

# Philippine LABOR REVIEW

VOL. 3, NO. 2

ISSN 01115-2629

Second Quarter, 1978

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# Editorial Preface

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In recent years, labor administration in the Philippines has risen to the status of a full-fledged partner and welcome contributor to the nation's overall development. In a large sense, this may be attributed to significant changes in labor legislations as a response to the needs of the working masses.

Labor administration today has in fact expanded its role from the mere enforcement of labor laws to more direct participation in the reorganization of the country's socio-economic resources. As yet, the government might not have satisfactorily solved the problems associated with the exploitation of workers, industrial unrest, and unemployment as well as underemployment. However, it has come to play a pivotal role in providing and negotiating for a much better deal for the working populace in a tripartite system involving trade unions and employers' organizations.

For its second quarter issue this year, the *Philippine Labor Review* carries as its lead article, "Labour Administration, Tripartism and Development in Asia" where the ILO's chief of industrial relations and labor administration department Johannes Schregle opts for an Asian approach to labor problems by raising the question of how to bring together the four distinct but interacting elements of labor administration, tripartism, development and the Asian milieu itself.

Another lead article is Manolo I. Abella's "Labor Administration and Development in the Philippines" which is an attempt to present the many problems encountered in the government's effort to bring about necessary reforms in the labor administration system.

The other two articles included in this issue focus on current issues concerning labor: Edita Tan looks into Philippine Taxation, government expenditures and distribution of income, and George Eduvala discusses labor issues most often raised in representation proceedings.

It is hoped that with this issue the efforts of the government in improving labor administration in the country will create greater awareness and involvement among the readers.

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Vol. 3 No. 2

Second Quarter, 1978

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**The Philippine Labor Review** is published quarterly by the Institute of Labor and Manpower Studies, Department of Labor, Republic of the Philippines.

The views expressed by the authors are not the responsibility of the Editorial Board or the Department of Labor.

Manuscripts and editorial correspondence as well as requests to reproduce materials published in this review should be addressed to: The Editor, **Philippine Labor Review**, Institute of Labor and Manpower Studies, Department of Labor Bldg., Intramuros, Manila, Philippines.

Entered as Second-Class Mail at the Manila Central Post Office on August 17, 1976.

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## EXTRACTS OF ILO PUBLICATIONS

# Labour Administration Tripartism and Development in Asia

by Johannes Schregle

“Labour Administration, Tripartism and Development in Asia” — the title of this exposé—promises nothing exciting. Many meetings, including the Asian Labour Ministers’ Conference, the ILO Asian Advisory Committee Meeting and the ILO Asian Regional Conference, and many seminars, round tables and other meetings organised by the ILO in Asia have repeated it time and again: Asian labour administration authorities need to be associated with the development of Asian countries, and development can succeed only if it is based on tripartism, that is, the cooperation between governments, employers’ and workers’ organisations. Thus, on the face of it there is nothing new in this subject. Why repeat the principle? Why add another resolution to the already long list of existing texts?

The reason why I am suggesting today that the interrelationships between labour administration, tripartism and development in Asia be discussed again is the tremendous gap which exists between, on the one hand, the consensus so easily reached on general principles formulated at international meetings and, on the other hand, the reality at the country level.

Just open any newspaper in an Asian country today or listen to the news broadcast. Everywhere there are labour problems: wage demands by workers, labour unrest, strikes, increasing unemployment rates, the growing gap between the formal sector in the urban areas and the countryside, growing disparities in income distribution, just to mention a few examples. And there are the responses of governments: re-examination and review of labour legislation, extension of

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Text of a lecture given at the High-Level Meeting on Labour Administration and Development in Asia organised by ARPLA (Asian Regional Project for Strengthening Labour/Manpower Administration), Manila, 8-12 May 1978.

labour policy into rural areas, measures aimed at increased investment, combatting unemployment by labour intensive technology, new forms of vocational training. And there are, of course, also the responses of employers' and workers' organisations which in many Asian countries are engaged in a process of re-examining their own position, their own role in development.

It is in this context of uncertainty, of searching for new replies and for new orientations that I invite a fresh look at the role of labour administration and tripartism in development in Asian countries.

Of course, I cannot — nor do I intend to — make concrete proposals for what labour administration should do in Asian countries to overcome the growing labour and social problems which are so characteristic of this part of the world. Certainly every country has to work out its own labour policy, design its own labour administration system, establish its own development directions and priorities, and develop its own formulae of tripartism. The labour policy of Malaysia, with its multiracial society, will be different from that of Pakistan; Singapore has worked out an approach to development which is very different from that adopted in India, and the situation in Nepal is certainly not the same as that in the Philippines. Different conditions and circumstances call for different policies, and these differences are reflected in the various development plans of Asian countries. Therefore, there is no "Asian" formula applicable to all the countries of the region, and any attempt at formulating international or regional guidance would in any event lead to a statement so generally-phrased that its practical usefulness would be doubted.

However, in spite of these difficulties, there is one thing which representatives from different Asian countries can do together at a meeting like this. They can think together, stimulate each other, exchange views, report to each other on their experience. All I propose to do therefore is to animate such a discussion to provoke you, to lay before you a few ideas which you may then consider or reject and — and this perhaps is the most important contribution an outsider can hope to make to your deliberations — to encourage you to re-examine your own situation in the light of the needs of your own countries.

In sum, I intend to contribute to your work by helping you in replacing exclamation marks by question marks. Let me then suggest that we consider separately the four elements of this discussion,

namely, labour administration, development, tripartism, and Asia. In doing this we shall see how these four elements act upon each other, how they are interrelated, how they determine each other and are determined by each other.

Let us then first consider labour administration. Without attempting a comprehensive definition of what the term "labour administration" implies, I shall use it in a wide sense as referring to those parts of the government machinery, to those public authorities, which are directly concerned with the social and labour policy of a country. Taken in this wide sense labour administration may in some countries also include certain boards, institutes, centres or other parastatal bodies, which are not an integral part of government machinery but to which the government has delegated certain specific areas of labour and social policy and on which employers' and workers' organisations are represented. I am thinking particularly of boards of bodies dealing with training, research, manpower, statistics, and others but only to the extent to which the government has reserved for itself a decisive say in the operations of such agency or body.

It has been said many times that labour administration systems in the Third World are changing rapidly. What used to be a government tool mainly for the preparation and implementation of labour legislation and for the settlement of labour disputes is gradually evolving into something much broader, extending its concern to employment policy, training the special problems of the non-wage-earning population of the rural areas, the expansion of social security schemes and other matters. These new activities of which examples can be given from all Asian countries, are often summarised in the generic term "development-oriented activities", and here we come immediately across a major problem, which some would regard as say, the major problem of labour administration in many Third World countries, including those in Asia.

It is alleged, mainly by labour ministers, that the role, or potential role of labour administration in development is often not sufficiently recognised, not sufficiently appreciated in government circles, and this has the regrettable consequence that within the national budget, labour ministries often do not obtain the financial resources and staff allocations which they would need to face up to the new challenges created by development-oriented policy activities. Therefore — it is further argued — labour departments



are not in a position to do the work which they could do or which they could be expected to do, thus creating a situation which in turn does not allow them to play the key role which they claim in the development planning of their countries. This is a vicious circle and how to break it is the main subject of the ARPLA meeting which opened today. Before expressing some views on it, we must first have a look at the wider role of labour administration.

It is, of course, commonplace — and yet it is so often overlooked, particularly by well-intentioned outside observers — that a labour ministry or department is part and parcel of a government. This means that the labour department is not autonomous in deciding on the labour policy of its country, but such policy is, and must be, decided upon by the government as a whole. The special role which a labour department has in this respect is to prepare that part of the overall government policy which deals with labour matters and to exert its influence on those other parts of the government policy which have a direct or indirect impact on labour matters and to see to it that labour and social aspects and considerations are duly taken into account by the whole body of government ministers that is the government. This is, if course, easy to say but it is by no means an easy task.

Evidently, governments must serve the interests of their countries. But naturally, and this applies to Asian countries as much as to any other country in the world, governments also want to stay in power. What a labour ministry has to contribute to government policy will therefore essentially be judged by the head of the government and by the other ministers in terms of whether the work of the labour ministry serves its country in line with overall government policy and helps the government to stay in power. And staying in power means enlisting the maximum of popular support for the government at the election polls or elsewhere.

This is all very obvious, but it needs to be recalled because it sometimes appears that Asian labour ministers are criticised particularly by people from abroad — for not following what such people would call a policy of social justice, social progress or — as the new slogan goes — basic needs. What we have to recognise is that the responsibility and accountability of a labour administration system cannot possibly be expected to go beyond its influence.

The situation is further complicated by the fact that the political stability of a number of Asian countries is rather precarious. In a

number of countries of this region, governments are concerned about the country's fragility and in a number of Asian countries, even the very territorial integrity of the country is permanently called into question and several countries consider themselves to be living in what could be described as a quasi-permanent state of internal war or emergency. In fact, in countries such as Thailand, Malaysia, the Philippines and others, preoccupations of internal, and to some degree also, of external, security rank very high in overall government policy. The Fourth Five-Year Plan of the Government of Thailand (1977-1981) contains a whole chapter on development and national security, and the first one of the national aspirations for the year 2000, listed in the Long-Term and Five-Year Plan (1978-82) of the Philippines is political stability. The obvious interrelationship between political stability, economic progress and labour and social problems often makes the position of Asian labour ministers particularly difficult and requires of them a high degree of circumspection, political farsightedness, courage and the skill to establish and to maintain a workable equilibrium between various forces and priorities in opposition to each other.

Those government departments, with whose position in national development planning labour departments are frequently in disagreement, are primarily ministries of economic affairs, ministries of finance, departments of industry and trade, and the planning boards, commissions or agencies. The respective influence and political weight of these various government departments depend of course largely on the general orientation and the overall priorities of the national development plan or programme. It is only too obvious and understandable that government departments directly concerned with the economic aspects of development should think more in terms of trade balance, growth, incentives for investment and keeping down the pace of inflation, rather than in terms of social justice or labour policy.

In this discussion, labour ministries often find themselves in an extremely difficult position, but one thing must be vigorously stressed again and again, with vigour and emphasis: compared with economic and financial departments which have to reason primarily in terms of money, goods and resources, the labour department is, within the concert of a government cabinet, the one department which is *primarily* concerned with people, with the workers, with the employers, with the masses of Asian people. In other words, labour

departments must within the government represent the interests of the one natural resource which is the noblest asset of Asian countries, and which is in abundance everywhere: the people.

It is through the labour department that the people, workers and employers and, of course, consumers, must make their voice heard in the government.

*However*, other government departments often argue that social justice which means, in terms of Asian development planning, more employment and a fairer distribution of assets and income, is a luxury which Asian countries cannot afford economically, at least not at the moment.

As one economist once put it, “labour ministries often lack the necessary realism which is expressed in their desire to do ‘good’ while those concerned with the economy are more realistic since they try to do ‘well’.” This opposition is of course artificial, and, I suggest, wrongly presented, but the position of labour departments in Asian countries would be greatly enhanced if labour ministries could show, if they could demonstrate in a convincing way, that their action is not only from a human, but also from an economic point of view, a basic prerequisite to the rapid development of their countries. This is the tremendous challenge placed before Asian labour departments today. They must prove *forcefully* and *vigorously* that their role, that their work, is an indispensable condition for the evolution of Asian countries.

## Development

The second element which I propose to consider is “development.” In a general sense, this term — imprecise as it is — means evolution. Development means that Asian countries of tomorrow will be different from Asian countries today. And as man likes to think in terms of progress, of advancement, of betterment, development implies the hope albeit the confidence that tomorrow conditions in Asian countries will be fairer, will be more stable, will be more harmonious, will be more just and peaceful than today. It means that the situation of Asian society of tomorrow will mark progress as compared with the situation of today. In short, development means evolution toward more happiness.

In a more technical sense, i.e., in the sense of development planning and programming, development primarily refers to what is

often called economic and social development. It implies the idea of a deliberate decision of Asian countries to orient, influence, guide and accelerate development in a direction which they consider desirable. Development plans of Asian countries are statements of intentions, declarations of policy, definitions of targets and objectives. Taken in this sense, the concept of development immediately points to its controversial nature simply because it is difficult to reach agreement on what the priorities of development should be. The choice of priorities is the essence of development planning.

It has often been stated that while development planning in Asian countries in the past was mainly oriented towards growth, somewhat simply expressed in growth rates and average per capita income, there has in more recent years been a shift towards thinking more in terms of justice, of fairer income distribution, of more employment. The basic needs approach is the most recent expression of this concern. In the technical and also in the public discussion, these questions have often been presented in a way as if a choice had to be made between growth, increased production, on the one hand, and more employment and fairer income distribution, on the other hand. This way of putting the problem is of course oversimplified; it is erroneous and even dangerous. Both elements of development are interrelated, must go hand in hand, determine each other. This is also reflected in most Asian development plans.

If it is generally accepted that the wealth and income should be more fairly distributed among the various sectors of the population of Asian countries, that special efforts need to be made to give the poor access to employment and income from work and access to education and advancement in society, it is equally clear that this objective can be attained only in one of two ways: either by distributing available wealth and income more justly among existing sectors of the population, which means in clear language taking it away from those who are better off and transferring it to the poor — or by producing more. We all know how difficult the first road is and I am not referring here to the difficulties inherent in the law and practice of Asian tax systems, but to political obstacles on which I need not elaborate. In most countries of the region, this way is unlikely to be followed as it would in all probability lead to revolution. Consequently the second road is proposed, i.e., to increase production so that more becomes available for distribution, i.e., a more equitable distribution. And a look at Asian development plans show that dis-

tribution means in essence giving more to the poor than to the rich. But since the things to be distributed must be first produced, everybody knows that this means postponing the problems of the future.

Development planning is inevitably future-oriented and this prospective approach has three advantages. First, action is not required today as the realisation of aspirations and expectations can be presented as a problem of tomorrow. Second, the poor and the underprivileged who complain about their situation can be requested not to insist on an improvement of their lot today but to hope for their improvement tomorrow. Third, they can be told that the betterment of their conditions tomorrow will essentially depend on their own behaviour and attitude today. However, creating expectations — particularly among the masses of Asians and particularly in the face of the material impossibility of satisfying all these expectations — also implies a tremendous political problem.

These various arguments often lead to heated discussions and create one of the most fundamental problems of development planning in Asian countries. In a nutshell, what all this reasoning amounts to is that the present generation should be prepared to make sacrifices for the common good so that the conditions of future generations can be improved. In clear language, exhortations to this effect are aimed at wage restraint and moderation in consumption in order to allow the economy to grow at an accelerated pace.

Of course, we have all been hearing this repeated time and again. In Singapore, for instance, the National Trade Union Congress has taken a firm stand on this. An editorial in the NTUC monthly paper in 1976, commenting on the guidelines of the National Wage Commission recommending a seven per cent wage increase, which in fact meant an increase of take-home pay of two to three per cent, reported that unions had accepted these guidelines in the national interest. Significantly, the editorial had the title, "Sacrifice Today for a Better Tomorrow."

This is the crux of the matter, the central point of controversy. Many unions in Asian countries are confronted with this issue and ask: Can you expect the workers to agree to a restraint in their wage demands in the face of the conspicuous consumption and affluence which they see every day in the streets of Manila, Bangkok, Singapore and other Asian cities? Who decides on these priorities? Who decides on who should make sacrifices today for whom tomorrow

and what the volume of the relative sacrifice of different sectors of the population should be? To overstate this problem: Where is the credibility of a man driving a car who tells a man walking barefooted to be modest in the satisfaction of his own needs so that his grandchildren may perhaps be able to ride a bicycle? This is, I think, the main dilemma of Asian development planning.

The answers to these and related questions are certainly not scientific findings arrived at by economic analysis. They are not the result of econometric calculations. They are political decisions. This means that an accommodation, a reconciliation has to be brought about between divergent interests and such accommodation will be dependent on the respective influence, that is, the power of various interest groups. Hence, the main development orientation, the decision-making on the main direction of planning is not a matter for technicians (whom some would call technocrats) nor for planning agencies and programming boards, but must be a matter for the political organs of the state, that is primarily, the government and the legislative instances. And of course, the government must discuss or negotiate with the various interest groups of the population represented by their organisations. For instance, in 1977 a tripartite agreement was signed in Fiji by the government, the employers and the workers, a kind of "social contract" covering wage increases, employment and — this was the government's contribution — taxes and public allowances for education and other matters. This agreement was the outcome of long negotiations between the three sides.

Development planning in Asian countries, therefore, is not a matter of mathematics or econometric calculations. It is a give-and-take process between various sectors, a negotiation between different interests. And this brings us to the third element: tripartism.

### Tripartism

If it is agreed that development planning is essentially a process of negotiation between different interest groups, it must immediately be admitted that such groups are not limited to three, as the term "tripartism" suggests. Interest groups, in the widest sense, include not only employers' and workers' organisations but also political parties, different industries, and groupings around different languages, races and religions. In some countries which have a federal structure such as India, Pakistan and Indonesia, they also include, on

the one hand, the central and, on the other hand, state, or provincial bodies. In other countries, they include representatives of different religions and groupings of different races, different languages or different peoples. Just think of the *bumiputra* problem in Malaysia or of the Tamil question in Sri Lanka.

All these and other groups will of course try to exert an influence on the priorities and the general orientation of development plans in Asian countries. But employers and workers have a special role to play, particularly if development is conceived primarily as economic and social development, and if it is primarily thought of as a combination of production and distribution, it being understood of course that you can distribute only what you first produce. Needless to say, employers and workers are in Asia as everywhere else in the world the essential elements in production.

It is in essence the process of work and the relationships that human work establishes which have led to the concept of tripartism. Wherever human work is performed — apart from the very elementary work of self-subsistence in certain rural areas and in handicrafts — there are employers and there are workers, and the work product is the result of a joint effort. The basic role of the third party to tripartism, the government, is so obvious that it needs no explanation.

Thus, the very idea of tripartism is by no means a theoretical concept. It is by no means a "Western" concept. It reflects a reality in all parts of the world; it corresponds to, and results from, a situation which can be found wherever people work in the employment of others.

The need for a tripartite approach to development in Asian countries has been emphasized by many ILO meetings. But we must be realistic enough to appreciate that governments will not rush to take measures just because an international text invites them to do so. Their action will be much more determined by what they consider to be the requirements of their own countries. It is the task of labour administration to impress upon governments that a tripartite approach to development is necessary in the interests of development itself. And in the field of development planning — convincing governments means, more often than not, convincing the planning agencies.

The importance of the role of planning agencies and planning boards in Asian countries must by no means be underestimated, but we must have a realistic appreciation not only of what they can do, but also of what they cannot do. They can assist government autho-

rities in those areas which are of direct government concern. They can, for instance, provide useful advice for fiscal policy and educational policy. They can advise on the allocation of government resources to particular regions of the country and particular branches of the economy. But in the final analysis the economic and social development of Asian countries will not be determined by the text of development plans, but by the goods produced and by the services provided. Tin and rubber, electronic appliances and textile products, sugar cane and pineapples, the goods produced for export and for domestic consumption, transport services, are not produced and are not provided by the planning authorities or by government offices, but by employers and workers engaged in their daily work in enterprises, in plantations, in mines, in railways, etc. It is the sum total of such products and services which in the final analysis means development and the quality and quantity of such products and services depend on the people who produce them. Planning agencies are useful but employers and workers are indispensable for the development of their countries.

Hence the influence which both parties exercise on development planning must be consonant with the role they play in the development of their countries. You all know that this objective, this principle, is far from being realised in many Asian countries. The place which employers and workers representatives are given in development planning in Asia is in many countries incommensurate with their actual contribution to development.

Involvement of employers and workers in the development of Asian countries takes place at two levels — at the enterprise and workplace where the work is actually done, and at the industry or economy-wide level where the general orientation of economic and social development is worked out. These two levels are inter-linked, and comprise the area which is commonly referred to as industrial relations or labour relations. Such questions as collective bargaining, labour disputes and their settlement, and personnel policies and practices are aspects of employers' and workers' involvement in development but they constitute questions which we are not discussing here. From the overall view of tripartism in Asian countries, there is clearly a trend in most countries of the region to search for formulae which are likely to reduce the conflictual elements of such relationships and to enhance their participative elements. Initiatives in favour of workers' participation, taken for instance by the govern-



ments of India, Pakistan, Sri Lanka, Bangladesh, and, in some other form, Singapore and the Philippines, point in this direction. At the industry- and economy-wide levels, trade unions as much as employers' organisations demand a greater say in decisions on development priorities.

All these trends, in which you may also see a move towards a greater degree of popular participation in development, are determined by one thing: the existence of strong and representative organisations. I have heard many friends in Asia say that in their view the Western pattern of a pluralistic society is not suitable for Asia. This depends on what one understands by the term "pluralistic society." In every human society, in every corner of our globe, people have different and often divergent interests. This is a fact of life. The only question is how these different interests can be expressed, how they can be articulated, how they can be channelled.

Of course, throughout history, there have been moments when people in various parts of the world have sought to solve this problem by restrictive methods, by not allowing certain interests to express themselves as forcefully as others, by imposing solutions from above, by prohibiting the putting forward of demands and the manifestation of dissatisfaction and irritation. Such methods have never proved to be successful in the long run, and have resulted in one of two possible consequences: either violent eruptions by those who felt that they had not been given the opportunity to pursue their interests in an effective and peaceful way, or — if such eruptions are squashed or contained — the other possible consequence is disinterest, apathy and low productivity. Both consequences are equally bad, both are equally dangerous to any development drive.

Therefore Asian employers and workers need strong and representative organisations as channels for their involvement in production and distribution, in short, as channels for their association in the development of their countries. This is *in the interest of their countries*. In other words, freedom of association is not an obstacle to, but a pre-requisite for, national development. I know that this statement is difficult to prove. But this does not make it less true.

When speaking about employers' and workers' organisations in relation to labour administration and development in Asia, we must realistically make a distinction between these two groups. Asian em-