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**Labor Issues of Philippine Development
During Blas Ople's Times**

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Abstract

Blas Ople was the key personality in the development of labor policies during the 1960s to the 1980s. Before his political ascendancy in other branches of government after the 1980s, he held the labor portfolio for the longest time. His influence extended to the present period. This essay covers the political economy of labor policies during this period. The key issue about labor market policies is how to balance the promotion of welfare and the creation of employment as the growing labor force continued to grow. External factors during this period added pressures to protect labor from the worst effects of the turbulent macroeconomic shocks. This raised the bar in welfare standards, along with the tendency to fix minimum wages and other wage supplements that tended to be out of line with market forces. Aside from wage issues, the labor policies tried to place limitations on the reduction of employment within the enterprise by requiring permits from the labor department. These policies together brought about a great deal of labor market inflexibility. These policies would make the labor market overly regulated and eventually make it more difficult to encourage the rapid growth of employment. The industrial and trade policies of the period, which focused on protection and import substitution despite efforts to liberalize them, aided the labor market policies in producing this effect on employment generation.

Key words: Labor economics, Philippine economy, population, labor market policies.

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I. Introduction

Blas Ople presided over the department/ ministry of labor for almost twenty years during an eventful era, beginning in the late 1960s to the fall of Marcos in 1986. This has made a mark on labor policies in the Philippines. Later on, he served in the commission that brought about the Constitution of 1987 where labor issues became further enshrined within that document. Thereafter, he served in the Senate, rising to Senate President. And then, he moved to the portfolio of secretary of foreign affairs, a post to which he gained prominence as a senator who guided the foreign affairs committee of that body.

It would be felicitous and correct to say that from the mid-1960s to 2003 were times that he lived through in the same way that it was also the times of other contemporaneous individuals who significantly helped to shape the period. For this paper we would refer to them as Blas Ople's times.

Ople's influence on labor policies in the Philippines is large. His work as labor secretary cemented his career at labor. His term of office almost coincided with the long rule of Ferdinand Marcos. He became secretary during Marcos's second term as president. The earlier years were as speech writer and adviser on labor affairs. He was taken in as adviser from Marcos's desire to strengthen his labor flank. Ople was known to be an active promoter, then, of labor's interest.

This paper assesses Ople's accomplishments in the labor portfolio. This represents the body of labor policies that got adopted during the 1970s and the early 1980s. The discussion covers the political economy of labor policies in the context of overall development to the present period.

During a shorter subset of this period (up to 1981), I had a close opportunity to be involved in these issues.¹ In part, this paper deals with that subset. The issues encountered then summarized some of

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¹ In 1970, I became Chairman of the National Economic Council, the cabinet portfolio in charge of economic policy. In 1972, with the reorganization of the planning machinery, I assumed the post of Director General of the National Economic and Development Authority (NEDA). This post would also

the critical problems that continue to be very important with regard to current Philippine labor policies. The paper makes an attempt to give a full account of the large issues that the country then faced. Pressed in by large international changes in economic relations – occasioned by the energy shocks of the decade – Philippine development policy had to confront various challenges.

This is one of three essays on Philippine labor policies. A second essay attempts to analyze what I consider “successes.” These are economic adjustments resulting from the effects of domestic labor policies. The last of these essays analyzes the problems of mainstream labor policies and the direction of reforms that need to take place to promote greater employment, productivity and economic development. These two other essays are listed in the bibliography (see Sicat (2004a and 2004b).

II. The big question and the answer(s)

If Blas Ople’s tenure in the labor department was one of greatness, how come the country today is faced with massive unemployment and there is an exodus of workers for better jobs abroad?

The success of labor policies would present a picture of labor policies with high productivity, enjoying relatively higher wages than are found today, and of course better living standards being enjoyed by the working class. That is the picture of labor elsewhere in typical East and Southeast Asian countries where successful economic development had meant higher living standards, a major reduction of unemployment, generally high level of wages of workers and, eventually, a conquest of poverty.

In support of this assessment, it is important to demonstrate that the labor policies adopted failed to work in reducing unemployment. The main body of this paper discusses the debate in economic policy during the period. It illustrates the political economy of the labor policies during Ople’s tenure. The central focus of the debate concerns actions taken during a time of economic turbulence, with the pressures from labor being waged from the labor department’s end as an input to the overall decision making.

It would be easy to look for alternative reasons for the modest employment record. There is a rich source of potential explanations in recent Philippine economic and political history: crony capitalism, corruption, energy shocks, macroeconomic crises, and so on. As a determinant of investment, the unit cost of labor and the various factors that surround industrial relations in the country are important in assessing the impact of labor policies on the decisions of investors.

Another explanation is to put the onus of the blame on the national leadership of the period. Many contemporary students of Philippine history and politics would place emphasis on the national leadership as the key factor. This puts the onus of blame on Marcos who had lost his original grip on events by the early 1980s. This was probably true by 1983 when political events practically blew up the overall economic picture and undermined the total foundation of the programs that he had built that would prepare for his fall in 1986. But to go this route of explanation would carry this paper far afield. The fundamental economics of this period rested on labor policies and on some other economic reform issues, including the speed in which the industrial and trade reforms were taking place. They deserve to prove their case in the analytical sphere.

The labor policies² of this period came from pressures from various quarters. The legacy of welfare oriented approach to labor legislation was strong. The tendency to bring in regulation and minimum wage adjustments tended to create a high unit cost of labor. This cost pressures from the labor front apparently played a negative role in the attraction of new investments especially in manufacturing and

subsequently carry the title Minister of Economic Planning under a separate appointment. I held this post until mid-1981.

² A background to the issues discussed here for those who would need to be properly initiated to the topic would find two writings of the present author to be relevant. I recommend, first, a reading of Sicat (2003), which summarizes some of the elementary aspects of problems of Philippine labor and wages. The second paper, Sicat (1999) discusses some major policy issues affecting national development which have marked Philippine economic policy debates. Among these are those issues intrinsically tied up with economic incentives and the minimum wage.

in agriculture. Within this tradition of policy orientation, the labor department under Ople would continue to press for the traditional demands of the organized labor sector to make its case for support from the state.

In short, the labor policies undertaken during this period accounts for a large share of the reasons for the poor performance in overall economic development during these decades. How those policies were framed during the critical period is in part the subject of this essay.

III. The labor advocate and labor minister

Development issues and labor

Blas Ople was essentially my chief protagonist³ during the 1970s on the elaboration of labor policies.⁴ My work at NEDA put me in constant touch with colleagues on major economic policy issues. The issues affecting the labor front during this period were very demanding due to the economic turbulence arising from the energy shock. Labor issues comprised a major subset of issues related to pricing adjustments because of the minimum wage law and the macroeconomic turbulence of the period arising from the energy shock and its aftermath. Those on the promotion of industrial development and trade reforms were highly linked to the success of labor policies. If they were focused on the creation of competitive industries based on labor, they could help promote also the creation of jobs.

Simply stated, the main development policy issue for the Philippines concerning labor was how to create jobs so that the large surplus of labor willing to be hired at low wages would be exhausted quickly. Which is the priority then: to create more jobs or to put in place labor welfare enhancing policies? It is not easily apparent to many, including the promoters of labor welfare, that placing priority on the enhancement of labor welfare could work against the interests of the large number of unemployed in the country. Raising welfare standards ahead of time – or putting an undue emphasis on them – might help the already employed. Perhaps, too, it could help some of the newly employed. But, by and large, such an emphasis could deter progress in job creation in many ways. In the end, there would be a slower improvement in the welfare of labor as a whole.

This could happen in several directions. An emphasis on welfare improving policies that are in the nature of government interventions could prematurely lead to a reduction of employment. It could discourage the setting up of labor using industries. It could reduce the attractiveness of Philippine labor to foreign direct investment. The route towards getting labor to enjoy better wages would happen naturally if the rise in wages were the result of pressures on the labor market arising from increased demand for labor.

In short, the important problem was how to raise the demand for labor so that it acted as a pressure to relieve the large supply of unemployed labor. Investments would cause the economy to grow, especially if those investments were in industries and economic activities that were highly labor using. The macroeconomic disturbances of the period were serious and a response to wage adjustments was needed. The extent and the manner of setting these adjustments mattered a lot. The main criterion for these

³ “Protagonist” is a strong word and does not convey the fact that, I believe and definitely on my part, that there was mutual respect in all the differences of opinion. A better word could have been “dialogue partner on labor issues of development.”

⁴ The adversarial nature of our work in the government was well summed up in the off-guarded moment of relative inebriation during a Malacanang official reception when Blas said to my wife, who was a charming academician in her own right and a UP professor of political science, “You know, Loretta, I like you, but I don’t like your husband.” During these days, a lot of the policy conflicts would arise in the NEDA and in the Cabinet, in meetings, especially in the Tripartite Congress, in the public interactions of government officials with the private sector and civil society. The mandate of my office was to coordinate economic policy affecting national development and Blas Ople’s task at the labor department was to promote the welfare of labor. He saw his tasks in the manner that labor demanded attention for better wages, etc. I saw my task as one of providing the greatest possible employment possible and to promote economic development. These debates were internal within the government and marked with civility. It would be possible to call these debates the essence of corporate policy discussions when decisions of earthshaking issues would have to be taken.

statements is how they could create distortions in the market for labor, especially if the resulting cost of labor rises to a point that it would deter moves to expand the demand for labor.

A major factor that complicated these reform problems was external in nature. The 1970s were a period of serious international economic shocks. The energy shock, which initially sent petroleum prices rise four times, became a major trigger for many disturbances in internal costs, necessitating major re-examination of policies. This shock became a good reason for undertaking reforms. In the field of labor policies, the price shocks from the energy shock opened opportunities for the labor sector to demand adjustments for relief. The government response depended on rearranging the pattern of incentives within the economy and on the personalities in place to deal with these issues.

As the labor minister, Blas Ople's influence was potent. After serving as speech writer, ideologue, and labor adviser during the early years of Marcos's term, he was appointed into the labor portfolio during Marcos's second term. He held the job through to the martial law years till the fall of Marcos. Ople's close association helped him maintain continuing support from labor unions. There was an obvious *quid pro quo*. Labor was supportive because Ople and Marcos gave in to their demands.

As a skillful writer, Ople was also a master of rhetoric. He could articulate the agenda for action both in any communication mode. Through the labor portfolio, he acquired the means to a powerful forum. He had his work cut out for him. He worked hard to focus on labor issues from the perspective of his mandate, an attitude that should be expected of labor ministers. Role-playing is an art in policy making and he played his role well. I suspect that he respected most the arguments of the economist who cautioned that high labor costs would prevent employment generation. But by persisting in his role as advocate, he could get the attention of the decision-maker and get most of what he wanted.

Did he succeed and achieve a lot for labor? He got more than what was deserved under the circumstances. His triumphs and those of labor were short run. The measures that were put in place to create greater protection for labor helped to establish higher unit costs for the hiring of labor by business. This would create a higher unit cost of labor and it would make employment generation in the country more difficult in the long run. These triumphs essentially were more on the welfare side of labor policies and less on the job promotion side. If the country worked in isolation and had monopoly power over labor services, then making the state an aggressive supporter of welfare legislation would be accepted by business. But the country is part of a world in which other countries could offer basically the same labor services for enterprise at cheaper or competitive costs. There were longer run pitfalls for labor and the whole economy. The correct path towards attaining sound economic development with respect to labor was one in which labor income and productivity would be rising consistently over time. That could be achieved much more quickly when excess labor supply available always at low wage employment was erased through the process of high demand for labor.

Ople could not be convinced to accept the argument that labor policy be driven by employment promotion. He was unable to escape fully from the labor roots from which he started his career as a labor welfare advocate. His wide readings and his deep interest in social issues brought him to the essential literature that strengthened such social concerns that began with the social justice beginning. The critical issue is really how one distributes the few jobs available among the population.

The policy challenge was how to protect the wage earner's living standards while at the same time creating opportunities for the spread of new jobs. The welfare of labor could be improved if both factors were operating together and were not in conflict. An aggressive stance on raising welfare standards from government acts could go out of hand and could affect the job creating opportunities. The labor unions pressured for an aggressive government stance. In part, they threatened greater union activism if their demands were not met.

Navigating the rocky waters of labor union demands and creating a stable labor-management framework was considered the primary task of the labor department. The department of labor, however, faced a far wider clientele than only organized labor. Unemployed labor, which did not necessarily have the same interest as the labor unions, was another part of the labor sector. The unemployed and underemployed did not have a direct voice in the discussion of labor demands. The NEDA was the main source in the government policy making circle that reminded on the nature of the problem. Although the labor department should be concerned about this sector, it is organized labor that it often faced on a daily basis.

Business was the other co-equal clientele of the department. The name of business was not on the department's banner head. Had it been called, for instance, a department of labor and business, the office would have had perhaps a far different orientation. Business has as much say on labor issues as labor has, but often it was relegated to that of a party that paid the additional cost. The other departments of the government were supposed to represent the interests of business.

The department of labor's nomenclature had a lot to do with emphasizing the objectives of the department. Ople saw it essentially as the protector of the welfare of labor. The organization of the bureaus of the department had much to say on the attention to be paid on these issues.

Labor unionism and unemployment

The major clientele of the labor department, the one that knocks at its door on a daily basis, was the labor union sector. They were organized to press their case, and the national unions especially had to fight among themselves for being the voice of labor. But there was no single voice.⁵ There were different national unions as they are today. They did not have a single voice. One reason for this was disunity in terms of objectives. They were also separated by ideological persuasions, with some of them being more radical in their programs than the others. The more radical groups were aligned with other radical elements of society, those with a much broader political program. In short, some of them had clandestine ties with revolutionary groups.

Even then, they could not speak for the whole labor force. Even though labor unions are an important part of the clientele of the labor sector, they represent a minority of laborers in the economy. Most workers are not unionized. On this basis, the labor department's true clientele among labor is so much bigger. It is erroneous to think that the unions spoke for the interest of all labor, for indeed, one of the reasons that they remained splintered was that they often were guided by their own narrow interests. In such a framework, it would be easy to conclude that they could speak at all for the unemployed labor, much more for unorganized labor.

The growth of unionism in the Philippines has been aided by state policy dating back to the American times. After independence, the growth of unions had been encouraged as vehicles for collective bargaining. Some labor unions became a magnet for some radical elements. Radical elements, including communists and socialists in their ranks, often had a different agenda. It was to seek a change in the political system. They therefore represented a political force that could influence policy. Philippine politicians encouraged labor unions. All politicians had their standard "unionspeak" which consisted of the endorsing the right of labor to organize, to work for better wages and to become the bulwark of progress. This has led to a set of laws that advanced the status of labor within the law.

The growth of labor unions had a long history of encouragement. It developed along parallel lines with the pattern of unionism that developed along industrial and national lines in the United States. As a colonial ward of the United States, labor union traditions in that country and in Europe found their way in the shaping of labor's goals and in creating political support. As a result, even before the 1970s, the Philippine labor laws have been relatively more advanced by regional standards in Southeast Asia. The country had already laws on social security, workmen's compensation, recognition of collective bargaining, minimum wage, regulation of working conditions for women and children; 40 hours work week, and Blue Sunday law. The unionism helped to work for these laws, but more than that, they were promoted because politicians encouraged these do-good laws for labor.

Labor unionism often sought policies to raise the welfare of their members through interventions by the government. Sometimes, the measures that they pursue provide increases in costs to employers. In such situations, the impact of the measures is directed at the firm mainly. But when these cases spread over to an industry wide or even nationwide level, their net impact on those who are unemployed often is negative. The unemployed often find that employment opportunities could fall from the increases in the

⁵ There were many national unions, sometimes working together, at other times representing their narrow interests. During the early 1970s, the unions were: National Federation of Labor Unions (NAFLU), National Labor Union (NLU), Philippine Transport and General Workers' Association (PTGWO), Federation of Free Workers (FFW), Federation of Free Farmers. Sometime during the 1970s, the unions would make an effort to unify under a Trade Union Confederation of the Philippines (TUCPO).

cost of hiring. With confrontational tactics, it would therefore seem that labor unions aim mainly to help their members, and second, those others in the labor force that benefits from their gains.

Neighboring countries in Southeast Asia have developed a sterner approach in their dealings with labor unions. The reasoning has been mainly to maintain industrial peace and, in so doing, keeping the economy from disruptive strikes and unrest. They used an iron fist policy in dealing with unions. As a result, they were able to keep industrial peace at the same time that they encouraged investments in the economy. In this environment, foreign direct investments were attracted to locate their factories. These manufacturing activities raised the level of demand for labor. Through the influence on the demand for labor, they were able to effectively erase unemployment to a minimum extent. They were able to encourage measures that raised productivity of labor working in factories. The result of these, of course, is an increase in the paychecks of these workers.

In Singapore, for instance, the government took the lead in pursuing labor reforms through a strong government handling of labor issues. But they put the labor reforms in the context market signals. They had great facility for undertaking labor market flexibility. If they overstepped in making excessive concessions to labor – as Singapore had done in over-stressing wage increases as an element of the strategy – the government used other methods – such as reducing labor taxes to make compensating changes in policy. The government paid a great deal of sensitivity to the ability of private companies to deal with the added costs of mandated changes in labor that affect private companies in their productive operations.

By controlling the labor front through the firm hand of the government, the government was able to put a lid on labor unrest while it became the principal arbiters of wage and income adjustments. The concession that labor often got from the state was industrial peace. This in turn helped to bring in new foreign direct investments. This helped to raise employment. It sustained further the interest among the investors already in place to enjoy the relative industrial peace that such policies brought to the nation. In this way, labor demand deepened in terms of new investments, and the result was continued growth of incomes, wages, and productivity. The main winner from this process was the labor force of these countries as employment spread more widely and, with it, the general purchasing power throughout the community. Not the labor unions – because they had to play a passive role, but the whole labor force that has been able to enjoy greater prosperity and industrial peace.

But in the Philippines, disruptive strikes were more common during the 1960s. Martial law put a stop to strikes, with Ople in control of the dialogue with labor. To balance this no strike policy, he got concessions from the president to strengthen the mechanisms through which labor and management could maintain contact and to prevent dismissals of labor unless approved by the labor department. In addition, he made use of the Tripartite Congresses. The tripartite mechanisms of dialogues were institutional mechanisms that the International Labor Organization encouraged.

ILO alliance

The principal correspondent of the labor department among international organizations is the International Labor Organization (ILO). Ople would make the support network provided by the ILO strong. The Philippine labor movement looked to ILO as a natural ally. The ILO is the guardian of international labor conventions promoting the various aspects of labor welfare and standards. The Philippine labor department, always pro-labor in its policy stance as it should be, tried to follow this line of argument. The support structure of ILO is based on the promotion of labor standards that have been achieved in developed countries.

These standards, however, are too advanced for developing countries to follow. It is understandable. They were developed in the course of social legislation over a long period of growth and in view of need to avert social tensions in the industrial countries. With grinding poverty as their main problem in developing countries, many of the conventions are just out of context. The main problem for a poor country is to get their laborers earn income through steady employment and to raise their productivity as workers. This requires programs of economic and industrial development as the basis for expanding employment. If the country's labor front were to reap the rewards of high standards of living, it was essential first to learn the virtues of hard work, productivity, and discipline. This was all the more so because of the high population growth rate that always pressed on the reality of having employment

generation as a key element of economic policy. This was the major premise of development policy as applied to labor.

ILO realized it had a bad image in the developing world. Its agenda of raising labor standards failed to reconcile with the problem of massive unemployment and poverty that afflicted these countries. Its programs were deemed to be under the control of the rich industrial nations. It was thought to be a vehicle for making developing countries become subservient to industrial countries by inducing the poor countries to raise their costs and thereby to reduce the potential labor competition that they could unleash to move industries from the rich countries to the poor countries.

During the 1960s, the ILO devised a program of study and research called world employment program. This study program would produce analytical studies that focused on the labor issues of development of developing countries. This was a departure from the work of mainly providing technical support so that the ILO's labor conventions would be understood and universally adopted by developing countries.

The first studies of the World Employment Program were focused on problems in Kenya, in Sri Lanka, and Colombia. The program itself was not a motive power by itself. It had to be suggested, and it had to find its own financing. Financing was not available from the ILO but from subsidiary financial structures within the UN system. To get an employment strategy mission required support from the United Nations Development Programme (UNDP). But the UNDP support had to come out support under my auspices in the planning department since it allocated technical assistance resources.

In trying to reinvent itself, ILO supported studies that helped to analyze the problems of the poor in developing countries. It went along with the basic needs strategy of development – suggesting that development strategy needed to focus on development of countries from bottom up – to satisfy first the basic needs of the population. Economic participation would be enhanced by raising the standards of well-being of the very poor.

The other part of the strategy was to focus attention on the creation of jobs. These issues were receiving major emphasis in development thinking at the World Bank where Robert Macnamara had assumed leadership. This emphasis of the World Bank on poverty as the main problem that needed to be attacked underscored a new direction in development approach from one of the pillars of the UN system – the main financing arm for development lending. As a result, there came into being a new rationale for supporting development lending in areas outside of the development of economic and physical infrastructures. This new lending would focus on the improvement of education, health and nutrition, and population programs.

The United Nations system is a network of various organizations with specific mandates. Among these agencies is the ILO. Along with various agencies of the UN system, the ILO have their budgetary support for their own programs. To get the special study on employment strategy in the Philippines organized, however, an appropriation of funds from UNDP was needed. It was here that NEDA played a critical role. The terms of reference of the study and the choice of leadership of such missions were critical for the success of such studies. More precisely, it was important to get someone with stature to head such a mission. Moreover, it was also important to involve qualified Filipinos to be part of the mission to assure that the studies would be focused on the right issues.

The Ranis Report

Blas Ople foresaw the usefulness of a study of Philippine employment and labor issues. Always attuned to new developments, the ILO employment strategy studies were important to him. He saw it as a means of defining a strategy for creating sustained employment for the country. As soon as the earlier studies of employment issues began trickling in from the World Employment Program of the ILO, he pressed for the need for a Philippine study.

Agencies of the UN system do not have extra funds to implement additional programs that are outside their immediate budget. For these, they themselves have to seek funding from the UN system itself. The employment studies rely on UNDP financing. This was the fulcrum on which funding for studies were controlled. They had to be sourced from the government agency that was tasked with coordinating

financing for technical assistance – in this case, the NEDA. Within the UN system, specialized agencies like ILO needed to compete with other agencies for their slice of study funds. Such funds came from a limited pool of funds made available to the country as grants for technical assistance under a country program. They were funds that needed approval by the government, in this case by the NEDA.

A study of employment and development strategy would be useful for many reasons. It would be a public study and its findings would be published for general circulation. It promised enormous value as an educational vehicle for policy-makers on the main issues of development. The study had the additional merit of the study being sought not by the development planners (for they had quite a lot of studies on the economy by various experts) but by the labor sector of government.

In order to get the study to focus on the development issues especially as they pertained to the employment of labor, it was important to get an established economist to head the mission. It was also important that the terms of reference be focused on economic strategy and to spell out the various issues of trade-offs as between employment and welfare policies. This was the key to our support of the study being undertaken with UNDP financial assistance.

After reviewing the various possibilities, Ople and I agreed on a short list of experts to head the mission. Gustav Ranis was the preferred choice. Ranis then (as now) was professor of economics and then director of the Yale Economic Growth Center to head the team. Blas Ople agreed to this suggestion. Ranis had been the other half of a famous team, with Dr. John C. H. Fei, also of Yale, that tried to get the policy implications of the Arthur Lewis model of the a developing economy with unlimited labor supplies of labor. In a series of papers they developed a model that tried to analyze the economic issues facing Taiwan, then struggling still from high labor unemployment.

Ranis organized a team of economists, labor experts and social scientists to study various aspects of the economy. He found these experts from various groups in the UN system and from the academic sector, including those economists who had been undertaking studies of the Philippine economy for a long time. There were experts on industrial, trade, agricultural, and labor reforms. As important as this was to get a good cross-section of teams that involved development practitioners and not to forget the importance of getting Filipino economists also involved in the project. In this connection, it was not an accident that there were Filipino economists and scholars who were engaged in the effort.

To create a basis for continuity and focus on Philippine institutional setting, we insisted on the need for Filipino experts to be part of the Ranis team. This was accepted as sensible and so the technical mission included some Filipino workers – Romeo Bautista, Mahar Mangahas, Edita Tan, Cristina David, and the more senior agricultural sociologist, Gelia Castillo. Experts who were already immersed on Philippine development issues were included in the study team either as consultants or as resource persons. In this way, the following specialists on research issues on the Philippines were drafted into the team: John Power, Theodore Ruprecht, Harry Oshima, George Hicks, Randolph Barker, and Douglas Pauw.

Among others, Ranis also brought in experts from the ILO and from the World Bank among other scholars: Mark Leiserson, labor economist, and Erik Thorbecke from ILO in Geneva, Maurice Scott of Nuffield College, Oxford, Yujiro Hayami, agricultural expert from Tokyo Metropolitan University, David Turnham of World Bank.

The Ranis mission was accorded an important status. The NEDA organized the secretariat – an inter-agency group that provided support for the mission's data and institutional information as well as contact with local groups – both government, industry, labor, and academic and research institutions. It was given access to the government. The mission met with the Marcos, with Cabinet members that they sought to meet, and of course with all the agencies that were critically identified by the mission. Of course, at the labor department, Ople gave them prominence, especially in the eyes of the labor and the employer sectors.

Ranis Report findings

The Ranis report provided a long discourse on economic development policy. Its title, sharing in development addresses the income distribution issue in relation to the need for efficient development of the economy. The subtitle of the report, “a program of employment, equity and growth for the Philippines” revealed much about the various issues that it tried to address. Its attempt at comprehensiveness somewhat diluted the strong message that it carried. It was a long report of 384 pages. An additional 200 pages

comprising particular analysis of specific issues were added to this report, making it 685 pages in all. Its chapter 2 on summary and recommendations was too careful to deal with a lot of points of view and to cushion its major recommendations.

The development strategy and labor policies that it proposed essentially boiled down to the following points that are discussed below.

The Ranis Report registered its concerns on two major problems. First, it said that the process of growth based on the early two decades after independence could not stay on the same course because it was not sustainable. The growth that had resulted was accompanied by “unacceptable outcomes” in terms of employment and income distribution. This program did not generate sufficient employment generation and income distribution was worsening. Second, the growth of the economy had an inadequate basis because it was not backed strongly by the agricultural sector. To be self-sustaining, the economic program needed to have the agricultural and rural sector to provide strong support for the industrial growth even as industry needed to be oriented outwards to earn exports and employ labor in that sector.

The deficiencies of performance in the industrial and the agricultural sectors could be cured by a change in policies. There was need to restructure economic policies pertaining to the industrial and agricultural sectors. In redressing this policy, there was need to adopt a balanced approach to industrial and agricultural development.

In particular, the industrial sector needed to move from the high dependence on imports and to generate exports to earn for itself, rather than be dependent on the earnings of the traditional exports for foreign exchange. This called for strengthening the industrial sector’s capacity to earn exports through a major restructuring of the industrial policy regime. It felt that the efforts of the government to liberalize the trade and industry regime needed to move forward much more aggressively. This meant the reduction of tariffs and the removal of import controls. “It is ...necessary to move tariffs down gradually. *The speed at which this adjustment is made is less important than that the direction be clear and that no reversals in policy take place* [italics supplied, p. 44].

The mission saw this strategy as producing more employment for the labor force. The agricultural sector needed to grow substantially to provide strength in creating demand for industry. The rural sector was also important in becoming a basis for energizing the small and medium scale industry. The rural sector is not only the basis of agricultural growth but also provides a component for industrial growth. Within the rural sector, therefore, a balanced rural mobilization would proceed. There would be a continuing growth of primary production but at the same time, rural industries would emerge to provide a complement to the agricultural production. This would be self-reinforcing.

The twin prongs of this policy – both in industrial reform and the support of agricultural development – would provide the thrust toward raising the demand for labor. This would not only absorb the increments to the labor force but it would mop up the existing underemployment in the economy. Moreover, this could mean the termination of the unskilled labor surplus in the country.

Wage policy. The Ranis mission addressed the issue of labor employment and labor wage policies. In meetings after meetings with the labor sector, and with the labor department, one of the central questions they waited for concerned the mission’s recommendations directly on labor policies, in particular, with respect to incomes and wages. This meant essentially that the focus on the minimum wage was to be viewed as a kind of last, and not first, resort in protecting labor. It also said that any policy of indexing annual cost of living adjustment with wages opened the possibility of wage/ price spirals reminiscent of inflation in Latin American countries.

The mission categorically stated that it saw no place for government intervention in fixing minimum wages on ability to pay or other industry-specific criteria. On the other hand, it strongly supported return to collective bargaining as a basis for wage setting in some industries. It observed that the wage pattern in industry was itself less dependent on the minimum wage law than on wage determination in the market place. This was the only way to get the labor surplus displaced by labor shortage so that wages would, on the basis of market demand within the economy, start to rise naturally.

Post-Ranis report and labor policies

The impact of the Ranis report must have been profound. This was an educational shocker to those working on the mission of the labor department. For instance, Amado Gat Inciong, the labor undersecretary of Ople at the time, said that the Ranis Report shook Ople's thinking on labor issues.⁶ The Report had upset the foundation of his beliefs for a while. And he probably became more development oriented in his thinking.

In fact, in re-styling the labor department's mission, the word "Employment" was soon added to the department's traditional name, making it the Department of Labor and Employment (DOLE). This was designed to give greater emphasis to the function of employment generation. By that time, the country had realized that the department's mission had to be reoriented more towards job promotion in order to provide greater balance in its perceived mission as simply being the protector of labor welfare.

But this turn of belief was probably overwhelmed by his continued exposure to the labor sector. Old habits of thinking cannot be changed overnight, especially among those within the department's bureaucracy. That sector continued to focus on seeking governmental direct actions on labor issues -- on adjustment of the minimum wage, on income supplements, on protection from job reductions, and on a variety of labor-management issues. Supportive policies by the government to the labor sector were getting stressed by the turbulent external pressures on prices and on macroeconomic problems arising from balance of payments pressures. Eventually, they found themselves expressed again in terms of comparing the wage and price inflation balance.

In the course of the volatility of the 1970s due to the energy shock, the labor department under Ople became continually activist in the matter of issues affecting prices and wages that were critical aspects of labor issues. The labor department that always faced the labor sector could not shake away from what it considered its main clientele – organized labor. Ople was to become the main go-between for labor and the employer sector. The labor department had regulatory powers of adjudication of labor management issues. In addition, it could, through Ople, take the cudgels for labor within the councils of government in matters of wage and other kinds of cost of living adjustments.

Role playing in political economy

Perhaps it was inevitable that he was to spearhead the demand for wage adjustments within the government sector. If not he, which department then would proceed to sponsor the cause of the labor sector? He had to play his role as labor minister to the hilt, to sponsor the welfare of labor perceived in his vision as that of labor that is already in organized employment. He could have been the moderating influence in the government in tempering these demands in the larger context of raising the employment creation issue. His case was to argue for labor and not in behalf of overall development and employment strategy. If this was his thinking, this was a mistake, for leadership at the labor front from the department of labor was critical in tempering the labor policies so that they did not lead eventually to overstating the case for labor.

If he were to succeed, as he often did with the package of welfare demands, it was only to be able to state the brief for labor's pressing demands from the government. To do that, he had to argue against the rest of the government that was entertaining contrary or doubtful views. He only had, within the constraints of the political framework then, to persuade one institution – the decision of the president, who, under martial law, had supreme command as dictator. But he would have to contend with other views. As a man of action, he took part in pushing for the policies that his department was perceived to be the spokesman for. Perhaps, he felt that he had no responsibility to create a moderating force against the dangers of creating a cost of labor in the labor sector that would, in the end, work against labor itself.

In public office as in the theatre, the participants grab their roles and play them as well as they can. The economic policy minister drives his portfolio so that his overall agenda of keeping the parts working together work well rather than leave the parts to go at cross-purposes. He then perceives his effort as providing a check on the excesses of one part of the pieces so that there is some balance in the outcome. Teamwork – as in the parts of a set of workers together like clockwork in one direction – could be one

⁶ Inciong made this remark to me during the Ople wake, when we found ourselves next to each other.

variation of this role-playing. Teamwork happens only when the government has made a decision, not when the issues are debated. In the context of labor policies, the problem was that the members of the team did not fully see the issues in the same way. In the dynamics of the decision-making then, all the issues needed to be ventilated.

The labor minister drives his portfolio to seek the maximum benefits and leverage that he could get. In pushing for this, he could not care less that the privileges he was winning would put the other parts of the system off-kilter. His agenda was to achieve labor's support of social peace by pushing as far as he could to get the president to approve benefits for labor. The president, in turn, willing to buy time and achieve industrial peace in a time of macroeconomic turbulence, bought into the strategy of raising wages through a variety of social contracts that were staged through a Tripartite Congress. In fact, it appears that the Philippines during this period was being cited as a model for national wage settlement through some kind of social bargaining.

The labor sector, under Ople's guidance, was simply in the best of hands in getting their short run objectives accomplished. So long as the costing of labor was placed at the center of negotiation, the government was trapped into approving wage increase calculations that had an urban bias. This was because, at about this time, Marcos did not accept regional wage setting as an option. The employer's confederation had an urban bias on these issues, and they yielded on the issue of affordability of the wage increases because they were mainly urban-based employers. The mechanism for a regional based wage setting was not yet in place, although it was always put on the table as a possibility. Often, the argument against it was that the minimum wage rates were only a guide for setting the other wages.

One problem was that there was not, at this time, a strong enough support for regional wage setting as a mechanism, an idea that had long been proposed. In 1970, for instance, I had provided various alternatives to the minimum wage setting issue that would allow some form of market solutions through a system of regional wages or exclusions of local governments from its effect at a national level. (E.g., appendix to Sicat (1972) article on comments on minimum wage bills.)

In such a setting, the technical parts of the government – NEDA at the forefront of it – had to stay on the sideline, even though our technicians had tried their best to indicate the untoward side effects of efforts to accommodate relatively high wage demands. The problem, of course, was that wage adjustments had their own effects on the overall economy, aside from creating the distortions that relatively raised the price of labor relative to capital services. The adjustments produced their side effects on wage adjustments becoming added costs that further raised the price level of the economy.

But the gains that Ople got for the labor sector often meant raising costs of business and industry without matching these with any corresponding increases in productivity. The name of the game was reduced to one of recouping lost purchasing power rather than one calculated on a true adjustment of relative costs. These were not possible because the cost adjustments were mainly prorated upward cost adjustments based on calculations suggested by those using technical numbers about lost income and purchasing power. The defect in this adjustment was inherited from the framework under which they were mandated.

Tripartite Congress

By latching on to the format of the tripartite meetings, Ople was able to maneuver the government sector and business to work out labor policy changes crafted by a more limited group of institutional players. By focusing on the tripartite meetings and getting the work of these groups confined to the national groupings for employees and of labor unions, the task of coming to a set of recommendations for action was more feasible. The tripartite meeting served as the institution for getting the negotiations undertaken. Under more normal circumstances, there would be a legislature to work on these issues, but at the time of martial law, the legislature was in suspension from operation. The tripartite meeting was meant to serve as a forum for dialogue and not for direct decision-making.

Under the circumstance, the Tripartite Congress, as it was called, became the means for obtaining consensus between parties that were often at loggerhead – labor sector and employers or business. The ILO encouraged this mechanism of consultation between labor and business, with the government serving as go-between and also as participant. In many countries, the tripartite mechanism involved a broad

representation for the government although the government sector often most involved was the labor department. It could be a prolonged congress in which labor, business and the government exchange views on a range of labor and industrial relations issues, often coming to consensus for recommendations to amend policies. They were an input to a complex system of decision-making.

The tripartite mechanism helped to smooth sharp divisions in social policy for airing grievances. The presence of the government was supposed to provide a mediating influence. It was there essentially to serve a lending hand to help resolve any sharp conflicts between parties. The tripartite meetings, however, were never intended as mechanisms for undertaking policy changes. It was nevertheless basically a forum for consultation.

The fact that national organizations were mainly the participants in such conferences often limited the views of the local and regional organizations. Moreover, organized sectors often represented mainly their broad interests, not the interest of the unorganized sectors. The latter often had no views or mouthpiece on important matters affecting them. The government often had to speak in favor of this group since no one could articulate their problems. Policy-makers who cared about job promotion and economic efficiency would often speak for these unorganized sectors from whose ranks come those who seek jobs and those who are unemployed or inadequately employed?

That Ople used the Tripartite mechanism as a starting point for getting important issues of wages was a master stroke within the framework of institutions centered on decision-making on one man – then, the martial law dictatorship. The president had the machinery of the government to help cover the issue of government intervention in raising minimum wages. The NEDA was essentially the most involved in coordinating the various impact of single policies, and it was not favorable to the idea of across the board minimum wage decrees. The reason was that it simply contravened the long term aspects of raising employment and wages using market dynamics.

The industry and trade department played a relatively passive role on the issue when it should have been the most concerned. At this time, the industrial sector was relatively weak and mainly composed of import substituting industries supported by heavy government protection. It was still dominated by the businesses that grew under heavy protectionism, and they themselves were less concerned about wages so long as they could continue government patronage of their own protection from competition. There were few industrial exporters that were based mainly on labor intensive operations. The sector that could have raised the most serious concerns aside from the large presence of the excess labor (that had no organized voice in these gatherings) was not yet a major force. Hence, the balancing voice that could have come from that sector was not present.

Ople recognized that he could bring such tripartite conferences to a climax by getting the president to act directly on the recommendations at the conclusion of the tripartite meeting. This would always be the climax of the occasion – whereas the first few days would be tantamount to getting labor and business discuss or negotiate the issues before them. Ople made sure that Marcos would be at the center of the decision-making presence at the end of the congress. The center stage of the recommendations of the congress – often the principal one that was awaited – would be to raise the level of the mandated minimum wage. He understood that Marcos could make a grand gesture at the end of the meeting and make concessions on the main demands – mainly to approve them. At the moment of conclusion of the Congress, either Marcos agreed to the recommendations or disappointed his large audience – quite a loaded choice whose ending could be predicted. It would be in favor of the populist solution, since the president would principally be facing the labor sector by the time he spoke before them. The government, in NEDA meetings presided by the president, would work out the pre-agreed scenarios that contained a few options for the president. He understood that Marcos, the ultimate politician who also wanted to get continuing support from organized labor, would eventually come to accept the recommendations that directly addressed the demands of labor when he spoke during the grand finale of the congress. With the president as the guest speaker of the occasion, he could give it the essential blessings before closing the congress.

Ople's political acumen was in understanding the dynamics of these public occasions. He understood the benefits of having the principal politician – the president – to serve as the guest of honor during the closing ceremonies. Marcos would not openly antagonize his hosts and would be predisposed to accept the reasons for adjusting wages across the board or other benefits that are proposed so long as these appeared reasonable to him. The president would have to be assured by the labor department and the labor

sector that the adjustments were essential for the wellbeing of labor and that the burden to employers or to the economy was not too great. The employer sector would find these proposals bearable although they might interpose some suggestions that are contrary. In general, these would work out in labor's favor.

To be able to sign a decree that benefited instantly the working members of the labor class was one of the highest forms of sublimation for a leader seeking applause and support. Ople's political instinct was that Marcos would try to look good before his labor clientele as a patron of caring policies. Marcos took this course so long as labor's discipline could be assured. He thought that efforts to reform the industrial sector and attract new foreign and domestic investments in that sector would be able to tilt the balance and perhaps neutralize some of the ill effects. This was to happen over several sessions of the Tripartite Congresses during this period.

The decade of economic turbulence: price and wage equation

Turbulent economic times characterized the wage setting issue. The country was beset by ever-rising fuel costs and, as a consequence, rising prices arising from the energy and other macroeconomic shocks that characterized the 1970s. All these fed fuel to exchange rate depreciation. The labor sector became more agitated for adjustment of the minimum wage through governmental action. It wanted not only to recover lost purchasing power of real wages before the energy crisis but also any other losses incurred during earlier times. Further, it wanted additional room for maneuver, to go beyond just recovery of old real wages lost through inflation.

The government's efforts met fuel cost escalations with price controls and other actions designed to postpone the bite of the energy cost adjustments within the economy. These were meant to be defensive and tentative adjustments. It became clear that the government would need to adjust to new circumstances and reorient its policies to avoid the ill effects of the energy price escalations. This would require structural adjustment over a range of economic policy issues. Of these, the most important was the reform to liberalize the industrial and trade regimes. In fact, the government's principal agenda had to focus on industrial and trade liberalization. The problem of the inward looking industrial policies had brought in low employment creation, high costs of goods for the economy, especially the consumers, and waste of economic resources. A reform of the industrial climate would create new areas for exports, more employment, and move the economy towards greater competition and economic efficiency.

Price controls in the market – whether for basic necessities, for energy products, or for low cost housing rentals, or even the institution of floors for wages to be paid by employers – could be useful only as tentative mechanisms unless they were frequently adjusted to realistic levels. Groups that benefit from such measures immediately form a line of defense against their future adjustments. Periodic reviews of price adjustments always invited major resistance from the sectors that benefited from their prolongation. The result often delayed adjustments. They would finally be undertaken only until larger instabilities within the economy were apparent.

As a result, the price controls on energy products became a source of macroeconomic instability. The country always faced a political turmoil, often a disruption of the urban transport system, when price adjustments were in the offing. By setting price ceilings on energy products, the oil companies had to be compensated from a subsidy fund that was appropriated to reimburse the oil companies for their losses. This enabled them to continue to supply fuel. As an energy importer for most of its need, the Philippines was very vulnerable. When world petroleum prices rose, major disruptions of the government budget would result because the subsidies had to be paid and fuel price fund exhausted. There was a cycle of subsidies for consumers when domestic prices fell below raw energy prices at origin so that the oil companies would lose in their operations. Then, there would be a period of overshooting of energy retail prices at cost in order for the government to generate resources in the budget. to pay for future subsidies when domestic energy prices had fallen out of line again. It was at this point when the price-wage adjustments became of prime importance.⁷

⁷ It would take a long time – only after 1994 – when this problem of macroeconomic changes aligned to crude market costs and to refining costs would be possible. This took a reform of energy products, using a Singapore market-based price for refined fuels as benchmark for fuel products.

The price-wage spiral arising from these interdependent issues was always debated in the tripartite congresses. With price controls on energy products entering the picture, the government through the NEDA had to undertake calculations on the costs of energy price hikes to the rest of the economy. These calculations were based critically on the input-output structure of the various sectors of the economy. Such technocratic calculations were sensitive to certain assumptions about the structure of the various sectors.

The triggers for wage price recalculations came from having to adjust to petroleum prices. This had an impact on the mix of gas, oil, and diesel prices. Lack of petroleum resources and the extreme impact this had on the country's payment problems led to a number of adjustments. The government's entry into the energy field was in part designed to become a participant in the refining and distribution of petroleum products. The consequence of having to refine the petroleum brought to mind the issue of purchasing raw inputs from the oil exporting countries.

Although more desirable, removing the price controls was far from the mind of those who feared the shock of high prices besetting the economy. With the decision to make price adjustments by fiat, the government was faced with the perennial task of undertaking calculations on the balance between price inflation and wage costs. The calculations ended in the integration of price and wage adjustments in the framework of the Tripartite Congresses.

The net effect was to raise the cost of existing industries. This translated into higher unit cost of labor that arose out of wage price negotiations in the Tripartite Congresses. This process was conducive towards creating an overshooting of adjustments in anticipation of future need for future leg room prior to the next adjustments. Thus, the subsidy funds had to be replenished by the price adjustments, too, in addition to the upward wage adjustment. Under the volatile external environment of the 1970s, this was an inevitable scenario.

The Ople legacy in the labor sector

Ople's achievements in the labor portfolio were important in the context of existing policies that continue until today. These achievements were partly due to his long tenure in the department of labor. But his hard work and political acumen made him achieve more than perhaps was warranted for labor's deeper interests. For these achievements would represent some hardening of labor policies that should have been made more gentle and flexible so as to allow the whole labor sector to move forward in its long term interest.

That long term interest of labor and for the whole economy is one associated with the absorption of the excess labor force into the organized sector so that wages would rise naturally as the market would help to determine it. That this has not materialized represents one of the problems of the Philippine economy. It represents a clear cut statement of the failure of creating a more prosperous labor sector on the whole. The reason in part was that it created a bureaucracy of welfare-oriented labor policies that raised the unit cost of labor by government fiat rather than by the force of the market place. The force of the market is superior in bringing about a lasting prosperity for the whole nation.

In short, Ople achieved more for the benefit of employed workers through his assiduous efforts in protecting their interest during his tenure and less for the benefit of that large segment of the unemployed and underemployed for the reason that these very measures helped to reduce the chances of the latter from joining the gainfully and securely employed. As an interlocutor for labor within the government, he was in part responsible for perpetrating some of the flaws in the country's labor policies.

Yet for the fact that these were achieved during the martial law period would bring him to taunting criticisms from some radical elements in society. These achievements are best summarized in a recent assessment made by Gat Inciong (2003), who was the undersecretary of labor under Ople. Defending Blas Ople's record from attack from the left on his accomplishments on labor issues, he rose to the occasion by attempting to lay the record straight. In a reply to the criticism that Ople was responsible for the "no strike" and "wage freeze" policies that many critics tried to associate with the martial law period, Inciong wrote:

Marcos's no-strike policy was embodied in General Order No. 5, in the making of which Ople had no hand. What Ople did, within three days after the proclamation of martial law, was to initiate moves to neutralize the no-strike policy for the benefit of the workers. First, Ople sent Marcos a note cautioning him that the Geneva-based

International Labor Organization may react negatively to the no-strike policy and involve ILO Convention 87 on the rights of workers to self-organization and collective bargaining, including the right to strike. With the note was a draft decree, which Marcos signed into law as PD 21. PD 21 prohibited all employers from dismissing workers without written permission of the Secretary of Labor (Ople) and established a National Labor Relations Commission (precursor of the present NLRC) to adjudicate workers' complaints and grievances. Later, at Ople's instance, Marcos issued a decree restoring the right to strike subject to the power of the Secretary of Labor to either assume jurisdiction over labor disputes for compulsory arbitration or certify them to the NLRC for the same purpose. Assumption or certification legally bans strikes or lockouts.

Incidentally, what is anomalous is that today, 19 years after the supposed termination of martial law in 1986, the Ople law on strike and lockout still persists. *Labor-management relations are still under martial law today* [italics supplied].

Regarding wage freeze, neither Ople nor martial law was guilty of it. During Ople's long rule [at] Labor, there was a minimum wage increase or cost-of-living allowance grant or both every year. The 13th month pay law (PD 51) – which is a worker's total basic pay for one year divided by 12 – was introduced. Ten paid legal holidays a year were institutionalized. A 5-day service incentive pay was decreed. Workers in the sugar industry were granted social amelioration benefits. These bonanzas are being enjoyed by the workers up to now.

But that was because the economy permitted those pro-labor acts of government. Today, 19 years after martial law, there has been no minimum wage increase for two years in the face of rapidly increasing costs of oil, power, water, etc. Some labor groups no longer ask for minimum wage hikes but even their pleas for non-wage benefits remain unheeded.

Ople accomplished more than just the above. A major contribution that he made was to codify the labor code. The codification exercise became one of putting all the various provisions of existing law on labor policies and introducing changes that could link the laws together where gaps were perceived to exist. This did not only contribute to the convenience resulting in having all the labor laws in one document, which enabled a total view of the labor policies.

One of the lasting imprints of the labor code is to strengthen of the role of the labor department in labor-management issues. The labor department was put at center stage and creating vast powers for the secretary of labor in relation to adjudication of grievances and retrenchment. It became a large bureaucracy – regulatory, juridical, adjudicatory, and an administrative office to take care of the interests of labor.

Another major achievement was the creation of the National Youth and Manpower Center, which was designed to help in the training and retraining of the labor force. This was the forerunner of the Technical and Educational Services Development Authority (TESDA). This secured a large amount of resources for manpower training. This agency was to be attached to the labor department rather than to the education department of the government only reflected the entrepreneurial aspects of creating new and relevant agencies, which Blas Ople possessed. He had beaten the more traditional training units of the government to the draw by putting the manpower training program directly under Labor's wing. Today, as one reviews the limited budgets of the education department in supporting technical schools and vocational schools, it would be possible to be nostalgic about the possibility of merger or absorption within the department of education of this training agency.

Another major accomplishment during Ople's tenure at labor was the creation of the governmental machinery for the encouragement of overseas contract workers to work abroad. This is an important success story and it will be discussed in the accompanying paper that complements this essay.

But despite these achievements, there were some twists that hampered the accomplishment of grand objectives.

The labor department became a pre-eminent component of the bureaucracy. It got equipped with greater power over the settling of industrial policy disputes and in the adjustment of floor wages with the eventual rise of the unit cost of labor in relation to the country's other Asian neighbors. The country became hostage to labor policies that demanded high wages for workers while at the same time requiring many conditions of labor work that were patterned after economies that were far more advanced than the actual state of the economy's overall patterns of output and productivity.

The labor market became less flexible. Whenever macroeconomic adjustments were undertaken, the accompanying adjustments included government-mandated wage adjustments. Labor regulations made it difficult to reduce the work force among operating establishments. It was easy to hire new employees. But it was difficult to fire unwanted workers. An elaborate set of reasons was required, oftentimes, with arduous justification and with approval of the labor department in order to fire a regular employee. This made it more difficult to attract investments in labor-using industries. These changes naturally also affected the flow of new foreign direct investments.

During this period, many foreign direct investments would transfer their production bases from their traditional places of manufacture to the other Asian countries where labor costs were much cheaper. While the Philippines was included in their radar screen for possible relocation, eventually the opportunity was lost to the other countries. This was seen from the volume of foreign direct investments in highly labor using industries that moved their operations to other places in East and Southeast Asia.

The slowness with which the industrial and trade reforms took place in the country was part of this explanation. By the 1970s, the need for a redirection of the industrial sector was very evident. The framework for the reform of the sector was being put in place. But the resistance to this reform was very strong. Industrial protectionism was being dismantled through a first round of tariff adjustments. The redirection coming from the industrial and export incentives laws that came into being were imperfect. Some of the remnants of the highly protectionist industrial policy regime held in check a more robust performance in industrial performance, especially in the attraction of new foreign direct investments in exports.

IV. Concluding remarks

Under Blas Ople's watch, the labor department became a very strong government department. It was able to put a lot of labor issues under the bureaucratic umbrella of the labor department. The labor department was able to monopolize and exercise a large influence of labor/ management disputes. During martial law, Ople was able to keep the labor sector from being restive, in part because he fought for their demands within the government. Part of the reasons for this accomplishment was the quid pro quo for the enhancement of demands for welfare increasing programs for labor.

These changes in the labor policies contributed in no small way to the failure of the domestic labor market to adjust to changing circumstances. In part, this led to the country being left behind in the attraction of foreign direct investments. The flows of foreign direct investments had been to countries where labor costs were cheaper and the industrial peace relatively guaranteed from disturbance. There were many routes by which the labor policies made the unit cost of labor higher in relation to other countries in the region.

The domestic labor market could be compared to a system that is hardened by an atherosclerotic circulatory system. The arteries and veins of the system have hardened. A desire to relieve the pressure from the hardening of these channels of the circulatory system has led to escape valves within the system to relieve pressures from the regulations. As a result, many workers look elsewhere – outside the country – to find gainful employment. These are labor markets where the worker – the Filipino – is fully exposed to foreign regulations without the protection of national laws. At home, though, the protection of national laws is so all-encompassing that many young and unemployed people find it difficult to get work easily.

The labor market has become over-regulated in some areas that it became difficult for companies to undertake changes in employment easily. Various imposts from governmental fiat had weakened the flexibility of the system to permit the hiring of new workers. As a result, many new methods of hiring labor

were undertaken, to avoid the lack of flexibility of the employment system. With each attempt of the government to plug “loopholes” the system become all the more unfriendly and bureaucratic.

All these have led the government to try to reassess the problems of the country’s labor market. Even the Congress appears to recognize the problems inherent in the present labor market. A report by the Congressional Commission on Labor (2001, p. 80), to emphasize the problems faced by the labor department proposes to rename DOLE into DOE (Department of Employment).

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