1954, which punishes by fine or imprisonment, or both such fine and imprisonment in the discretion of the Court, any person who shall wilfully obstruct or interfere with peaceful picketing by workers and employees during any labor controversy or who shall knowingly aid or abet such obstruction or interference. The law recognizes peaceful picketing as the only weapon which effectively implements the right of labor to strike and holds that if this weapon of peaceful picketing is taken away from the hands of labor, it would render labor impotent and relegate the right to strike to a mere empty gesture.

The Department of Labor has been constituted to enforce all labor laws in the Philippines. Within the Department are the following agencies and their respective functions:

1. Bureau of Labor. For compliance and enforcement of the Woman and Child Labor Law, Republic Act No. 679, as amended by Republic Act No. 1131; the Blue Sunday Law, Republic Act No. 946; the Manner of Terminating Employment, Republic Act No. 1052; the Free Emergency Medical and Dental Treatment Law, Republic Act No. 1054; and for extending free legal services to workers; legal aid for indigents; and the prosecution of violations of laws administered by the Bureau.

2. National Employment Service. For free placement service for labor of all types; conducting special studies on the organization of the employment market and recommending measures for preventing or remedying unemployment and underemployment; assistance to workers in obtaining suitable employment and employers in obtaining suitable workers; and taking appropriate measures to facilitate occupational and industrial mobility with a view to adjusting the supply of labor to the employment opportunities in various occupations and industries.

3. Wage Administration Service. For compliance and enforcement of the Minimum Wage and Eight-Hour Labor Laws and Section 9 of the Sugar Act of 1952, including the issuance of wage orders and regulations, and inspection, evaluation, wage survey, and wage determination.

4. Workmen's Compensation Commission. For the administration and enforcement of the Workmen's Compensation Act, particularly to hear and determine all claims for compensation.

5. Industrial Safety Engineering Division. For the safety inspection of factories, shops, warehouses, boilers, pressure vessels, machinery, internal combustion engines, electric motors, elevators, and other mechanical equipment and electrical installations; for the preparation of designs and plans of safety guards for different industries, checking of plans of indus-
trial establishments; for safety education and information of the workers in all types of industries; for the promotion of safety consciousness among the management and the public in general, and for the publication and dissemination of safety information and materials.\textsuperscript{37}

The Department of Labor and the different bureaus and divisions under its jurisdiction have been constituted to enforce all labor laws in the Philippines. The organizational set-up of the Department is shown in the accompanying Chart I, which has been prepared on the basis of the 1955-1956 Budget of the Government of the Philippines, now pending approval by Congress as to the working funds to be appropriated for the coming fiscal year.

The over-all administration and supervision of the Department is charged to the Secretary of Labor and his Undersecretary. They are also charged with the functions flowing from the participation of the Philippine Government in international conferences in the International Labor Organization.

\textsuperscript{37}Ibid, p. 751.
CHART I

ORGANIZATION OF THE DEPARTMENT OF LABOR

Secretary of Labor
Undersecretary

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Conciliation Service
Labor Registration
Industrial Peace Promotion
Research-Statistics
Accounts Examination

Wage Administration Service

National Employment Service

Workmen's Compensation Commission

Industrial Safety Division

Bureau of Labor
D. SOCIAL SECURITY

On June 18, 1954, upon the approval of Republic Act No. 1161 by the President of the Philippines, there was established for the first time a system of social security to provide protection against the hazards of unemployment, disability, sickness, old age, and death.

A Social Security Commission was created to administer the System. Among its broad powers, the Commission was given discretionary authority to select one or more experimental areas wherein any, some, or all of the aspects of social security may be initially tried. Should the Commission find it impracticable or unduly discriminatory to apply the system to a particular area it may then determine its application on the basis of size and the economic conditions of employees.

The System provides for compulsory and voluntary coverage. It is compulsory upon all employees between the ages of eighteen and sixty years, inclusive, if they have been for at least six months in the service of an employer who is a member of the System. An employer may not be compelled to become a member of the System unless he shall have been in operation for at least three years and has at the time of his admission two hundred employees. In addition to failure to satisfy this minimum require-
ment as to the number of employees, an employer may be exempted from membership in the System if he can show that he did not make any profit in any one year for the last three consecutive years. He may also claim for exemption on the basis of an equivalent plan he is maintaining for his employees to which the employees' contributions are not higher and the employer's contributions not lower, than those required under the System. He may, however, liquidate such plan with the consent of the majority of the employees participating and join the System. Where the liquidation of the employer's plan is approved by the Commission, any amount accruing to the employees is remitted to the System to be credited to his account.

The System may extend coverage upon voluntary application by an employer who is not otherwise required to participate, if the majority of the employees do not object. A more distinctive feature in the voluntary aspect of coverage under the System is that, any individual employee, whose employer is not required to join the System, may apply on his own account and pay twice the normally prescribed amount of employee's contribution. There are a number of services exempt from compulsory coverage under the law.

The System is contributory. The employee's contribution consists of three per cent of his monthly compensation and his
employer is required to put up an equivalent amount.

Upon retirement, an employee shall be entitled to a life annuity payable monthly as long as he lives but in no case for less than two years. The amount of monthly annuity shall be whatever eighty per centum of the premiums credited to his account with three per centum per annum interest, compounded monthly, shall purchase at his retirement, according to the mortality table and rate of interest adopted by the Commission. However, the percentage of the premiums with interest to the credit of an employee which may be applied to the purchase of retirement benefits may be changed by the Commission, but in no case shall such percentage be less than seventy per cent nor more than ninety per cent of the premiums with interest to the credit of the employee. Where the employee has paid his contributions for at least ten years and has rendered to an employer at least three years of continuous service immediately prior to his retirement, the minimum amount of the monthly annuity shall be twenty-five pesos or, under the present official rate of exchange, twelve dollars and fifty cents. An important feature is provided in the case where the premiums set aside for the purchase of the annuity are not sufficient to satisfy the minimum amount. The deficit shall be borne and paid to the System by his last employer on a fifty-fifty per cent basis with the employee whose monthly contribu-
tions shall be continued and deducted from his annuity as long as necessary, but in no case for a period exceeding ten years.

On reaching the age of sixty years and after having rendered at least five years of service in an employment, a covered employee shall have the option to retire under the law. There is no age set at which an employee may be subject to compulsory retirement. Where a retired employee obtains reemployment, his annuity is suspended and the required contributions shall again be payable by the employee and employer.

Death and disability benefits are paid on the basis of the contributions made by the covered employee, where death or disability occurred before he became eligible for retirement and is not compensable under the Workmen's Compensation Act. If the employee dies or becomes disabled and he has paid less than thirteen monthly contributions, his accumulated contributions only shall be paid back to him or his beneficiaries. However, if he has paid from thirteen to twenty-four, or from twenty-five to thirty-six, or from thirty-seven to forty-eight, or more than forty-eight monthly contributions, the benefit shall be respectively, equivalent to thirty per centum, fifty per centum, seventy-five per centum, and one hundred per centum of the average monthly compensation he has received during the year multiplied by twelve. In all cases, however, he must have paid the contribution
for the calendar month immediately preceding the month during which he died or became disabled. His beneficiaries are given one month within which to pay his contribution if no payment was made. If the death or disability is compensable under the Workmen's Compensation Act and the amount payable thereunder is less than what would have been payable to him or his beneficiaries under the Social Security System, the difference between the two amounts shall be paid by the System.

Where the disability is partial but permanent, the amount of benefit shall be determined by the Social Security Commission with due regard to the degree of disability.

Under such rules and conditions as the Commission may prescribe, any covered employee who, after at least one year from the date of his coverage, on account of sickness or bodily injury is confined in a hospital, or elsewhere with the approval of the Commission, shall, for each day of such confinement, be paid by his employer, or by the System if such person is a voluntary member, an allowance equivalent to twenty per centum of his daily rate of compensation, plus five per centum thereof for every dependent, if any, but in no case shall the total amount of such daily allowance exceed six pesos, or sixty per centum of his daily rate of compensation, whichever is the smaller amount, nor paid for a period longer than ninety days in any one calendar
year. As a condition precedent to payment, the employee must have paid the required premiums for at least six months prior to his confinement.

The payment of sickness benefit shall begin only after the first seven days of confinement, except in cases of injury or any acute disease. In no case, however, shall such payment begin before all leaves of absence with pay, if any, to the credit of the employee shall have been exhausted. Any contribution which may become due and payable by the employee to the System during his sickness shall be deducted in installments from such allowances. The total amount of the daily allowances paid to the employee shall be deducted from the death or disability benefit if he dies or becomes totally or permanently disabled within five years from the date on which the last of such allowances became due and payable.

The Social Security Act also provides for unemployment benefit. Any employee who after at least one year from the date of his coverage, becomes unemployed for any reason other than his misconduct, voluntary without sufficient cause attributable to his employer, or an act of God, shall be entitled, for each day except holiday, to an allowance equivalent to twenty per centum of his daily rate of compensation, plus five per centum thereof for every dependent, if any, but in no case shall the total amount
of such daily allowance exceed six pesos, or fifty per centum of his daily rate of compensation, whichever is the smaller amount, nor paid for a period longer than ninety days in any one calendar year. As a condition precedent for payment, it is required that the employee has worked for his employer and paid the required premiums during the preceding year for at least twenty-six weeks, of which four weeks must immediately precede his unemployment. The payment of unemployment benefit shall begin only after the first three weeks of unemployment, which period the Commission, however, may reduce to two weeks if the covered employee has dependents.

In no case shall the payment of benefit begin before all leaves of absence with pay, if any, to the credit of the employee shall have been exhausted. The payment of unemployment benefit shall be suspended if his continued unemployment is due to his failure, without good cause, to apply for available suitable work or to avail himself of a reasonable opportunity for suitable work or to accept suitable work when offered to him.

The total amount of the daily allowances paid to the covered employee as unemployment benefit shall be deducted from the death or disability benefit if he dies or becomes totally and permanently disabled within five years from the date on which the last of such allowance becomes due and payable.

The organization of the social security system is only
now being started and no record of its experience is as yet available.

E. PHILIPPINE BLUE CROSS AND BLUE SHIELD PLANS

A number of business corporations have provided for sickness and hospitalization coverage for their employees through group insurance.

The Blue Cross and Blue Shield Plans in the United States have developed a counterpart in the Philippines. The Bicol Blue Cross Medical Plan, with centers at Legaspi and Naga City in the Bicol region of Luzon, was founded by a Filipino physician who visited this country in the early fifties and made an extensive study of the American prototypes.

The Bicol Blue Cross Medical Plan operates on a non-profit basis and combines the service features of the American Blue Cross and Blue Shield Plans. The coverage includes surgical, medical, dental, hospital, maternity, X-ray, laboratory, and physio-therapy services.38

Subscribers to the Plan are divided into three groups: individual, family, and student. The initial subscribers to the Plan were members of the Albay Teachers Association. The subscrip-

tion has since been enlarged to include the farmers and their families in the rural areas of the region. The Plan now covers some five thousand subscribers, with most of the hospitals in that region participating.

Despite the laudatory comments on the operation of the Bicol Blue Cross Medical Plan by visiting health officers of the Government and of the Philippine Medical Association, however, the idea has not been caught on by others. The Plan is in operation only in the Bicol Region.

F. THE PHILIPPINE GOVERNMENT AS AN EMPLOYER

As of July 1, 1954, it is estimated by the Bureau of Census and Statistics that there were 297,000 workers employed by the national and local government. This number does not include the members of the armed forces, workers in the public works, and those employed in the various government-owned or controlled corporations.

The people of the Philippines have maintained the distinction between the military and civil arms of the State and no attempt has been made to cut the civil servant to the pattern of the soldier. The designation, even in a temporary capacity, of an active member of the armed forces to assume a position in the civil administration has invariably registered popular disfavor. It
has become a legal requirement before assumption of an office, whether in the civil or armed services, or in the classified or unclassified roster of the civil service, for an appointee to subscribe to an oath of allegiance and to support and defend the Constitution of the Republic of the Philippines.

The Industrial Peace Act of 1953, designed to create a favorable climate for organized labor, permits the organization of government employees, but prohibits the resort to strike or the right to join a strike against the Government or any of its political subdivision or instrumentality for the purpose of securing changes or modifications in the terms and conditions of employment. A violation of this inhibition is visited by penal sanction. The prohibition against strike, however, applies only to those employed in governmental functions and not to those employed in the proprietary functions of the Government or in the governmental corporations. The Government of the Philippines maintains the principle of inviolability of its sovereign authority. Spero writes:

Today, any number of groups of private employees, harbor boatmen, electrical repairmen, railwaymen, telephone operators, transport workers, truckmen, gasoline filling station employees, can not only disrupt the life of great cities but can actually interfere with the functioning of government itself.

Yet, legislators guarantee the right to strike to private employees while they limit or deny these rights to public workers. In doing
this, however, they are not as inconsistent as they appear to be, for they base their position not upon the relative inconvenience to the public of work stoppages in private or government services, but rather upon the ground that the sovereign can not permit its servants to challenge its authority.39

The right to organize granted to Government employees engaged in the performance of governmental functions has given rise to the formation of mutual benefit associations or cooperatives but not to militant unions among them. Notwithstanding the low salaries paid in the government service, there has not been any group action to secure a raise in the salary levels. However, the demands of industry have made inroads among the top caliber men in the government service and the Government has finally come to the realization that, if it is to compete successfully in the labor market or retain its career men, it must give greater weight to the prevailing salary levels in the business community. Magsaysay writes:

The pay of government employees is a subject of deep concern to me. I am convinced that it must be set at levels that will provide the public service with efficient employees, and that it must reflect the varying importance of duties and responsibilities that are being performed.40


Today, in relation to duties and responsibilities, government salaries are seldom equitable and adequate. The basic problems have not been solved by minimum wage laws or pay increases for selected groups of government employees. Piecemeal salary legislation has not corrected widespread inequities. Corrective measures, however, have been taken by the Government in this direction. Lending a hand in the matter, the Philippine Council of United States Aid and the Foreign Operations Administration engaged the Louis J. Kroeger and Associates to undertake a comprehensive wage and position classification survey of all positions in the National Government on which to construct a new and equitable plan of government salaries. The Commission of Civil Service is being revamped for greater efficiency in civil service administration. Laws were recently passed to provide for greater employment security and more liberal fringe benefits in government employment.

Among the employees engaged in the proprietary functions of the Government and in governmental corporations who, under the law, are granted the right to organize and to strike, numerous unions have sprang up. The series of costly strikes which tied up the operations of the government firms has resulted in a conference recently called by the Economic Coordination Administrator of all the heads of the government firms at which wage incentives were approved for their workingmen.\[^1\]

\[^1\] *Manila Bulletin*, November 11, 1954, p. 3.
The Philippine Government as an employer has provided for the social security of its employees. The Government Service Insurance System (GSIS) was created under a legislative charter (Commonwealth Act No. 186 as amended by Republic Acts Nos. 660 and 728) to administer death, old age retirement, and disability benefits to all regularly and permanently appointed employees, including those whose tenure of office is fixed and limited by law, and to all public school teachers except substitutes.

Upon retirement, a member is automatically entitled to a life annuity payable monthly for at least five years and thereafter as long as he lives. The monthly annuity is twenty pesos and in addition for each year of service rendered after the approval of the law, one and six-tenth per cent (1.6%) of the average monthly salary received by him during the last five years of service prior to retirement, and for each year of service rendered prior to the approval of the law, if said service was at least seven years, one and two-tenths per cent (1.2%) of said average monthly salary. The maximum amount of monthly annuity at age 57 years shall not exceed two-thirds of said average monthly salary or five hundred pesos ($500.00), whichever is the smaller amount. The monthly annuity shall be adjusted actuarially if the retirement should be at an age other than fifty seven years. In lieu of this annuity, a participant may, prior to his retirement, elect
one of the following equivalent benefits:

1. Life annuity payable monthly for at least five years and thereafter as long as he lives;
2. Monthly annuity during the joint lives of the employee and his wife or other designated beneficiary, which annuity, however, shall be reduced upon the death of either and paid to the survivor;
3. Lump sum payment of present value of annuity for the first five years and future annuity to be paid monthly, which is available to employees who retire at age 65 years or over;
4. Such other benefit as may be approved by the System.

If an employee dies before he becomes eligible for retirement, his beneficiaries will be paid all his own contributions with three per cent (3%) interest per annum, compounded monthly. If he dies after he had become eligible for retirement, the annuity will be paid accordingly to his designated beneficiaries.

If an employee becomes permanently and totally disabled and his services are no longer desirable, he shall be discharged from the service and be paid his own contributions with interest of three per cent (3%) per annum, compounded monthly, if he has rendered service of less than five years. If the employee has served at least five years but less than fifteen years, in addition to his own, the contributions made by the Government to his account, without interest, shall be paid to him. If he has served at least fifteen years, he shall be retired and be entitled to full retirement benefits.
The compulsory retirement age is 65 after completion of at least fifteen years of service, unless the employee is otherwise eligible for a disability retirement. An employee may, however, be allowed to serve after the age of 65 if he possesses special qualifications and his services are needed upon special approval by the President of the Philippines, the President of the Senate, the Speaker of the House of Representatives, or the Chief Justice of the Supreme Court, as the case may be.

To finance the retirement benefits, an employee earning two hundred pesos (₱200.00) a month or less contributes four percent (4%) of his salary and the Government contributes six percent (6%) of said salary. If he earns more than two hundred pesos (₱200.00) a month, the employee contributes five percent (5%) of his salary and the Government puts up an equal amount. An employee's contribution shall in no case exceed thirty-seven pesos and fifty centavos (₱37.50) per month.

The Government of the Philippines guarantees the fulfillment of the obligations of the Government Service Insurance System to the members when and as they shall become due. If the retirement or life insurance fund shows a deficit, the amount necessary to cover it will be advanced by the Government subject to refund by the System as soon as a surplus results from the operation of the fund.
A Board of Trustees has been constituted by law to administer the System and the General Manager appointed by the President of the Philippines to assume general administrative and supervisory functions has been charged with the duty to look after the actuarial soundness of the System.

G. THE ROMAN CATHOLIC CHURCH AND PHILIPPINE LABOR

The recent pronouncements by high ecclesiastical authorities in the Philippines appear to point to a New Deal era in the contemporary history of the Roman Catholic Church in the Philippines. His Excellency, the Most Reverend Egidio Vagnozzi, Papal Nuncio to the Philippines, lays great stress on "agriculture and spiritual ministration as the new dual role of the priests." Along the same vein, the Most Reverend Rufino Santos, Archbishop of Manila, admonishes that one "can't preach sermons to people with empty stomachs." A recent Chicago visitor, the Most Reverend Santiago Sancho, Bishop of Nueva Caceres at Vigan, after going over some of the material problems of the parishioners in the different towns under his jurisdiction, speaks of his plan

\footnote{The Philippine Life (Manila), March, 1950, p. 4.}

\footnote{Remark attributed to the Most Reverend Rufino Santos, Archbishop of Manila.}
to call on his American friends "to beg their help for our people."\footnote{Remark made by the Most Reverend Santiago Sancho during an official courtesy call paid by the author at the Conrad Hilton Hotel on June 28, 1954.}

Religion is a major part of the cultural heritage of the Filipinos received from Spain. The Roman Catholic Church was there from the time of Magellan in 1521. Were these pronouncements to be read as a reversal of the Church policy in the Philippines, perhaps its import could be fully appreciated by the laymen if some pertinent facts of history in Europe and the New World were to be recalled. The point to bear in mind, however, is that for centuries the Philippines has been principally an agricultural country.

Contrary to the popular impression, European economy, with the exception of a few areas, much like the American economy, is agro-industrial. Europe is still a land of agricultural wonders. The development and progress of European agriculture may be traced to the influence and tutorship of the Church. The early monasteries of Europe kept small farms to raise their own crops and animals. Here the monks learned how to improve the quality and quantity of their produce and to recognize their food values. For example, the greatest single influence upon wine has been the
Church. Not only did they perfect the quality of wine needed for sacramental purposes, but the men of the Church also made the first elixirs from wine and brandy, combined with plants and herbs, which were originally used for medicinal purposes. The two notable examples, with their secret formulas still in use today after hundreds of years, are the famed Benedictine and Chartreuse liqueurs.

In the New World, the vinicultural history of California begins with the efforts of Fray Junipero, a Dominican missionary, who planted around the missions vines he brought from Spain. The most recent accomplishments of the Benedictine Order in Minnesota in rural development and the Salesian Order in the Dominican Republic show how agricultural development has received the wisdom of priestly experience. Against all these achievements abroad, Gonzales writes:

It is to be regretted that the Filipinos missed agricultural education from ecclesiastical tutors. Unfortunately, the Church in the Philippines which was here since the time of Magellan and which spread out in all directions and in practically all sorts of denominations did not function as its counterpart in Europe. The Church in the Philippines was not required to keep farms. Provision was derived in the form of tributes and assessments, while the monastical farms of Europe were slowly and steadfastly advancing the frontiers of agricultu-
cultural learning, in the Philippines, for lack of such leadership, the position of the Filipino farmer became more and more stagnant as he was nurtured by centuries of primitive agricultural ways.\^45

That the ministrative tasks in agricultural pursuit enjoined upon the Church in the Philippines are formidable could be plain understatement considering the backwardness of the general farm practices. But the endeavor in this direction was not fated to be hopeless. That agricultural "know-how" has not been altogether lost to the ecclesiastical ranks became a demonstrable fact. Even in the days of the last Pacific War, members of the Society of the Divine Word were seen to take to the field to direct the tillage of the soil. Chanco reports:

> So today, the pulpits in as yet undetermined number of rural churches, are preaching a new addendum to the basic scriptures. Priest and farmer are meeting on levels both can understand, and the supposed mysteries which went unanswered because they were unasked are now becoming familiar facts.

> It is a give-and-take process, during which the farmer learns it is not bad to use fertilizer for his weary fields, discovers the truth behind God's admonition to help those who help themselves, learns to value seed selection, hybridization, and the million and one other details which extension agriculturists and other government personnel

\^45 Isidoro Gonzales, "The Church and Agriculture," The Philippine Life (Manila), March 1950, p. 5.
in the field are finding so hard to put across. The parish priest is benefited too; a more prosperous flock not only means a consequent reflection in the Sunday plate, but produces a more alert and conscious group of men, women, and children who, freed from the brutalizing influence of a poverty they thought was the handiwork of divine providence, are finding a rich new significance in their fellowmen and their God.

Long after the encyclical Rerum Novarum of Pope Leo XIII focused the attention of Christendom on the right of the workers to organize and assert collectively the values of human dignity and labor, the Church of the Philippines has marched onto the field of labor and industrial relations against the citadels of material determinism. By his articles in the press, Father Pacifico Ortiz, S.J., has led the vanguard to establish the true role of management in employer-employee relations. Father Walter Hogan, S.J., a most maligned figure in Manila's waterfront, worked relentlessly to obliterate the law of the jungle among men who would not hesitate to kill - to live. Giving unto Caesar what is Caesar's, as it were, the modern struggle of Philippine unionism cannot be thoroughly documented without mention of the role of the Roman Catholic Church and of these men of God who have contributed so much to its direction and orientation.

CHAPTER IV

PHILIPPINE LABOR PROBLEMS

A. ILLITERACY AND UNEMPLOYMENT

In 1948, according to the Bureau of Census and Statistics, the rate of literacy in the Philippines was 58.9 per cent of all persons ten years or more of age. Notwithstanding this rate, which is claimed to be one of the highest in Asia, the conditions of illiteracy as of 1950 were still appalling. They are so now as when the Philippine Economic Survey Mission found them. Its Report states:

A very large portion of the farming population hardly know how to read and write. For one reason or another, there seems to be a very low regard for farming in the country so that those who are able to acquire some kind of school education seek employment or occupations other than actual farming. On the average, therefore, the capacity for understanding of the great mass of the farming population is limited. The average farm hand in the Philippines with his carabao and plow and worn-out ideas charged with superstition inherited from his ancestors does not, and is not in a position to appreciate the advances of agricultural science for his own benefit, much less the practical application of that science in his farm operation. Hence the almost static, if not worsening condition of farming in the
country in the face of progress in other fields, giving rise to the next basic problem of local agriculture - the backwardness of general farm practice.47

The national program of mechanized agriculture and industrialization in the Philippines, like the other Asian countries, is bound to be hampered by labor shortages of skilled workers in the face of acute unemployment. As manual labor is traditionally looked down in the Philippines, the increasing labor demands will tend to draw more and more from a labor supply composed of workingmen and women with hardly any educational background, in degrees, constituting the farm population as the main labor reservoir. Here the problems of illiteracy become factors of retardation in industrial growth, with large population segments of workers willing but not able to work, a peculiar overtone of the depressed labor market in the underdeveloped areas. That these problems may have a more serious impact upon the economic development program of the country can be premised on the lack of laboratory experience flowing from a guild system receptive of the Industrial Revolution and the inadequate programs of apprenticeship offered in the Philippines. Moreover, as these "raw" workers who have come from simple rustic environment, are being absorbed in the main

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47 Philippine Economic Survey Mission, Philippine Agricultural and Industrial Development Program (Manila, 1950), p.278.
streams of industry, their adjustment to the new life, though eventually successful, may well show their lack of appreciation for the canons of industrial efficiency and discipline during the entire process in which they, out of necessity, strive to achieve.

For 1955, the number of unemployed is 1.9 million according to the estimate of the Central Bank of the Philippines, or 1.2 million according to the Bureau of Census and Statistics, in a total population estimate of 21.5 million, or a total labor force of 8.4 million. Although the same 1948 data on employment were used as bench mark, the different methods of producing statistical estimates adopted by the two data-collecting agencies resulted in two distinct unemployment figures. Perhaps it would be the better part of prudence to disbelieve one and not to rely on the other. The fact of the matter, however, is that unemployment in the Philippines today is a major problem of national concern.

While the walls of employment are reared high against the untried and the illiterate, the problem of unemployment in the Philippines is yearly aggravated at a rate estimated at 150,000 persons, with young professionals, college graduates, high school graduates, and those who have received some kind of education, who abhor manual labor, contributing to a swelling jobless labor pool.

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Whether the problem of unemployment can be, under the circumstances, solved or relieved by means of education, for which the Philippine Government Budget for 1956 allocates to the Department of Education the largest departmental appropriation, begs the question.

B. WAGES, HOURS AND OTHER CONDITIONS OF EMPLOYMENT

The Minimum Wage Law (Republic Act No. 602), enacted by the Congress of the Philippines on April 6, 1951 upon the recommendation of the United States Economic Survey Mission, occupies today the center stage as a most controversial measure. The law, which went into effect on August 4, 1951, is estimated to cover more than three million employees and wage earners in about 185,000 establishments throughout the country. Whereas the former law (Commonwealth Act No. 103) provided for a minimum floor level for public works employment only and entrusted the function of wage administration to the Court of Industrial Relations, the present Act extends the minimum floor coverage to workers in industry and transferred its administration to the Department of Labor.

The Minimum Wage Law fixes the minimum pay for industrial workers at four pesos (₱4.00) a day in establishments located in Manila and its environs; three pesos (₱3.00) a day for a year after the effective date of the Act, and four pesos (₱4.00) there-
after for workers outside Manila and environs.

Agricultural workers are entitled to a minimum of one peso and seventy-five centavos (₱1.75) a day; two pesos (₱2.00) a day after a year from the effective date of the Act, and two pesos and fifty centavos (₱2.50) a day after a year thereafter, or two years after the effective date of the law.

The law does not apply to any retail or service enterprise that regularly employs not more than five workers, or to homeworkers engaged in needlework by hand, or to farm tenants and domestic servants. In agriculture, only employers who operate a farm enterprise comprising more than twelve hectares are required to pay the minimum wages to their workers.

The Minimum Wage Law, in providing for direct payment of wages to the workers, struck at an evil found rampant in the system of gang-workers where the headmen collected in one lump sum the wages due the workers in the gang and later parcelled their payments.

Under the Eight Hour Labor Law (Commonwealth Act No. 444) which applies to industrial as well as agricultural workers, the legal working day was set at not more than eight hours daily. When the work is not continuous, the time during which the laborer is not working and can leave his working place and can rest completely shall not be counted. However, work may be performed beyond
eight hours a day in case of actual or impending emergencies caused by serious accidents, fire, flood, typhoon, earthquake, epidemic or other disaster or calamity in order to prevent loss of life or imminent danger to public safety; or in case of urgent work to be performed on the machines, equipment, or installations in order to avoid a serious loss to the employer. In all these cases, the laborers and employees shall be entitled to receive compensation for overtime work performed at the same rate as their regular wages or salary, plus at least twenty five per centum additional compensation.

Notwithstanding the Minimum Wage Law and the Eight Hour Labor Law, there are agricultural workers in the sugar plantations in the Visayas who work from dawn to dusk (6:00 A.M. to 6:00 P.M.) for a day-wage of one peso (₱1.00) or fifty cents ($.50¢) in American currency.49

The Blue Sunday Law (Republic Act No. 946) prohibits all commercial, industrial or agricultural enterprise or establishment, including stores and shops of any kind, to open on any Sunday, New Year's Day, Holy Thursday, and Good Friday, from 12:00 midnight to 12:00 midnight. This prohibition also applies to construction and

49 Information from a personal interview of the author with Pedro Buyco, president of the Federation of Philippine Agricultural Workers.
repair of any building or other kind of structure and to public works.

Exemptions from the provisions of the Blue Sunday Law may be granted by the Secretary of Labor in certain cases on the basis of public interest or exceptional circumstances of the work or industry concerned. In any case covered by an exemption granted by the Secretary of Labor, the employees and laborers will be paid at least twenty-five per centum (25%) in addition to their regular salaries or wages. A violation of the law is made a crime punishable by fine or imprisonment, or both.

There are widespread variations of prevailing compensation practices and of length of work weeks and hours of work per day.\(^5\) While the Minimum Wage Law sets the floor level for salaries and wages in industry, few companies have a regular system of salary and wage increases or a definite policy with regard to terminal pay. Under Republic Act No. 1052, however, in cases of employment, without a definite period, in a commercial, industrial, or agricultural establishment or enterprise, neither the employer nor the employee may terminate the employment without serving notice on the other at least one month in advance. The employee, on whom no such notice was served, shall be entitled to one month's

compensation from the date of termination of his employment. The
law declares null and void any agreement to the contrary. Whether
it applies to cases of dismissal or separation for good cause, the
law appears to have made no distinction.

The payment of annual bonus to all employees usually
made during the Christmas season has become a prevalent practice
in most of the industry. 51

While the Eight Hour Labor Law fixes the limit of the
working day and the Blue Sunday Law prohibits work on Sundays and
other important holidays, there are variations ranging from 5-day-
40-hour week to 6-day-48-hour week. However, in an opinion rendered
by the Secretary of Justice, employees of industrial or business
establishments working only seven hours daily are entitled to the
minimum daily wage set in the Minimum Wage Act. 52

Vacation and sick leaves are generally limited to fifteen days a year, non-cumulative, and granted to employees who
have served more than one year.

There are a number of hospitalization and medical care
plans, non-contributory, but the coverage is generally limited to
on-the-job accidents and injuries. A number of American-owned cor-

52 Ibid., p. 2.
orporations has led the field in providing for group life insurance and pension plans. Under Act No. 3961 of 1932, as amended, and Republic Act No. 239 of 1948, free emergency medical and dental treatment must be provided for by the employer for employees and laborers of commercial, industrial, and agricultural establishments who employs not less than fifty persons. Under Republic Act No. 1054 of 1954, which revised and consolidated the provisions of both Act No. 3961 and Republic Act No. 239, the coverage was extended to those who employ not less than thirty persons.

When an employee or laborer suffers a personal injury from any accident arising out of and in the course of his employment, or contracts any illness directly caused by such employment, the Workmen's Compensation Act (Act No. 3428) of 1927 provides for benefits for such employee or laborer and his family. In 1953, under Republic Act No. 772, greater benefits have been provided for cases of tuberculosis caused by the nature of employment.

In agricultural employment where landlord and tenant relations exist, the Philippine Rice Share Tenancy Law (Act No. 4054) governs the distribution of shares by providing that seventy per cent (70%) of the net produce of the land must be allotted to the tenant and thirty per cent (30%) to the landlord, or seventy-five per cent (75%) to the tenant and twenty-five per cent (25%) to the
landlord depending on the class of the land under cultivation. Landlord and tenant relations have long been a sore spot in the economy of the Nation and have given rise to serious problems affecting peace and order.

C. STANDARD OF LIVING

The United States Economic Survey Mission, heretofore mentioned as the Bell Mission sent to the Philippines in 1950, was charged to give special consideration to immediate measures to help raise production and living standards in the Philippines. The Mission reports:

The basic economic problem in the Philippines is inefficient production and very low incomes. While a substantial recovery was made in production after the liberation, agricultural and industrial output is still below the prewar level. In the past ten years, however, the population has increased by 25 per cent. Although home production has been supplemented by large imports, the standard of living of most people is lower than before the war. 53

The Mission used the "prewar level" as benchmark in its comparative projection of the "post-war level" of the standard of living in the country as of 1950. The prewar level was, however, for the great mass of people, the "poverty level." Kurihara observes:

Owing to the American influence, the Philippines had the highest "standard of living" (except real income) in the Far East, with the possible exception of Japan. Yet its actual plane of living (existing real income) stood below its standard of living and was, before the war, lower than that of some other Oriental countries. Judging, not from the Western standard of living, but from an objective standard necessary for the well-being of any human being, the Filipino working class live far below the absolute minimum standard of "health and efficiency."\(^{54}\)

As of 1953, the average annual income of a Filipino family is only about five hundred pesos (₱500.00) or about two hundred and fifty dollars ($250.00) in United States currency.\(^{55}\)

While no data on the average annual income of a Filipino family are locally available for 1954, in view of the tight money situation prevailing in the Islands reflected in the unemployment problem, no appreciable change in this income level can be reasonably expected. As of February, 1955, according to a report of the Bureau of Commerce, the purchasing power of a peso in the Philippines is ₱.3275 as against the ₱1.00 of 1939 as benchmark.\(^{56}\)

The Government, however, has concentrated all efforts to ameliorate the living conditions of the masses, especially those

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\(^{54}\) Kurihara, op. cit., p. 37.

\(^{55}\) Manila Bulletin, October 9, 1953, p. 7-P.

\(^{56}\) Trade & Commerce (Manila), March 15, 1955, p. 1.
in the rural areas. Magsaysay states:

But there is more to national security than simply maintaining territorial integrity and public order. To be really secure, a country must assure for its citizens the social and economic conditions that would enable them to live in decency, free from ignorance, disease, and want. 57

Various remedial measures have been adopted. Under the policy of "land for the landless", the government-owned Land Settlement Administration and Development Corporation (LASADECO) has resettled a large number of tenants and surrendered dissidents in the newly opened agricultural areas. Large landed estates have been purchased for subdivision and distribution among their actual tenants.

A concerted drive has been made against usury. Credit and warehousing facilities through the Agricultural Credit and Cooperative Finance Association (ACCFA) have been extended to the rural districts. 58 Agricultural loans are made to farmers through their respective Farmers Cooperative Marketing Association (FaCoMa). A system of rural banks has been established (Republic Act No. 720) under the supervision of the Central Bank of the Philippines. 59

57 Magsaysay, op. cit., p. 4.
59 Agricultural and Industrial Life, June, 1953, p. 3.
Low-cost housing and slum-clearance projects have been undertaken by the People's Homesite and Housing Corporation (PHHC) and rural development featured by encouragement of cottage industries has been intensified by the Social Welfare Association (SWA).

Aside from waterworks for irrigation purposes, the problem of providing potable water supply for the people in the rural areas is being solved by the drilling of artesian wells called "Liberty Wells" out of funds collected through voluntary contributions from Filipinos at home and American friends in the United States.

Assistance from American friends have taken on various forms of contributions and donations. In 1951, the Chicago Daily News initiated a seed collection campaign denominated as "Seeds for Democracy" which grew nation-wide in scope. Tons of vegetable seeds have been sent to the Islands for free distribution among the farmers. The annual seed campaign continues under the sponsorship of the Committee for Free Asia in San Francisco.

The Cooperative for American Remittances to Everywhere, Inc. (CARE) has started a rural development project which calls for the construction of community centers in one hundred and fifty rural villages in the Philippines. Farm implements have been
donated by Rotary Clubs. Books and other reading materials have
gone to provincial libraries and schools.

Funds contributed by American friends have gone into the
reconstruction of parish churches in Mandawe, Cebu, and in Boto-
land, Zambales. Used church vestments collected locally have gone
a long way to help the poor parishes in the Islands.

D. WOMAN AND CHILD LABOR

The Woman and Child Labor Law of 1923 (Act No. 3071 as
amended by Republic Acts Nos. 679 and 1131) regulates the employ-
ment of women and children and provide penalties for violations
of its provisions.

No woman below eighteen years may be employed in any bar,
night club, dance hall, dancing school for men, escort service,
lodging house, massage clinic, hotel, resort or other similar es-
ablishment as hostess, waitress, individual entertainer or escort
for men, taxi-dancer, professional dance partner, attendant, or in
any other similar capacity.

Regardless of age, no woman may be employed in any shop,
factory, commercial or industrial establishment or any other place
of labor which requires the employee to work always standing or
which involves the lifting of heavy objects. While the Eight Hour
Labor Law is applicable to woman labor, no woman, regardless of
age, is permitted to work in any industrial undertaking between 10:00 P.M. and 6:00 A.M. of the following day, except where immediate members of the family own or operate the business. Further exceptions may be obtained in cases of force majeure which were not foreseen and which are not of a recurring nature.

The ban against the employment of woman, regardless of age, to work between 10:00 P.M. and 6:00 A.M. of the following day, also applies to any commercial or non-agricultural enterprises as well as any agricultural undertaking. Aside from the exception where immediate members of the family own or operate the business, the prohibition does not apply to women holding responsible positions of a managerial or technical character or women employed in health and welfare services.

A notable feature of this Act provides against sex discrimination in respect to terms and conditions of employment. The employer must pay equal remuneration for work of equal value for both men and women employees.

The law provides maternity benefits for women employees and makes it punishable violation to discharge any woman employee for the purpose of preventing her from enjoying the benefits due her as to work hours and on account of her pregnancy.

Irrespective of sex, no child below eighteen years of age may work in any pharmacy or laboratory for the preparation of che-
mical, pharmaceutical or drug products. This ban also applies to work done in connection with the preparation of any noxious, poisonous, infectious or explosive substances, or work which involves serious danger to life or health of the employee.

Children below fourteen years of age may be employed to do light work which are not harmful to their health and normal development and only if their attendance in school is not prejudiced. They may not be employed in shops, factories, or commercial, industrial and agricultural establishments unless they have acquired some amount of proficiency to read and write. A certificate to this effect must be secured from the principal of a public or private school in the locality where they reside.

The prohibition against child labor, regardless of age, applies to work in the mines, quarries, or any other undertaking for the extraction of minerals from the earth, shipbuilding, the generation or transformation of electricity or motor power of any kind, demolition works, or stevedoring in docks, wharves, warehouses, and airports.

The employment of children, wherever and whenever permissible under the law, must be with the written consent of their parents. They are not permitted to work more than seven hours a day nor more than forty-two hours a week. Before assuming any employment, they must establish physical fitness.
There is a certain degree of notoriety attached to the enforcement of woman and child labor laws. They are good on paper, more often violated than enforced. In the Philippines, the chronic lack of funds and personnel provides the stumbling block for the proper government enforcement of the law.

The problems affecting woman and child labor loom large in the drive to encourage cottage industries or industrial homework as part of the Government campaign to raise the productivity of the Filipino family, particularly those in the rural areas. Cottage industries or industrial homework invariably takes the pattern of piece work with the resulting risk of converting these homes into sweat shops. The Government would do well to realize early the portents of its drive; the Philippine union movement should look to these homes as frontiers of unionism. Otherwise, the history of the sweat shops of America, which gave purpose to the early International Ladies Garments Union, International Glove Workers Unions, and many others in the needle trades, might repeat itself in the homes of the Filipinos. At this stage of its drive to encourage cottage industries and industrial homework, the Philippine Government should concern itself with the problems of long work hours, lack of standard wages, and poor working conditions of the home workers, if it is to protect them from exploitation.
E. PHILIPPINE WOMEN AND THE UNION MOVEMENT

The women of the Philippines have actively participated in political, industrial, civic, social, and religious activities on equal footing with men. They compose a major portion of the labor force of the country.

TABLE VII
1949 PROJECTION OF LABOR FORCE

<table>
<thead>
<tr>
<th>Occupation Group</th>
<th>Both Sexes</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>7,448,000</td>
<td>5,144,800</td>
<td>2,303,200</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5,175,200</td>
<td>3,636,400</td>
<td>1,538,800</td>
</tr>
<tr>
<td>Domestic service</td>
<td>1,405,500</td>
<td>791,000</td>
<td>614,500</td>
</tr>
<tr>
<td>Professional service</td>
<td>125,700</td>
<td>79,000</td>
<td>46,700</td>
</tr>
<tr>
<td>Fishing</td>
<td>219,900</td>
<td>213,900</td>
<td>6,000</td>
</tr>
<tr>
<td>Forestry and hunting</td>
<td>32,400</td>
<td>30,400</td>
<td>2,000</td>
</tr>
<tr>
<td>Mining</td>
<td>57,800</td>
<td>57,800</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>733,000</td>
<td>406,600</td>
<td>326,400</td>
</tr>
<tr>
<td>Clerical</td>
<td>59,800</td>
<td>57,700</td>
<td>2,100</td>
</tr>
<tr>
<td>Transportation</td>
<td>248,400</td>
<td>247,400</td>
<td>1,000</td>
</tr>
<tr>
<td>Trade</td>
<td>329,500</td>
<td>207,800</td>
<td>121,700</td>
</tr>
<tr>
<td>Public service</td>
<td>60,800</td>
<td>59,800</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Among the rank and file of labor, Filipino women have not assumed, with a few exception, any role other than passive membership in the unions of their industry. Of the meager number

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of the exception, most of them are identified in union leadership by holding secretarial positions. One or two of them, although active in organizational activities, have yet to show the mettle of an Agnes Nestor, Mary McDowell, Jane Addams, Margaret Robbins, Elizabeth Maloney, Elizabeth Christmen, or Jennie Matyas, American labor leaders who worked with evangelistic zeal to spread the gospel of unionism among the working women of this country.

Women professionals in the Philippines have avoided the union movement. Lawyers among them have served indigent litigants without remuneration. Women doctors have ministered to sick laborers and their families in the slums of Manila, Cebu, and other urban centers. However, none has caught the spirit of unionism to advise these workers to join the union movement to secure the improvement of their lot. Social welfare goals seem to be the limit of their horizon.

That the women of the Philippines should set their sights beyond charity bazaars, community chest drives, and red cross campaigns needs be brought home to them. They have a duty to contribute to a richer and fuller life. They, too, have an obligation to shore up and strengthen the ramparts of the social order that guarantees all human rights for those who are free.
CHAPTER V

LABOR IN PHILIPPINE POLITICS

A. GRASS-ROOTS DEMOCRACY AND PHILIPPINE LABOR

As embodied in the Declaration of Principles of the Constitution, the Philippines is a republican state. Sovereignty resides in the people and all government authority emanates from them. Hayden observes that "the basic political philosophy of the new nation is that of Western democracy." 61

Although this affinity to Western Democracy is fully established, the so-called basic philosophy, as manifested in the workings of its institutions, is distinctively American. Malcolm states:

For two score years, the American conception of good government was modified to meet Philippine conditions; American laws were bodily transplanted to the Philippines; American educational methods were applied; and American thought was predominant. Accordingly, there could be no other result than that democratic institutions as fostered under the Constitution of the United States, should become known in the Philippines and should there meet, and to a great extent overcome, the more conservative notions of Spanish times. 62

61 Hayden, op. cit., p. 41.
It becomes necessary, therefore, to examine the union movement in the Philippines in the environment of democratic institutions of the American mold and essence as fostered under the Constitution of the Philippines. Any other approach would be incongruous to the Philippine way of life. Moreover, for its organizational orientation, the union movement has derived much of its indoctrination from American union organizers, labor advisers, and faculty members of American universities who were engaged under the FOA-PHILCUSA technical aid program. There could be no other result than that the union movement in the Philippines should follow the same pattern of its counterpart in America.

Although the union movement is a protean phenomenon, as Hoxie pointed out, its developmental stage reached so far in the Philippines admits only a monistic interpretation. Business unionism of the bread-and-butter philosophy has today widespread following among the organized workers. An analysis of the union demands underlying the strikes and lock-outs during the last five years reveals a Gompers-inspired pragmatism for more, more and more. The years of apprenticeship under their American mentors

have developed a number of its leaders into seasoned trade unionists - practical, materialistic, opportunistic, and tough.

As an institution of Democracy, unions in the Philippines have provided the workingmen with a medium by which they have derived awareness of their rights and duties as citizens. Elections of union officers are held periodically in strict accordance with the provisions of the union constitution and by-laws. No union has yet been charged with the perpetuation of its leadership by a recourse to devious means such as avoiding the call of an election or, after a show of partisan strength, having the membership elect or reelect incumbents for lifetime tenure of office. As a general rule, union officers are elected for a term of one year and may be reelected for any number of times. Ordinarily, secret ballots are used in the elections.

Union elections in the Philippines evince to a large degree the workings of machine party politics. The election meetings become a forum, showing a contention of personalities more than of economic issues. More than mere spectators to passing events, the rank and file of the membership are drawn into active participation in the leadership struggles. Old loyalties are tested, but the electoral results generally spell the survival of only those who can deliver the goods. They also spell for the members a gain from the educative process in the ways of democracy.
The union movement in the Philippines has so far eschewed party politics in national affairs. There is no Labor Party in the Philippines and, from evidence collected, there is no prospect for one in the near future. However, a number of the so-called labor leaders, who have identified themselves with the leadership or with the movement, has struck out for political fortunes on a stepping stone of labor votes and labor appeals. There are those who have succeeded and kept faith with labor.

Through their unions, the workingmen have been brought to awareness of the world in which they live. This alone is a most significant gain from unionism as these men, in their ignorance, had only vague concepts of democracy and, in their poverty, had lost confidence in the future and hope in the existing social order. Through their unions, they are given something positive to believe in, some concrete goals to fight for, some sense of direction to inspire them into purposeful action. Like their counterparts in America, Philippine unions are gradually absorbing the basic tenets of democracy and are jealous of their gains.

B. COMMUNISM

The peace and order problems in the Philippines which have been linked to Communism continue to be of paramount concern
in its national affairs. Their beginnings are traceable to the interna-
tional activities of the Cominform. Crisol writes:

The beginnings of the peace and order problem may be traced to the visit here in 1925 of Tan Malacca, an Indonesian Communist. He was dispatched to the Philippines by the Red International of Labor Unions to invite Filipino Communist labor leaders to a convention in Canton, China.64

The early sporadic outbreaks of social unrest up to the time of the Japanese Occupation were dismissed as mere police affairs associated with banditry. After the close of the War, a guerilla force operating in Central Luzon, known as the Hukbalahaps or Huks, refused to lay down their arms and took to the hills. Grievances arising from the question of guerilla recognition and back pay which piled on top of the old discontent welded these dissident forces into a fighting machine which marched through the villages and towns in the countryside in a career of pillage and plunder. Riding the crest of the financial crisis which faced the Government in 1950 following a business recession in the Islands, the Hukbalahaps, now calling themselves the People's Liberation Army, showed Communist hands as they threatened to overthrow the Government.

The greatest hour of Philippine contemporary history

passed by the man who then occupied Malacanang, the White House of the Philippines, and an aroused Nation found a Cincinnatus in a former automobile mechanic at the time a member of Congress who saved the day for Democracy. The Communist-led dissident forces were driven back to their mountain lairs. Many of its leaders were killed; others surrendered following a relentless military campaign in their jungle hideouts. Among those captured was an American ex-GI who was pointed up as the Communist propaganda chief. The backbone of the movement was broken. However, the cancerous venom of its Godless ideology still remains. Magsaysay writes:

I have detailed our military successes over armed Communism, but don't think for a minute that our battle with hard-core Communism is over; it isn't. There are more to come. We know it and we expect it. The Commies have slipped underground in our cities now, and are trying to undermine our schools, labor unions, press, and even our government offices. We've got our hands full reading new textbooks, checking union membership and sifting personnel records for evidence of Communist influence and infiltration. 65

The spread of Communism is being fought not only by the vigorous application of the military might of the Armed Forces of the Philippines, but also by the implementation of socio-economic policies.

measures designed to ameliorate the living conditions of the masses. Recognizing the land tenure system to be the root cause of most of the social evils, the Government implemented its policy of "land for the landless" by purchasing the large landed estates for distribution among their tenants and by resettling those from the troubled areas in the newly opened agricultural settlements. A series of labor laws was passed by Congress for the protection of the interests of the workers. Rural development programs embracing the extension of educational, health, and credit facilities to the remote areas are being carried out by the Government and various civic organizations.

The debacle of the Communist-led dissident forces in 1950, however, served to drive home to the people of the Philippines the fate of China, Korea, and Indochina. The net result of the upheaval is the national awakening to the dangers of Communism.
CHAPTER VI

A PERSPECTIVE

A. PHILIPPINE ECONOMIC PROBLEMS IN WORLD PEACE

With the grant of Philippine independence, the United States did not pull out of the Islands in the stock-lock-barrel fashion. In the Bases Agreement subsequently concluded between the two countries, the United States was granted the right to maintain military, naval, and air bases as well as fueling stations in the Philippines. A mutual defense agreement was also entered into between them, which has become superimposed by the recent Southeast Asia Collective Defense Treaty, affecting seven signatory powers in that area and popularly referred to as the SEATO, the counterpart of the North Atlantic Treaty Organization (NATO) in Europe. The defense agreement between Australia and New Zealand, on the one hand, and the United States, on the other, known as the ANZUS, completes the security system which the United States has built for the containment of Communism in Asia.

Aside from its defense commitments, the United States, by virtue of its unique relations with the Philippines cannot well abdicate its concern over the fate of the Republic which is supposed to be "the show window of Democracy in the Far East." But
the most obtrusive of all considerations remains that the United States, in providing for the security of its allies, also protects its own defense interests.

The strategy in the ideological warfare now being waged for the control of the mind and substance of Man calls for national strengthening within and without. President Eisenhower admonishes:

The military threat is but one menace to our freedom and security. We must not only deter aggression; we must frustrate the efforts of Communists to gain their goals by subversion.66

A healthy, strong, and prosperous Philippines is important to the defense of the free world. Collective action demands collective strength. It cannot falter through subversion from within and be a weakened link in the chain that safeguards the free way of life. In the world of present day realities, therefore, the economic problems of the Philippines do not concern the Filipinos alone. It is in this perspective that the economic ills that plague the Republic must be viewed. And the United States, in the recognition of its high stake in Asia, must underwrite through her guidance the success of their measures of self-help to overcome them.

CHAPTER VII

CONCLUSIONS

Industrialization has become a stock remedy for the material woes of underdeveloped areas. It proves that the Industrial Revolution is not a finite but a continuing transformation; that the industrial mode of production is not a privilege of the West alone. Through increased productive efficiency, the standard of living of the people is raised. It does not, however, posit an economic Utopia. The process of industrial transition and growth incites new problems adding to and complicating the old. Except in a totalitarian regime characterized by slave labor, therefore, economic goals cannot be approached through the magic formula of five-year plans.

The economic structure of the Philippines must be reconstructed upon an agro-industrial base. Evidence points to developing progress in this direction. Some of the problems that have arisen are being given governmental action. Far from an advocacy for the return of laissez-faire, the active participation of the Government in business should not transcend the sphere of policy determination. This it must recognize when through legislative

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fiait it seeks to determine the fields in which government corporate enterprises are organized to take the lead and eventually preempt them. The National Development Corporation, the National Shipping Corporation, the Manila Railroad Company, the Cebu Portland Cement Company, the Philippine Housing and Homesite Corporation, and other government-owned or controlled corporations should be left to private enterprise. The United States Economic Survey Mission, otherwise known as the Bell Mission, had adverted to this step in its report in 1950.

In the formulation of policies, which is the proper sphere of Government concern, there must be clear cut definition and coordination. For example, the policy of attraction of foreign investments should define the fields open to them now rather than to have to pass nationalization measures later. As regards tax exemptions granted to new and necessary industries as incentives under the Government's industrialization program, there should be safeguards against the development of an "industrial-import" economy whereby raw materials are imported to feed the industrial plants of the Nation. There must be a definite policy to enforce the adoption, as far as possible, of substitute raw materials of local origin.
Industrial development and agricultural expansion will undoubtedly open greater avenues of employment. The existing labor laws passed by an enlightened Congress after World War II have assured the unions of their rights and prerogatives. There is need to stress their responsibilities. However, of much greater importance at the moment is for Labor in the Philippines to face the challenge of organizing the thousands of workers in the various trades and industries who are outside the union fold. For upon this challenge may lie the future hope of the Nation whether it shall continue to cherish the free way of life.

The Department of Labor, as the Government organ most sensitive to labor aspirations, must have a proper understanding of the aspects of human rights as against property rights. It would seem best if the head of this Department should be a man with the proper philosophy of labor, if only to guard against a Secretary of Capital.

The Court of Industrial Relations should well be composed of representatives of the Government, Labor, and Management. It was not the intention of the law to create a Court of Management Relations.

Indeed, the problems of economics can be so baffling and complex as to conjure the wisdom of the ages for their solu-
tions. To overcome them, however, the Philippines, as a young country, may draw upon its patrimony of abundant natural wealth. Thus, it enjoys the privilege of youth in its favor. Moreover, as the country is located in the tropics, it does not have to contend with problems accentuated by changing seasonal weather as those in the temperate zone. But over and above all these, there must be added on the score board, the will of the Filipino Nation to help itself to progress, to fight for its free way of life, and to contribute what best it can to the cause of Peace.
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