

THE CONDITION OF LABOR IN THE  
PHILIPPINE GARMENT INDUSTRY

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A C K N O W L E D G M E N T

To HIM,

Who has given me everything,  
Who has blessed me all the way,  
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Who stayed with me,  
Who gave the typewriter for my thesis,  
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Who has boosted my morale and urged me to go on;

To Milo,

Who has given me the right words at the right  
moment for the right purpose;

To Myself,

for not giving up!

THIS PAPER IS FOR ALL OF YOU.

## CHAPTER ONE

### Introduction

The standard of living in the Philippines is basically low, with 70% of the Filipino families living below the poverty level. As of July 1986, the daily cost of living for a family of six is estimated at P114.68 from P112.29 in 1985. The nominal wage of an average worker in Metro Manila is P57.08, but due to a 2.25% rate of inflation, its real value has been reduced to P15.51 per day. Its purchasing power is now equivalent to P0.2803 per peso.<sup>1</sup> These figures apparently show that most Filipinos are living below the subsistence level.

According to the labor statistics of January 1986, there are 33.89 million Filipinos in the labor force, out of the 54.7 million population. There are 19.12 million workers absorbed into the labor sector, leaving 2.62 million unemployed. Further complicating the problem was the termination of 17,647 workers as 911 establishments closed shop. By January 1986, the labor participation rate was 64.1% and the unemployment and employment rates are 12.6% and 88.0% respectively.<sup>2</sup>

The statistics given above reveal a huge disparity between the cost of living of an average worker and his wages. In some cases, this difference results to abject poverty to certain sectors of the society, specifically on the sector.

labor sector.

Majority of the Filipino workers heavily depend on their wages since they have neither the capital nor the resources for their existence. Labor wages pertain to the monetary remuneration of a worker in exchange for the services he has rendered to his capitalist employers. A capitalist owner of the means of production employs the workers to operate the equipment and other means of production. He has the control over the production process thus he can impose conditions favorable to the promotion of his interest, even at the expense of his workers. Inevitably, situations like this will lead to labour exploitation by the capitalist.

Given this condition, various questions had risen regarding the extent of exploitation on laborers by the capitalist and their prevailing working conditions. Likewise, what possible measures can reduce, if not eradicate, these exploitative practices. This paper is aimed to answer these questions.

In this respect, the garment industry was chosen by this writer to serve as the focal area of study because of its labor-intensive operations.

## STATEMENT OF THE PROBLEM

The primary contention of the labor sector is the irreconcilable difference of objectives of the capitalist and the working class. In most cases, the rift arises because of the distribution of profits and wages, non-compliance of demands won by the workers through the collective bargaining agreement, unrequited demands for security of tenure, un conducive working condition and hostile labor atmosphere. Most of these problems arise because of the desires of the capitalists to amass wealth despite the inconveniences of their laborers and employees.

Having these premises in consideration, the following questions were formulated in the attempt to resolve the problem:

1. What are the working conditions of laborers in garment industry?
2. Are workers of garment firms receiving the appropriate equivalent of their labor?
3. What is the extent of the capitalist exploitation on laborers of garment industry?

These problems represent the key questions which the writer hopes to resolve in the course of her research.

## HYPOTHESIS

This research was done to affirm or negate the following hypotheses.

1. That labor exploitation is highly influenced by the capitalistic nature of Philippine society.
2. That the wages being received by the garment workers are not commensurate to the labor they render.
3. That the wages being received are not proportional to the profits expropriated by the capitalists for themselves.

## SIGNIFICANCE OF THE STUDY

The Philippines is currently undergoing a critical period of transition, seeking for a better social, political and economic status that will propel this country toward its goal of national economic recovery and international recognition. Essential to the achievement of the said goal is a study on the important aspect of the economic society, which is, labor.

In view of the ongoing economic rehabilitation, this study could influence the policy makers to promote the work-

ing conditions of laborers in garment industry. Similarly, this could serve as the basic framework to analyze the labor condition in the Philippines and the status of garment workers in the capitalist economic society of our country. With this research, the writer hopes to raise the issue of exploitation and proposes some measures on how to eradicate the ills brought about by the profit-oriented capitalists of the Philippine economy.

### OBJECTIVES

This study aims to achieve the following objectives:

1. To determine the rate of exploitation in garment firms.
2. To expose the working conditions of laborers in garment firms.
3. To prove that laborers in garment firms are not receiving commensurable compensation for their labor.
4. To trace the underlying factors which influenced labor exploitation in the Philippine society.

## SCOPE OF THE STUDY

The analysis of labor exploitation is focused on the period from 1972-1981, inclusively. Years 1982-1984 should have been included to have a full grasp of exploitation during the Martial Law era. However, they were excluded from the list due to the unavailability of data as of this point in time. All the tables used for computation are derived from the Annual Survey of Manufacturing released by the NCSO, whose latest issue was its 1981 copy. All establishments, whether small, medium or large, are included in the data presented, with exceptions to the years 1972, 1975 and 1978, which surveyed only the large establishments.

The initial portion of this research will be devoted to the analysis of Marx's theories on labour value, capital, and exploitation of laborers. The nature and characteristics of Capitalism as the prevailing system of economy in the Philippines will not be discussed although it will be touched at the course of analyzing the problems of laborers within the garment industry.

## CHAPTER TWO

### THEORETICAL FRAMEWORK

#### A. Theory of Capitalist Exploitation

Capitalism is a political economic system which promotes private ownership and profit accumulation. Its foundations lie on the existence of private properties, inheritance, freedom to indulge in business, profit motivation and labor exploitation. To remove these foundations will entail disruptions on the whole system since each one is interrelated to another.

Private ownership of properties played a vital role in capitalism. It is the exclusive right of an individual to sell, hold, use or keep the economic goods he possessed. As Charles Gide had put it, "property is an indispensable condition of personal independence since he who possesses nothing is compelled to put himself to another's service in order to live."<sup>3</sup>

Property accumulation is inevitable, inasmuch as a capitalist is concerned. It is as basic as his claim for life, liberty and happiness. Without it, man will be forced to subject himself to another man's control and lose his

independence. Under Capitalism, the bourgeoisie pertains to that class which owns the major portion of the market's means of production. And the proletariat refer to those people who have neither the means and wealth to use aside from labour-power.

By itself, property produces no value. Thus, labor power is essential to manipulate the property since only labor is capable of producing value. Consequently, workers become a part of the whole production process and are regarded as commodities. Ironically, these workers are responsible for producing wealth but are not receiving benefit from their produce. All the accrued profits go to the owners of the production with only a miniscule portion being shared to the laborers.

It is a basic assumption that labor exploitation is the primordial source of profit for the capitalists. It is derived from the unpaid labor productivity or surplus value. As explained by Karl Marx, the theory of exploitation emerged from the theory of surplus value. It is expressed by the rate of surplus (net sales less total operating cost) and labor wages, or by the formula:  $\frac{S}{V}$ . Marx referred to exploitation as a vehicle for the capitalists to amass more wealth by increasing the productivity of each worker but limiting their remuneration.

There are certain factors which may lead to labor exploitation. Such factors are: increasing labor time while maintaining a constant rate of income, introduction of modern machine and equipment which multiply the productivity of labor power, adoption of production policies that would heckle the laborers to increase their output level, and increasing the workload of each laborers. These abovementioned factors are clear indicators of profit maximizing and labor-exploiting conditions inherent in a capitalist society.

Capitalist exploitation is therefore defined as an "oppressive exercise of coercive social power" of capital on labor.<sup>4</sup>

## B. Theory of Surplus Value

The analysis of surplus value is very important in the discussion of Karl Marx's theory of labor exploitation. According to Karl Marx, surplus value is the source of capitalist's profits. It is the value created by the laborers but expropriated by the capitalists for their personal gains.

To fully understand the meaning of surplus value, we have to define primarily what is labour-power. It has been stated that capitalists own the means of production while the workers possess labor-power. The capitalist buys labour-

power from the workers and pay them with wages (the monetary value of labour-power). Consequently, this will make labor power a commodity. And having been regarded as a commodity, labour becomes a product with use value and exchange value. Exchange value, according to Karl Marx, is the value that the capitalist pays in exchange for labour-power. It is equivalent to the amount necessary to maintain the laborers. The use value on the other hand refers to the value of output created by labour-power.<sup>5</sup>

Surplus value, as explained by Marx, is that difference between total output and real wages. As stated earlier, this surplus is created by the laborers but is used by the capitalists to increase their wealth and profits. Without it, capitalism will not thrive. Simply stated, profit as the source of investment in a capitalist society, is synonymous to surplus value. Without surplus, there is no profit and investment.

The labour process is a systematic procedure of extracting a product out of the means of production, with the aid of labor. In the process, the capitalist takes control of the labor force, including all other factors of production inasmuch as he had paid for its exchange value. He wields power over the labour process and to expend labour in any manner suitable for him, because he had paid for its use. It

follows that whatever output created by labour-power now belongs to the capitalist.

To examine the theory closely, and to explain it from a clearer perspective, an example of the whole process is provided here.

Let us suppose that worker A sells his labour to capitalist X. The agreement made by the two is that A will receive a total exchange value of P57.00 for a total working schedule of eight hours per day. By virtue of this agreement, every output that worker A creates is automatically owned by the capitalist, who is entitled to get every monetary value of the product. Presuming worker A could make a piece of garment worth P25.00 in an hour and he has the capacity to produce 8 pieces of garment within eight hours, his total output is valued at P200.00 in a day.

If we deduct all other expenses incurred in making the garment and derive P10.00 from each finished item, then the net value created by worker A for an hour is P15.00 and P120.00 for eight hours. However, since he was paid a sum of P57.00 for his day's work, capitalist X profits P63.00 from worker A. This amount represents the gains created by the surplus value of labour but expropriated by the capitalist for himself.

## DEFINITION OF TERMS

The following definitions of terms will be useful to guide the readers in analyzing the data presented hereto.<sup>6</sup>

1. CAPITALISM - is a political economic system which promotes private ownership and accumulation of wealth. It is characterized by the presence of exploitation of labor. Its activities are primarily motivated by profits and everybody is free to take any economic endeavor. The two main elements of Capitalism are bourgeoisie and the proletariat.
2. MEANS OF PRODUCTION - are commodities consumed during the production process such as machines, buildings, raw materials, semi-finished products, land and capital, among others.
3. CAPITALISTS - are the owners of the means of production who have the power to control and dictate conditions in the production scene.
4. LABORERS - are the workers who exert their physical strength and skills, and their intellectual faculties for productive purposes. They are those whom Marx refer to as the proletariats.

5. CAPITAL -- is used to produce other goods. In most cases, capital comes in form of monetary goods which are used to buy other goods.
6. CONSTANT CAPITAL -- is equal to the value of all means of production and raw materials. It does not produce any additional value since its worth is merely transmitted to the newly produced output during the process of production.
7. VARIABLE CAPITAL -- is equal to the value of the social labor power employed or to the sum of wages paid to the laborers. It undergoes an alteration of value during the production process wherein it creates a surplus value.
8. LABOUR -- is one of the means of production which is possessed by the workers. It is an expenditure of physical human strength and skills for productive purposes.
9. EXPLOITATION -- is maximizing the utility of labour without necessarily giving commensurate compensation for the value it created.
10. WAGES -- pertain to the monetary remuneration or earnings of workers given in exchange for their physical labor that they expended in producing every unit of their output.

11. SURPLUS VALUE - is the source of capitalist's profits. It is the value of the output produced from the extra labour expended by the worker after he had produced the actual value of his paid labor time. Surplus value is computed by subtracting the total operating cost from the net sales ( $NS - TOC = sv$ ).
12. USE VALUE - is the qualitative property of a commodity which is often associated with physical qualities such as color, sizes and shades.
13. EXCHANGE VALUE - is a quantitative property of a commodity which is directly observable since its medium of exchange is mostly set in monetary terms.
14. NECESSARY VALUE - is the working time necessary for the production of goods and production output.
15. SURPLUS LABOUR - is the extra time which the worker is compelled to consume. It is that amount of labour which was created beyond the time needed to consume in order to produce a quantity of goods with value equivalent to the amount paid in exchange for labour.

METHODOLOGY

Karl Marx's analysis of surplus value and his formula for the rate of exploitation will be adopted in this research work to explain the existence of exploitation in garment industry.<sup>7</sup>

- a. to solve for the surplus value

$$S = NS - TOC$$

where        S - surplus value  
              NS - net sales  
              TOC - total operating cost

- b. to solve for the rate of exploitation

$$e' = \frac{S}{V}$$

where        e' - rate of exploitation  
              v - variable capital

- c. to solve for the rate of profit

$$p' = \frac{S}{v + c}$$

where        p' - rate of profit  
              c - constant capital

- d. to solve for the ratio of unpaid labor hours

$$e = \frac{S}{s + v}$$

where  $e$  = ratio of unpaid labor hours with respect to the total labor time

- e. to solve for the number of unpaid labor hours multiply the quotient ( $e$ ) by the number of hours required for a worker to consume in a day.

unpaid labor hours =  $e \times$  working hours/day

paid labor hours = working hours/day minus the unpaid labor hours

## CHAPTER THREE

### Profile of Philippine Garment Industry

The garment industry in the Philippines involves all ready-made clothes and wearing apparel, and other accessories, which includes hats and shoes made from textile materials. It further includes embroidered wearables created in the Philippines but whose materials are either imported or locally manufactured.

#### BRIEF BACKGROUND OF THE INDUSTRY

The Philippine garment industry is a far cry from what it was during the pre-Spanish era. In its early years, garment business was introduced to the Filipinos as a home-based hobby for women. It catered mainly to the demands of local market for embroidered clothings. The government did not express much support to the industry since it was yet conceived as a lucrative source of income. However, at the course of time, the industry had widened its scope to include the production of ready to wear items such as pants, hats, shoes and clothes.<sup>8</sup>

The evolution of garment industry is marked by the

relentless struggles of its producers for due recognition in the local and international market. The industry has the potential of being a money maker due to the ingenuity and expertise of Filipina weavers. Unfortunately, the problems which besetted the industry had hindered its growth.

During the American occupation in the Philippines, the garment industry received its much needed support from the government. In 1910, garment manufacturing had become one of the most successful industries promoted by the Americans. And in 1936, embroidered clothes had become one of the country's top ten exports.<sup>9</sup>

Most of the firms involved in exporting and producing garments were American-owned; such as the Ollendorf, Greenfield and the Feltman Brothers. Many early Filipino entrepreneurs, who had serious involvement in the industry were women graduates of Household Industries school. They were then provided with capitals, designs and sales outlets by the American exporters who contracted them for sales.<sup>10</sup>

During the war in 1941-1945, the industry was temporarily disrupted. But it soon resumed its operations in 1946 and had continued growing ever since. The Philippine government, following the patterns set by their predecessors,

supported the industry's growth and implemented policies which could boost the waning status of garment industry and to further its growth. Some of the policies are the R.A. 3137 which lifted the tariffs on imported raw materials used for producing garments; R.A. 6135 (Export Incentive Act) which provided for the tax-free importation of capital equipment and tax credits for locally-manufactured capital equipment; and the creation of PD 1440 which is responsible for the existence of Garments and Textile Exports Board.

The local manufacturers were constrained to maximize its production due to the unsteady situation of the world market. Since most of the materials used for production were imported from other countries, the prices of imports became the limiting factor which directly influenced the output of the industry.

The garment production was given a boost in the 70's during the boom in demand for ready-to-wear items in European markets. Filipino consumers followed the trends in the western world and had similarly preferred ready-made apparels instead of tailored clothings. Eventually, the craze had increased the demand for local garment, thus creating a tremendous growth in the industry. Producers were encouraged to increase their production and extended their horizons to include foreign markets as well. By 1975, garments became the

first non-traditional product to reach the \$100M mark in the Philippines.<sup>11</sup>

#### PRESENT STATUS OF THE INDUSTRY

The garment industry contributes greatly to the development of Philippine economy. It provides jobs for almost 150,000 workers and contributes a total amount of \$660.9M in 1985. The updated statistical data from the NCSO registered that the numbers of firms in the garment industry totalled to 20,255 in 1984. Out of this figure, 17,971 or 88.73% employ one to four workers each, thus contributing 44,932 workers into the labor force.<sup>12</sup>

The proceeding table illustrates the distribution of workers in the Philippine garment industry and aims to show the scope and size of the industry and its contribution to the total labor force in the Philippines.

TABLE 1

Distribution of Establishments by the Average Number of Workers Engaged. (Philippines, 1984)<sup>13</sup>

Employment	No. of Establishments	Average No. of Workers Employed
1 - 4	17,971 (88.73%)	44,932 (30.74%)
5 - 9	1,842 (9.09%)	13,815 (9.45%)
10 - 99	342 (1.69%)	9,210 (6.30%)

100 - 199	23	( 0.11%)	3,450	( 2.36%)
200 - 499	37	( 0.18%)	14,236	( 9.80%)
500 - 999	20	( 0.10%)	13,879	( 9.50%)
1000 - 1999	13	( 0.06%)	16,493	(11.23%)
2000 - over	7	( 0.03%)	30,153	(20.63%)
	<hr/>		<hr/>	
	20,255		146,158	

Source: NCSO (National Census and Statistics Office)

From the data given above, the establishments of garment manufacturers numbered to 20,255 and gave employment to 146,158 workers. Twenty garment firms have more than 1000 workers each, giving account to more than 32% of the total labor force of the said industry. There were 20,155 firms which hired less than 100 workers each, while 80 employed 100 to 999 workers each. These figures show that the industry has more small scale manufacturers than large scale firms. Yet, the bigger firms account for the bulk of employed labor. In terms of labor contribution to the workforce, large firms are able to generate employment for 46,546 workers, which comprised 32% of the entire workforce for garment industry.

The statistics from Ibon Facts and Figures show that producers are more interested in establishing their garment factories within the Metropolitan areas rather than in the remote places outside Metro Manila. Seventy percent

of the garment establishments are found in Metro Manila while 30% are scattered along the Bataan Export Processing Zone and along other parts of the country.<sup>14</sup> Most producers prefer to stay within the area because of its proximity to the seat of trade and commerce, availability of modern technologies and communication equipment, abundance of labor supply, and convenience in transporting the raw and finished products. With these things, producers can cut on the expenses and increase their profits.

The Philippine garment industry is facing a bright prospect, and over the years, it was able to post a positive rate of growth. The export earnings of the industry had increased to \$761.66M in 1986, from \$660.9M in 1985 and \$646.8M in 1984. A major bulk of the Philippine exports went to its two biggest markets in the US and the European Economic Council members. The US market absorbed 63% of the entire output of the industry which amounted to \$476.576M. On the other hand, the EEC members had \$128.353M worth of garments. Other major markets for the Philippine garment exports include:

Canada	-	\$26.861M
Sweden	-	\$ 3.117M
Norway	-	\$ 2.153M
Austria	-	\$ 1.503M
Japan	-	\$123.087M

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These figures show the active participation of our local producers to the international trade. However, despite the positive outlook it projects, the industry has yet to achieve its full growth. The statistics from GTEB (Garment Trade and Export Board) revealed that only 2.5% of the total market share for the entire US demand for garment is being supplied by the Filipino exports. The percentage is comparatively lesser if it is compared with the export volume of other countries who have similar trade relations with other nations. Korea exports 11.16% of the American demands; Taiwan supplies 7.53%; and Pakistan, 3.11%. In the EEC members, Philippines supplies a measly 0.65% of the entire market demand of the European countries.<sup>16</sup>

#### GOVERNMENT INCENTIVES

It is important to note the support being extended by the government to the local producers of garments and other products. The proceeding laws were made to attract more entrepreneurs to venture into the export markets and to help the expansion projects of the local industries.

The following laws had contributed much to the growing industry of Philippine garments:

1. R.A. 3137 (Embroidery Law)

- This law attracted more entrepreneurs to invest in the garment industry by lifting the tariffs and taxes on imported raw materials for production of garments. It serves as the prime promoter of the industry because of its pro-capitalist issuances such as the creation of the Embroidery and Apparel Control and Inspection Board. The body is responsible for the control of permits and licences, and the dispensation of processed materials like embroidered clothings and ready-to-wear items.

2. R.A. 6135 (Export Incentive Act)

- The act shifted the government's economic thrust from import substitution to export promotion. It provided for the tax-free importation of capital equipment, raw materials, and accessories for as long as the manufactured products are to be exported. Tax credits are given to every interested producers who are included in the list of Board of Investments. The credit being given to every capital equipment bought locally is equivalent to the amount that should have been paid had these been bought from outside the country.

3. R.A. 5168 (Investment Incentive Act)

- Similarly, this act provided for more benefits in the form of protection and reduced tax duties, to be enjoyed by the local investors.

4. P.D. 1440 (Garment and Textile Exports Board)

- This decree was responsible for the creation of GTEB whose main function is to facilitate the activities of garment exporters. Its purposed activities include the following: the maintenance of sustained economic growth for the generation of dollars through garment exportations; the limitation of restraints that were imposed by those countries threatened by the increasing popularity of Philippine garment exports; the establishment and promotion of international trade agreement; and the proper management to effectively implement the above-mentioned activities of GTEB.

Added to these laws are the attempts of the Philippine government to promote the cause of local and foreign producers in the land, such as renegotiating with American businessmen to hike the quota imposed on our garment exports. Once approved, this negotiation will increase the quota by as much as 50% of the original quota. The labor atmosphere within the garment industry is also being attuned to satisfy the capitalists and to encourage them to invest. With these supportive measures from the government, the garment industry is expected to expand itself.

#### PROBLEMS OF GARMENT INDUSTRY

Development is usually spiced with problems, thus, despite its apparent progress, garment industry is still heavily saddled with difficulties. Garment producers are affected by the concurring changes and development within the system. And the industry, being young as it is, finds itself inadequate to adapt in the dynamic activities of the market. Some of the major and most common problems that beset the garment industry are mentioned in the following paragraphs.<sup>17</sup>

##### 1. Problems on raw materials

- local garment producers are highly dependent upon the

imported raw materials for supply of input. This makes them highly vulnerable to the fluctuating prices in the world market. Aside from this, local manufacturers will need more foreign exchange to pay for their imported items. However, due to a very unstable political and economic atmosphere, the Philippine supply of dollars is limited. Therefore, the local producers are compelled to scrouge dollars from various sources, which include the blackmarket, leading to further increase in their cost of production. Another problem of garment producers involve the textile industry and its poor-quality outputs. Because of the inferior standard of the textile materials, local garment producers are compelled to import textile materials for their products.

## 2. Rising cost of operations

- local manufacturers are complaining on the high rates of electricity and power. As of this time, the current rates of Meralco is pegged at P3.20 for the first 10 kilowatts per hour, and an additional P0.32 for the next 40 kwh of consumed electricity. Since garment manufacturers use up a lot of electricity in its production, the escalated prices of power rates inhibit

some interested investors to venture in garment business.

3. Lack of modern technology

- due to the absence of capital, producers are not able to purchase modern equipment which could increase the productivity level. Due to this, production is not being maximized and the potential to expand is being curtailed.

4. Lack of trained personnel and technicians

- the industry needs well trained personnel who will supervise the industrial aspect of production. The absence of these people carry an adverse effect on the technical and supervisory section of the industry.

5. Illegal transactions of some producers

- garment manufacturers complain on the illegal activities of some producers who produce garment in bulks and sell them at a cheaper price. This activity kills the business of some creative producers whose styles are being copied and sold cheaply but openly in the local market. Smuggling is another harassing problem for the producers. Smuggled clothes compete with the locally produced items for their customers. Eventually,

the local producers lose in the competition because of the buyer's preference for imported items. Aside from this, a surplus supply of garment in the market will cheapen the price of garment due to the law of supply and demand.

6. Quota allocation system

- the government quota scheme imposes restrictive level of productivity to the local garment producers. Instead of being able to maximize their productivity in accordance with the demands of their customers, the producers have to take into consideration the limitations set upon them by the GTEB. Under the quota system, exporters must earn an additional 10% income from non-quota outputs in order to avail for a quota hike in the American market. However, since local producers are yet prepared to indulge into non-quota markets and maximize income from thereof, the quota will only inhibit them to supply as much as they can produce.

7. Fluctuating interest rates

- the unstable but high level of interest rates restrain the producers from borrowing from the financial intermediaries. Hence, they were unable to invest and ex-

pand their wealth and property holdings.

8. Labor problems

- the wage policies and restive labor front disrupts the production process within the manufacturing level, thus, affecting the total output of the establishments in question. Due to a more radical labor atmosphere and a hazy political environment, local and foreign producers are shying away from investing.

The problems enumerated above create a tremendous impact on the growth of the industry. The individual capacity of each firm is not being maximized because of these problems. Had these problems been given more emphasis and their respective solutions, garment industry should have been more successful and developed than it is now.

## CHAPTER FOUR

### Labor Condition, In The Garment Industry

#### LABOR ATMOSPHERE IN THE PHILIPPINES

Labor plays a vital role in the manufacturing sector and it exerts a great deal of influence in the garment industry. Thus, a highly labour intensive industry such as garment production is directly affected by any changes within the labor front.

At this point in time, the Philippine labor atmosphere is being threatened by the problem of unemployment and exploitation. As of 1986, a total of 861 business firms had closed due to major economic problems. The closure resulted to the lay-off of 34,727 workers and an increase in the unemployment rate to 2,441,000 workers.<sup>18</sup>

#### LABOR ORGANIZATIONS IN THE PHILIPPINES

Labor organizations find their origins in the early 20th century, during the American occupation in the country. In 1902, the first labor union was formed by the workers of a printing press and was named Obrero Democratica

Filipina.<sup>19</sup> They demanded for the promotion of their benefits and for their increased wages. Sometime later, workers from other firms followed and established their own labor unions.

At present, the two most influential labor federation which govern a multitude of small labor unions are TUCP and KMU. Both of these organizations are politically and economically motivated but generally supportive of the plights of the labor sector. Some major divisions within the workers' organizations are: TUPAS (Trade Unions of the Philippines and Allied Services), SDM (Samahang Demokratikong Manggagawa), FFW (Federation of Free Workers), LM (Lakas ng Manggagawa), Katipunan (National Congress of Workers), PDMP (Pambansang Diwa ng mga Manggagawang Pilipino), LPM (Lapiang Manggagawa), and some others.<sup>20</sup>

The general objectives of labor unions are to organize for the promotion of labor conditions, reduction of working hours and collective security. Their means of enforcing their demands vary from collective bargaining agreement, picketing, boycott and strikes, and economic sabotage. In the Philippines, the most common modes of expression are collective bargaining and strikes.

To settle the disputes between the laborers and capitalists, the government created the Ministry of Labor and Employment. Its tasks include the arbitration between the two parties and the protection of the interests of both the capitalists and the workers. However, past experiences reveal that most of the Ministry's decisions were particularly biased in favor of the capitalist. Thus, the plight of the workers are not really taken cared for.

As of 1986, there is a total of 2,013 pending cases in Regional Office, 224 cases in BLR (Bureau of Labor Relations), and 1,534 in Legal Service Division of the Ministry. As listed by the NLRC (National Labor Relation Commission), there are 7,843 cases involving labor condition problems were received by the Commission.<sup>21</sup> These data give us an idea of the turbulent atmosphere within the labor sector.

The perennial differences of interest between the laborers and their employers are manifested by the agitated moods of the laborers. The formation of labor unions as a device adopted by the workers to defend themselves, and the increased rate of exploitation and the multiplying number of cases filed against the capitalist, not to mention the widespread occurrence of strikes fully indicate the awareness of the workers of their rights and their

desire to improve their lot. Similarly, this revealed the discontentment of the workers over the existing relationship between them and the capitalist which is brought about by the heinous desire of the capitalist to raise their income at the expense of the workers.

#### LABOR PROBLEMS IN THE GARMENT INDUSTRY

The garment industry is not spared by the labor problems. The MOLE report in garment industry recorded that out of 82 labor unions thriving within the industry, 65 of them are affiliated with labor federations, while 17 are independent unions.

According to the IBON Databank Primer on Garment Industry, 99 strikes which involved 74 establishments were recorded in 1985. Out of these strikes, approximately 13,781 workers were involved. There were 105 different cases cited namely:

Unfair labour practice (such as union busting, harassment, discrimination refusal to bargain and dismissal of union officers)	48.85%
Other unfair labour practices	21.90%
Bargaining deadlock on economic issues	11.42%
Retrenchments, shutdowns, runaways	9.52%

Non-economic issues	6.66%
Violation of labor standards	4.70%
Violation of allowances, overtime, wages and other compensation	3.80%

These facts have represented the various violations of capitalist against the rights of the laborers. It means that despite the agreement made by both parties as won in the Collective Bargaining Agreement arrived at after some lengthy period of negotiations, the capitalists are still denying the workers of their rightful claim. And that in spite of the existence of labor unions, there still exist violations of labor laws on allowance, hours of work, and other terms and conditions of employment. This is clear and simple labor exploitation that adds to the problem existing between the capitalists and the laborers.

#### CONDITIONS OF WORKERS IN THE INDUSTRY

With reference to the statistics presented by MOLE Research and Publication Office, there were 3,357 employees observed from two large firms who suffered in serious cases of disabling injuries from factory accidents. The work injuries enumerated were caused by hard tools, knife and other sharp implements, 53.33%; machines and equipment,

33.33%; hot substances and scalding chemicals, 6.66%; and 6.66% for electrical supplies.

The prevailing hazards of production within the garment factories threaten the physical condition of workers of that industry. Most of the accidents occur at and during the production process wherein majority of the laborers are situated. To avert further occupational damages, some large firms provided for their workers such preventive measures as fire hydrants, first aid materials, and other safety devices.

CHAPTER FIVE

Labor Exploitation in Garment Industry

MATHEMATICAL COMPUTATIONS

Table 1 and 2 (see appendices) show the data used for computing labor exploitation rate, unpaid labor hours and the surplus value.

To solve for the amount of surplus value, deduct TOC from GR (expressed here as total receipts). Thus, the surplus value for 1972 is:

$$\begin{aligned} \text{let } S &= GR - TOC \\ GR &= \text{P}164,096,000.00 \\ TOC &= \text{P} 98,975,000.00 \end{aligned}$$

therefore,

$$\begin{aligned} S &= \text{P}164,096,000.00 - \text{P}98,975,000.00 \\ &= \underline{\text{P} 65,181,000.00} \end{aligned}$$

The rate of exploitation is computed by dividing surplus value by the variable capital (total payroll in this paper). Therefore, the rate of exploitation for 1972 is:

$$\begin{aligned} e' &= \frac{S}{V} \\ e' &= \frac{\text{P}65,181,000.00}{\text{P}47,934,000.00} \\ e' &= \underline{1.3585} \quad \text{or} \quad \underline{135.85\%} \end{aligned}$$

From the value of exploitation rate given above, the number of unpaid labor hours can be derived. Unpaid labour hour is the ratio of surplus value with the sum of variable capital added to the surplus value and then multiplied by the number of working time required from the worker to do in one day.

To compute for the ratio of unpaid labor time to total labor time:

$$\begin{aligned} e &= \frac{s}{s + v} \\ &= \frac{P65,181,000.00}{P47,934,000.00 + P65,181,000.00} \\ &= .57623 \end{aligned}$$

In computing for the unpaid labor hours, multiply the quotient by the number of hours required for a worker to consume in a day. If there are eight working hours in a day,

$$\begin{aligned} u &= .57623 \times 8 \text{ hrs.} \\ &= 4.60960 \text{ unpaid labour hours/day} \end{aligned}$$

If we deduct the unpaid labour hour from eight, we can derive the value of paid labour hour for 1972 as 3.3904. The overall computations of labour exploitation for years 1972-1981 are listed in the appendices in tables 5 and 6.

## ANALYSIS AND INTERPRETATION

The rate of exploitation, as expressed by the ratio of profits to wages, represents the amount of income generated by the capitalist from each hired worker. From the example illustrated above, the degree of exploitation for 1972 is 135.85%. This value means that the capitalist gets 135/100 share from the value created by the laborer, for that particular year. This value could amount to millions of pesos going into the hands of the capitalists.

Tables 5 and 6 show that the rate of exploitation in garment industry is constantly troubling the workers, and the rate is dynamically changing. A sharp change occurred in 1979 which registered an increase of 171.53% in the rate of exploitation. In that particular year, the level of productivity rose from P1,638,737.00 in 1978 to a staggering P13,339,222.00 in 1979. Surplus value had similarly increased from P564,510.00 to P11,455,845.00, which created an increase of almost 200% in one year.

The unprecedented increase in the total receipt for that year could be attributed to a sudden increase in the local demand for garments. This sudden upsurge of demand was met by the producers by maximizing their produc-

tivity to as much as P13,113,025.00 worth of wearing apparel. The level of exploitation for that year was comparatively high. Because of the sudden influx of local and foreign demand on garments, the producers has to increase their level of productivity by employing more workers. As seen from the table, the total number of employment rose by as much as 30,862 within the whole industry. However, wages remained constant despite the tremendous growth in the gross receipt of the producers. Therefore, the relative increase in the production and profit was created by the labour rendered by a number of workers who received lesser wages than what is needed to produce the desired level of production. This occurrence left the workers overworked, though underpaid.

#### LABOR HOURS

The number of unpaid labour hour ranged from 4.1217 to 7.5593 from 1972-1981, with an average of 5.23 hours. This means that the worker is spending more than one-half of his day producing for the capitalists' profits. And that his equivalent value of output was made on the 2.76th hour of his duty. Anything that he created beyond this time was converted into profit by the capitalist .

The year 1979 has the highest number of unpaid labor hours with 7.5593 unnecessary labor time and with 0.4407 paid hours. This means that in 1979, a worker can create the equal value of his wage (price of his labor) for only 45 minutes and the rest of the 7 hours and 15 minutes are consumed for generating more outputs whose values are merely being expropriated by the capitalist for himself.

The high degree of exploitation could be attributed to the incapability of the workers to assert their right and voices. The covered years of 1972 to 1981 are critical years for the labor sector. It was during this period that Martial Law was implemented thus ending the freedom of expression, including all other forms of mass actions. The absence of freedom to voice one's sentiments curtailed the workers desire to express their plight, thus, continuing their exploited status.

The big margin between the employed and the unemployed similarly gave the capitalists some grounds for maximizing their profits through labor. With the reserve army of labor eagerly waiting to be hired, the capitalists gained an advantage on the bargaining power since a lot of people are willing to get hired notwithstanding the low income level.

## PRODUCTIVITY

The steady flow of profit, which amounted to millions of pesos, enabled the capitalists to expand their horizons and increase their capital outlay. In so doing, the productivity level of the whole industry grew to some 39.73% in 1981. Their gross fixed assets increased to P366,652,000 from P10,768,000.00 in 1972. The number of establishments had expanded from 316 in 1972 to 28,184 in 1981. These figures proved that garment industry is highly lucrative, thus, a lot of investors were attracted into it. Moreover, the increasing number of employees, increasing value of gross output and capital outlay, manifest that the productivity level of garment industry is increasing.

## CHAPTER SIX

### Summary

Labor exploitation in garment industry was explicitly discussed in this paper using the models presented by Karl Marx in his *Das Kapital*. The initial portion of the study was devoted on the brief explanation of the existence of Capitalism as the existing economic order in the Philippines and as an impetus that motivates the capitalists to exploit their workers. Some major characteristics that describes the theory of capitalist exploitation include profit motivation, property accumulation, disparity in the level of living between the rich and the poor, and the difference in wages and productivity of labor.

The major portion of this paper was used to discuss the profile of garment industry which serves as the focal issue in this study. As revealed by this research, the industry is still in the process of expanding itself. Though faced with problems and restrictions, the industry thrives through the support given by the government and through the motivations of the capitalists themselves, to improve their performance and increase their profit.

Through the researches done from various sources, a summary statistics of garment industry for 1972-1981 was prepared. Six tables were made to provide the readers an ample insight of labor exploitation in garment industry. Table 2 indicates the total employment and payroll of the industry workers. Tables 3 and 4 provide the operating cost and operating receipts of garment firms for the years 1972-1981. And from the initial tables done, tables 5 and 6, which show the rate of exploitation in garment industry and the paid and unpaid labour hours of the workers, were derived.

The physical working condition in the garment industry was discussed earlier to show the labor atmosphere. From the data presented by the Bureau of Labor Relations, there is a number of victims of occupational accidents which caused them injury or permanent disability. The numerical representation of the afflicted parties was no longer taken into consideration because of the insignificance of its number. Instead, the implication of such accidents and their causes were used to gauge the working condition within the industry.

It is believed in this paper that since garment industry is highly labour intensive, and is employing a

huge portion of the labor force, the plight of its workers is a convincing representative of the whole working condition in the Philippines. Thus, the experience of the workers within this industry indicate the possibility of similar experience for workers of other industries.

In general, this study was geared in presenting the plight of garment workers in the Philippines and the analysis of their level of exploitation. As observed from the data, the rates of exploitation are exceedingly high and suppressive. Therefore, unless it is checked by the government, this phenomena which continuously plague the Filipino workers will remain.

## CHAPTER SEVEN

### Conclusion

The exploitation against workers in the garment industry is existing with varying causes and magnitude. It occurs in both the production and exchange process. Exploitation takes place not only in the exchange process wherein the laborers receive incommensurate wages but also in the production sphere wherein workers indulge in the manufacture of garments under a maladjusted atmosphere.

The capitalist nature of the society was cited as the major reason for the existence of labour exploitation. In the same manner, labor exploitation was derived from the capitalists' desires to increase their profits. As previously discussed, the profit motive of the owners of production prompted them to increase their yield at the expense of the workers. Some exploitative measures that were adopted to increase the productivity level include the following; adoption of an efficient equipment that yields an optimum level of output, reduction of the cost of production by cutting on expenses and benefits of the workers, extraction of a huge chunk on the generated profits.

The working conditions of garment workers proved to be unconducive and their safety were usually neglected. Accidents occasionally occur due to the negligence and inadequate safety measures. Safety gears are not provided in most small-scale and middle -scale establishments because of the large amount it may exact from the overall profit of the capitalists. Some large producers are capable of furnishing their workers with physical benefits because they are confident to redeem the expenses incurred by maximising the profit. Large manufacturing firms are capable of purchasing modern equipment and machines that can produce a sizable output level.

The rate of exploitation heavily depends on the level of productivity of an industry and on the movements of labor wages. The bargaining power of workers still proves to be inadequate in demanding for increased wages and welfare. But this power is believed to be more effective if the laborers could be strong enough to defend themselves. In the case of the Filipino garment workers, they have just begun organizing themselves into a union and pressing for more benefits in terms of rates of pay, hours of work, and other terms and conditions of employment from the management. Through this, the rate of ex-

exploitation would either be minimized or totally eradicated.

In the light of present labour condition in the Philippines, with low wages and suppressed labor unions (because of certain government statutes which curtail labor rights and freedom, such as the PD 825 which prohibits the strikes and other forms of mass actions against vital and non-vital industry), this country has become a conducive environment for investments.

With the various incentives being offered by the government to investors, foreign businessmen are lured into transacting business with the local entrepreneurs. The latter years of 1970's until the early part of 1980's saw to light the presence of foreign capitalists in the local economic scene. However, due to a serious political upheaval from 1983 to 1986, investors had shied away from the country. Foreign exchange were being transposed to other countries and capitals are being whisked away from the Philippines. Thus, the investment level of the Philippines had decreased. Together with it, the level of living and the rates of wages cascaded because of the adamant attitude of the foreign investors and some local producers.

To lure the investors back into the country, the government repeated its former scheme and reoffered tariff reductions and other incentives. With these conditions, the investors gradually returned to the Philippines and the investment level and income steadily improved.

However, if the fact is to be carefully scrutinized, it will be noticed that most investment in the land are either foreign-backed and foreign-owned. This implicates that majority of the investment in the country do not belong to local capitalists but rather owned by foreign dominions, which makes the Filipinos subservient to and dependent upon the foreign entrepreneurs. Local investors, except for the big and stable capitalists are receded into the background.

The very people who benefit from the local economic atmosphere are non-Filipinos who enjoy advantages in bargaining process because of the favor being given them. Similarly, majority of the capitalists who are responsible to the exploitation of Filipino workers are foreigners.

The capitalist nature of the Philippine economic society which was brought here by various intruders and colonizers is the very plague that warped the Filipino laborers. Ironically, the people who had brought the system into this country are the very people who derive benefit

from the labour exploitation in the capitalist society such as the Philippines.

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NOTES

<sup>1</sup>Social and Economic Indicators, Midyear 1986.  
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<sup>2</sup>Ibid.

<sup>3</sup>cited in William H. Kiekhofer, Economic Principles, Problems and Policies (New York: Appleton-Century-Krofts Incorporated, 1951), p. 845.

<sup>4</sup>Arun Bose, Marx on Exploitation and Inequality (Delhi: Oxford University Press, 1980), p. 6.

<sup>5</sup>Joan Robinson, An Essay on Marxian Economics (New York; St. Martins Press, 1967), p.6.

<sup>6</sup>David Smith and Phil Evans, Marx's Kapital for Beginners (New York: Pantheon Books, 1982), pp. 181-191.

<sup>7</sup>Robinson, Op. Cit. p. 13.

<sup>8</sup>Salvador Quiniquino, Philippine Industry (UP School of Economics).

<sup>9</sup>NCSO. A Situationer in the Garment Industry in the Philippines, Manila, (1986).

<sup>10</sup>Ibid.

<sup>11</sup>MOLE. Report on the Garment Industry, Manila. (1986).

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<sup>13</sup>Industry Review, IBON Facts and Figures, March 15, 1986.

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A P P E N D I C E S

TABLE I  
SUMMARY STATISTICS OF GARMENT INDUSTRY  
FOR 1972 - 1981

YEAR	NO. OF ESTABLISHMENTS	TOTAL RECEIPTS (000)	TOTAL OPERATING COST (000)	CEBUS VALUE ADDED	GROSS FIXED ASSET	TOTAL PAYROLL (P1000)
1972	316	164,096	98,975	86,140	10,768	47,934
1973	3,003	287,037	160,110	126,927	10,596	58,802
1974	3,319	366,480	239,864	-	28,147	66,378
1975	576	446,157	276,154	231,148	43,844	116,706
1976	28,027	911,591	651,397	424,609	28,147	85,368
1977	28,429	1,003,647	684,054	474,866	41,607	300,719
1978	815	1,638,737	1,074,226	799,271	59,056	349,483
1979	28,213	13,339,222	1,883,368	10,728,723	312,636	667,834
1980	28,178	3,337,025	2,259,669	1,542,984	140,718	805,397
1981	28,184	5,015,849	3,441,798	2,129,327	366,652	922,668

Source: NCSO Annual Yearbook for Manufacturing Sectors. Various years.

TABLE 2  
 TOTAL EMPLOYMENT & PAYROLL OF GARMENT INDUSTRY  
 FOR 1972 - 1981

YEAR	NO. OF ESTABLISHMENT	TOTAL EMPLOYMENT			TOTAL COMPENSATION
		TOTAL NO. OF WORKERS & FAMILY EMPLOYEES	WORKING UNPAID	(AVE. FOR THE YR.)	
1972:	316	18,443	566	19,009	\$ 47,934,000
1973:	3,003	29,370	4,114	33,484	58,302,000
1974:	3,319	30,295	5,402	35,697	66,378,000
1975:	576	32,100	812	32,912	116,706,000
1976:	28,027	85,368	39,502	124,870	85,368,000
1977:	28,429	84,584	36,506	121,090	300,719,000
1978:	815	74,616	1,133	75,749	349,483,000
1979:	28,213	115,446	38,704	154,150	667,834,000
1980:	28,178	111,047	41,213	154,260	805,897,000
1981:	28,184	114,553	38,931	158,184	922,668,000

Source: NCSO Annual Yearbook for Manufacturing Sectors. Various Years.

TABLE 3  
 VALUE OF SHIPMENT AND OF MANUFACTURING RECEIPTS  
 FOR GARMENT INDUSTRY FOR 1972 - 1991

YEAR	NO. OF ESTABLISHMENTS	TOTAL RECEIPT	VALUE OF SHIPMENT	MANUFACTURING RECEIPTS			RECEIPTS FROM RESALES
				TOTAL	SERVICES	INDUSTRIAL: NON-INDUSTRIAL	
1972	316	164,096	122,414	36,979	36,306	673	4,703
1973	3,003	287,037	162,857	109,525	93,396	16,129	14,655
1974	3,319	366,479	244,918	106,314	103,842	2,472	15,245
1975	576	446,157	321,625	118,662	118,184	478	5,870
1976	28,027	911,591	392,907	467,907	641,639	22,878	34,167
1977	28,429	1,003,647	414,634	545,629	593,431	45,582	33,717
1978	815	1,638,737	1,438,783	169,331	165,292	4,044	30,618
1979	28,213	339,222	436,426	855,589	820,033	35,555	47,200
1980	28,178	337,025	2,213,707	1,051,969	1,019,329	32,639	71,348
1981	28,184	5,015,849	3,899,370	1,078,110	1,012,468	65,641	78,309

Source: NCSO Annual Yearbook for Manufacturing Sectors. Various Years.

TABLE 4 VALUE OF MATERIALS AND SUPPLIES CONSUMED AND OTHER OPERATING COST OF GARMENT INDUSTRY FOR 1972 - 1981

YEAR	NO. OF ESTABLISHMENTS	TOTAL COST	COST OF MATERIALS AND SUPPLIES CONSUMED				CITY PURCHASED				MANUFACTURING COST			
			TOTAL	INDUS-TRIAL	NON-INDUS-TRIAL	TOTAL	SERVICES	INDUS-TRIAL	NON-INDUS-TRIAL	TOTAL	SERVICES	INDUS-TRIAL	NON-INDUS-TRIAL	TOTAL
1972	316	98,975	75,455	1,809	1,809	18,109	4,347	13,762	3,602					
1973	3,003	160,110	133,646	3,161	3,161	11,485	7,100	4,385	1,818					
1974	3,319	238,864	196,030	5,376	5,376	25,903	12,003	13,900	12,555					
1975	576	276,154	213,756	7,973	7,973	49,550	19,018	30,532	4,875					
1976	28,027	651,397	438,772	18,676	18,676	165,236	16,539	148,697	28,713					
1977	28,429	684,054	463,137	18,355	18,355	177,376	25,531	151,845	25,186					
1978	815	1,074,226	861,787	16,364	16,364	178,332	46,864	131,468	17,743					
1979	28,213	1,883,368	1,326,040	40,855	40,855	486,656	128,391	358,265	29,817					
1980	28,173	2,259,669	1,565,421	53,779	53,779	582,032	142,298	445,734	52,437					
1981	28,184	3,441,798	2,461,422	80,565	80,565	829,418	226,417	603,001	70,393					

Source: NCSO Annual Yearbook for Manufacturing Sectors. Various Years.

TABLE 5

THE RATE OF EXPLOITATION IN GARMENT INDUSTRY  
AS PER COMPUTATION MADE FROM THE DATA PRO-  
VIDED IN TABLES 1 to 4

YEAR	(NS) TOTAL RECEIPTS (PL,000)	(TOC) TOTAL OPERATING COST (PL,000)	(S) SURPLUS VALUE	(V) VARIABLE CAPITAL (PL,000)	RATE OF EXPLOITATION $\frac{S}{V}$ (in percent)
1972	164,096	98,975	65,181	47,934	1.3595(135.85)
1973	287,037	160,110	126,927	58,802	2.1585(215.85)
1974	336,480	239,864	126,616	66,378	1.9123(191.28)
1975	446,157	276,154	170,003	116,706	1.4567(145.67)
1976	911,591	651,397	280,194	85,368	3.0479(304.79)
1977	1,003,647	684,054	319,593	390,719	1.0623(106.28)
1978	1,638,737	1,074,226	564,511	349,403	1.6153(161.53)
1979	13,339,222	1,833,868	11,495,854	667,874	17.1537(171.537)
1980	3,337,025	2,259,669	1,077,356	805,397	1.3377(133.77)
1981	5,015,849	3,441,798	1,574,051	922,668	1.7060(170.60)

TABLE 6 THE RATE OF UNPAID WORKING HOURS IN AN EIGHT-FOUR WORKING SCHEDULE AS COMPUTED FROM TABLE 5

YEAR	UNPAID LABOR HOURS	PAID LABOR HOURS
1972	4.6096	3.3919
1973	5.4672	2.5328
1974	5.2485	2.7515
1975	4.7436	3.2564
1976	6.0237	1.9763
1977	4.1217	2.8783
1978	4.9410	3.0590
1979	7.5593	.4407
1980	4.5778	3.4221
1981	5.0436	2.9564