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**ENTERPRISE UNIONS AND STRUCTURAL  
CHANGE IN MALAYSIA**  
**Preliminary Research Findings**

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Dr. Peter Wad is senior research fellow at Copenhagen Business School. An earlier version of this paper was presented at the Asean Inter-University Seminar on Social Development, Pekanbaru, 16-19 June 1997 and at the IKMAS Seminar, 2 July 1997. attended by social scientists and trade unionists from Malaysia. However, the author's gratitude does not only apply to people critically participating in these presentations but as much to people who made the research possible in Denmark and Malaysia and especially people who used precious time and energy for interviews, discussions and trips with the author. In spite of the recurrent exchange of information the paper is still open for criticism, making the author the end station of responsibility for unreasonable biases and outright mistakes, presuming that some arguments are more valid than others and that less valid arguments need to be identified and eliminated through critical dialogues of research findings and their applications in practice.



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# ENTERPRISE UNIONS AND STRUCTURAL CHANGE IN MALAYSIA

## Preliminary Research Findings

### 1.0 Introduction

#### 1.1. *Divides in Trade Union Developments*

**T**HE conventional conception of enterprise unionism<sup>1</sup> was formulated by Galenson & Odaka two decades ago:

Enterprise unions often exist in less developed countries, representing a more primitive type of union structure, a transitional stage between loose, preunion associations within the single factory and multiemployer unions proper. Vulnerable to employer pressure, the single-enterprise unions eventually band together not only for mutually aid and protection, but also to regulate wage competition within the industry or craft (Galenson & Odaka 1976 p. 630-631).

The Galenson-Odaka thesis describes a trajectory of trade union development from no-union to central or nation-wide unions, eventually passing a phase of enterprise unions as stepping stones to developed unionism. With economic development and industrialization trade union organizations should converge to central, nation-wide unions. However, the Japanese system of enterprise unions has still not been transformed into craft or industry based national unions, and Japan is no longer the only industrial country with a trade union movement, dominated by enterprise unions. In newly industrialized South Korea the military regime changed the system of industrial unions into a system of enterprise unions in 1980, which the democratic elected government only promised to change by year 2000 in the wake of the mass protest against revised labour laws around 1996/97. Enterprise unions also take a prominent position in Taiwan's and Singapore's industrial relations. Besides, enterprise unions now dominate in industrializing Thailand and Malaysia. Finally, enterprise unions have been widespread in industrializing countries in Latin America (eg. Chile). In sum, economic growth and industrialization does not inevitably bring about union centralization. And when central unionism evolves, it takes the form of state corporatism (eg. Brazil, Mexico) or political unionism (eg. India).

The enigma of enterprise union development is addressed by Poole (1986). He explains the 'anomaly' of enterprise unions and the "normalcy" of central unions by primarily structural and secondarily cultural factors, arguing that "where large-scale conglomerate corporations have arisen, enterprise rather than industry may assume prominence as a logical basis to extend union structure (and this is especially so if, as in Japan, management endorse this form of trade union)" (Poole 1986, p. 80). This fits with segmented labour market theory holding that large corporations generate internal labour markets which facilitate the evolution of enterprise unions or employee associations (Taira 1977, Smith 1985). And it can be applied to developing economies with weak fragmented industrial structures and monopoly or oligopoly market conditions, making it impossible to form an industrial union when there is only one enterprise around. Such kind of understanding is partly congruent with, partly contradictory to the Galenson-Odaka thesis.

The common explanation of weak Third World trade unions relies predominantly on the political factor, saying that the state has dominated the working class and suppressed and/or incorporated trade unions. Industrialization is brought about by authoritarian developmentalist regimes, excluding labour organizations from economic and political influence, or by state corporatist regimes, integrating trade unions into a political machinery controlled by one party and providing certain concessions for subordination to the general development policy. Considering the Asia-Pacific area of developing countries the political explanation has been advocated by prominent researchers like Deyo (1987) and Frenkel (1993). The simple political explanation is tempting because it also solves another "anomaly", arising from the fact that the so-called "new unionism", i.e. radical militant and democratic unionism, which emerged in the 1970s in Mexico and India, was based on enterprise unions. The political theory would hold that the politization of trade unions in these countries gave way to the emergence of grass-root, democratic unions, organized as enterprise unions and performing far from the expected behavior of weak, docile, management controlled unions.

The retreat of the state in developed and developing countries in the wake of the structural adjustment policies during the 1980s, the increased internationalization of national economies, and globalization of transnational

companies should reestablish the preconditions, assumed by the convergence theory of centralized unions and industrial relations, i.e. explaining trade unions development by the capital-labour relationship, and thereby paving the way for a return of this theory. However, this does not seem to be the case. On the contrary, among the Western industrial countries the trend in industrial relations points towards decentralization of collective bargaining (Katz 1993; Marginson & Sisson 1996), moving to the point of "emergent enterprise unionism" (Streeck 1984 on West German industrial relations). Nevertheless, the ultimate destination might not turn out to be enterprise based collective bargaining, involving enterprise unions, but negotiations between employers and individual employees for personal employment contracts -- by consequence, the union-free workplace. This would be the triumph of neo-liberal labour economics, indicating a formulation of a *reverse Galenson-Odaka thesis*, saying that enterprise unions are stepping stones from central unions to no unions.

Attempting to broaden the theoretical framework to capture the phenomenon of enterprise unionism, Wad (1996a) proposed to integrate historical sociology, political economy, business system theory, and industrial relations theory with a focus on the management-labour relations at the enterprise level. Addressing the issue of labour movement development in the industrialized market economies since the 1960s, Rigne (1992) moves in the same direction. He identifies three phases, each having a particular pivot: the phase of collective mobilization during the late 1960s and early 1970s, having labour-labour relations (trade unions and rank-and-file) as the key issue; the second phase of concertation during the 1970s and early 1980s, the important issue being the relationship between labour and state; and the third phase of flexibility since the mid-1980s with labour-management being the pivot of change toward more decentralized, firm and plant level collective bargaining. Rignini holds that all three pivots are important explanatory factors for the understanding of contemporary labour issues in the 1990s.

Theories of global decentralisation of industrial relations differentiate additional factors. Besides Rignini's management-labour relationship, with the aspects of organization-based employment systems and increased bargaining power of management *vis-a-vis* labour, we must add decentralization of corporate structures with 'managed autonomy' of business units (management-

management relations), and increased diversification of workers' interests (a labour-labour issue) (Katz 1993; Marginson & Sisson 1996). These changes are strongly related to the changing global economy and business competition (firm-firm issues) requiring increased enterprise flexibility in internal as well as external matters (Best 1990; Righini 1992; Deyo 1997). The consequences of these changes on business organization have been coined by Piore & Sabel (1984) announcing a second industrial divide with the decline of large corporations and mass production (economies of scale) and the rise of "flexible specialization" with increased competitiveness of small enterprises, exploring economies of scope by networking in industrial districts *vis-a-vis* large corporation. Best takes the debate a step further arguing that both big and small organizations can be flexible and thereby adaptive, innovative and vital in a context of global marketization and production, or what he calls the 'new competition'.

In a trade union perspective, what is the answer to the "new competition" and management responses? Is it decentralized bargaining within a central organizational framework, among enterprise-based organization, or individualized bargaining between management and singular employees? After a century of big unionism and central collective bargaining, do trade unions -- like the companies -- face a second divide, and if so, how, why and which are the consequences? A criticism of huge and centralized trade union organizations, paralleling the criticism of Big Business has not emerged, analysing the 'competitiveness' (strength and opportunities) of smaller trade unions (e.g. enterprise unions) in network cooperation. Instead, we have the debate on the decentralization of collective bargaining. This debate should be extended to address *organizational deconcentration* as part of *industrial relations decentralization* in the same perspective as Best's "new competition theory", assuming that strengthening trade unions and increasing their opportunities through flexibility can be explored, or lost, by both big and small unions.

The political theory of trade unionism (Deyo 1987; Frenkel 1993) is the counterpoint from which attention to state-labour issues should be broadened to management-labour issues, labour-labour issues, and even incorporating firm-firm issues and state-firm issues in order to understand the

structure and dynamics of industrial relations in general and trade union development in particular. Moreover, both Deyo and Frenkel are inspiring in this perspective, too. Deyo presented a combined political-economic (structural) explanation, where the weakness of the East Asian trade unions are caused by light labour intensive industries, employing young, docile female labourers, and repressive state apparatuses (1984, 1989). And Frenkel and Deyo have recently shifted to broader frameworks for theorizing on industrial relations, including business and company organization and management (Frenkel 1994; Frenkel & Royal 1996; Deyo 1996, 1997). Taking stock of the increased focusing at increasing international business competition, organizational restructuring and new management policies and practices, it is time to formulate a more encompassing theory of industrial relations which surpasses the international political economy perspective and integrates business and labour issues in a new perspective anchored at the enterprise level -- a global enterprise-based industrial relations theory.

### *1.2. Methodology and Structure of Paper*

**T**HIS paper intends to discuss experiences with plural forms of decentralized and centralized industrial relations in Malaysia in general and enterprise unions in particular during an era of structural change, focussing on the strategic important manufacturing sector. It presents preliminary findings from a research project 1995-97 on enterprise unions and structural change in Malaysia, funded by the Danish Council for Development Research, and institutionally affiliated to the Department of Intercultural Communication and Management, Copenhagen Business School. The empirical research included two field trips to Peninsular Malaysia in 1995 and 1996 respectively. The field research included interviews with key figures of the industrial relations system of Malaysia, including persons from the Ministry of Human Resources, the Malaysian Trades Union Congress (MTUC), the Malaysian Employers Federation (MEF), trade unionists from industrial and enterprise unions and employers from various companies in the manufacturing sector. The research focused at four industries, namely road transport equipment, electrical and electronics, rubber product manufacturing, and steel and metal products. Various companies were selected for case study depending on their industrial relations characteristics and history in terms of trade union

structure and dynamics. The research project takes an "international political economy of development" perspective in the sense that it analyses the rise of enterprise unionism in Malaysia in its international and national historical, political-economic context, but it does also incorporate a constructionist component by paying due attention to the perception, interpretation and purposeful practices of acting people and their organisations in the Malaysian arena of industrial relations. Moreover, the project attempts to assess the effects of trade unions in terms of labour benefits (labour effectiveness), productivity ('business effectiveness' if productivity increases at least offset rising labour costs), and the combined socio-economic outcome ("dynamic efficiency" if both counterparties gain) (Wad 1996a inspired by Standing 1992; for similar conceptions of static and dynamic flexibility, see Deyo 1996, 1997). Due to limitation of space this paper leaves out the analysis of socio-economic development impacts by trade unions (see Wad 1996b), aiming instead for an explanation of the formation and dynamics of Malaysian enterprise unionism since the early 1980s.

The paper shortly reviews the international political economy of Malaysian trade unions, including the internationalization of Malaysian economy, the governments' labour policies, including the policy for enterprise unionism and its reception by trade unions and the employers federation. The structural changes of the trade unions are described in general, followed by analysis of three industries with different trajectories of enterprise union development: the rubber product industry where enterprise unionism were medium high in 1982, then fell to return to the same medium high level in 1994; the road transport equipment industry (automobiles, bicycles, motorbikes) where enterprise unions doubled (in percent points) their share of membership 1982-94; and the electronics industry in which national unions were excluded from organising electronics industry employees since the beginning of the industry, where enterprise unions were allowed in 1988, and where enterprise unions rose their share of union membership in the period 1982-88 only to stagnate relatively in the period 1988-94. The changes in union structure is analysed and explained in terms of three combined sets of relations: state-labour, management-labour and labour labour. Before concluding the discussion on Malaysian enterprise unions is related to the changing global context of state interventionism and business activities, reflected by theories of

flexible specialization and new competition.

## 2.0 The International Ethno-Political Economy of Malaysian Unionism

### 2.1. *The International Ethno-Political Economy of Malaysia*

THE present political-economic and socio-cultural structures and institutions<sup>2</sup> of Malaysia were formed by international and local influences during a long history. Malaysia became part of the growing European capitalism from the sixteenth century onwards, after being exposed to trade and cultural influence from the Indian subcontinent (Hinduism and Buddhism) and the Middle East (Islam) in centuries before, and with indianized Malay rulers dominating until 1414 when the Malacca ruler converted to Islam and became the dominant power and a centre for Islamization of the region (Snodgrass 1980, p.14-15).

Malaysia's incorporation into the growing world capitalism can be periodized into three phases (Lim Mah Hui 1982): *Mercantilism* (1500-1850s) starting with the conquest of Malacca by the Portuguese in 1511, and by the Dutch in 1641; *British colonialism* (1850s-1940s) creating a dependent capitalist economy of Peninsular Malaysia with growing export production of raw materials (tin, rubber) based on immigrant Chinese and Indian labour; Postcolonial dependent (1950s-60s) and (after 1970) interdependent *capitalist industrialization*. Challenging the Neo-Marxist dependency theory (imperialism's development of underdevelopment), Lim argued that integration into the capitalist world market did not block capitalist industrialization in Malaysia because of "the interdependent yet contradictory relation between indigenous and foreign capital, best exemplified in the proliferation of joint-ventures between the two forces." (Lim 1982 p.47).

The process of industrialization was not straightforward and included a serious attempt to break away from the post colonial path of dependent industrialization (noticed by Lim's sub-phases of postcolonial dependent and interdependent industrialization). A closer inspection of the postcolonial era (political Independence 1957 with Federation of Malaya, enlarged into Malaysia 1963) reveals that the era can be divided into three phases of development

policy due to significant changes in Malaysia's external dependence on the world market economy and internal political adaptation:

- *Post-colonial, laissez-faire governance* (1957-69) with a British controlled export sector and a Chinese controlled domestic small industry and trade, finally shaken by the weakening of British neo-imperialism (economic crisis 1967; withdrawal from East of Suez) and the declaration of Emergency 1969-71 in the wake of bloody urban riots following the Parliamentary election 1969.
- *Economic nationalism* (1970-85) with capitalist expropriation of foreign capital, based on the new national ideology (Rukunegara) and a development strategy (New Economic Policy, NEP) for the eradication of poverty and the restructuring of ethno-economic relations of the Malaysian society. These policies were partly dismantled in 1986 due to the economic crisis 1985-86.
- *Deregulation and liberalization* (1986- ) of foreign direct investment, re-emphasising export-oriented industrialization, deregulation and privatization of state-owned enterprises (SOEs). Continuation of the NEP policy in a modified form (the National Development Policy (NDP) 1991-2000) within a long term perspective of Malaysian industrialization, aiming for 'developed country' status by year 2020 ('Vision 2020') and ethnic harmony ('Bangsa Malaysia').

The post-colonial economic-structural changes are impressive. The Malaysian economy internationalized further, raising its share of export of goods/services from 54 percent of GDP in 1960 to 90 percent by 1994, external debt from 10 percent of GNP by 1970 to 37 percent by 1994, and external debt as percentage of exports from 3.6 by 1970 to 7.9 by 1994, the share of inward FDI stock from 24.8 percent of GDP in 1980 to 46.2 percent in 1994 and outward FDI stock from 1.7 percent of GDP in 1980 to 8.9 percent in 1994 (Wad 1996b table 3.1. and 3.3.). In terms of share capital ownership (at par value) of limited companies, the structure deinternationalized in the sense that foreign ownership declined from 63.3 percent in 1970 to 27.7 percent in 1995, up from a bottom level of 25.4 percent in 1990 (Wad 1996b, Table 3.4).

The structure of production changed remarkably, too. The GDP share of the primary sector sank from 45 percent of GDP in 1957 to 28 percent in 1990, while the secondary sector rose its share from 11 to 30 percent. The share of the tertiary sector was rather stable at around 42-44 percent. In terms of employment, the primary sector declined from 61 percent of the labour force in 1957 to 27 percent in 1990, while the share of the secondary sector rose from 10



to 23 percent, and the tertiary sector's share from 29 to 50 percent (Wad 1996b, Table 3.5). The manufacturing sector produced 6.3 percent of value added of GDP in 1957 with 6.4 percent of the labour force (Peninsular Malaysia) compared to 26.9 percent of GDP in 1990 with 20.1 percent of the labour force (Malaysia) (Jomo & Edwards 1993, Table 1.1).

In socio-political terms, the Malaysian power block based on the "Ali-Baba" relationship (Malay politicians providing licences for Chinese businessmen) during the 1960s and 1970s changed, adding strong and expanding "Ali-Ali" relationships (Malay politicians and Malay businessmen in close cooperation) during the 1980s and 1990s. The tight network between political and business interests among Malaysian powerholders has generated a particular political economy, named 'political business' (Gomez 1995, 1997) -- a dynamic hybrid of political capitalism, it should be added.

## 2.2. *The Phased History of Malaysian Trade Unionism*

**T**HE development of the Malaysian trade union movement follows partly the milestones of Malaysia's internationalized history which can be periodized into three phases (Wad 1988, 1996b):

- A first phase of *general unionism* where most trade unions were organized geographically and united under a central leadership with bargaining power. This period lasted from the 1930s to the suppression of the Communist dominated trade union movement in 1947-48 by the British colonial administration. It was very much influenced by Chinese nationalism among Chinese labour communities in Malaysia and the success of the Communist Party in China.
- A second phase of *industrial unionism* where the larger and stronger trade unions organized along primarily industrial but also occupational or trade principles, arbitrarily administered by the Registrar of the Trade Unions (RTU), prohibiting the formation of a national trade union centre with bargaining rights and duties across chosen lines of demarcation. This period lasted from 1948 until the late 1980s transcending the year of political independence of Malaya 1957 (and Malaysia 1963). The ground rules were laid down by the British and later adopted and tightened by the Malaysian governments. The domain of trade unions were primarily Indian employees in private and public sectors, and the strongholds of the Indian led trade union movement were in the estates, transportation, and manufacturing. In the 1970s, the share of Malay employees rose to become the majority of the labour force and near majority of union members.

- A third phase of *enterprise unionism* where most of the public sector unions and key manufacturing unions are structured after the enterprise principle. Although enterprise unions existed before the 1980s, the government's policy of enterprise unionism anticipated the era of enterprise unionism, beginning in the second half of the 1980s with rising economic problems (1979-84) and economic crisis (1985-86), the political permission to form in-house unions in the electronics sector in 1988, and the amendment of the labour laws formally legalizing 'establishment'-based trade unions by 1989 in areas with national unions. During this period, Malay employees became the majority group of union members, and the leadership of trade unions changed to multi-ethnic compositions.

The first institutional transformation of the Malaysian trade unions took place with the return of the British colonial administration (BA) and the showdown between the BA and the MCP-led labour movement during the start of the world-wide Cold War. Industrial unionism broke through with the British transformation of the first Malaysian labour movement, dominated by the Chinese controlled Communist party of Malaya, into a reformist labour movement, of which only the trade union movement survived. The British crushed the central union structure of the Communist dominated trade unions and sought a middle level of centralization, following industry, trade and occupational demarcations of trade union jurisdiction.

With Independence in 1957, the Malayan government took over the British-initiated labour institutions, adjusting them along the way. From the very beginning, the labour policy of the Malaysian government sought to circumscribe the British legacy of 'labour-labour' industrial strife over trade union jurisdiction by introducing the principle of one company, one union and, since 1967, by applying the principle of one industry, one industrial union. Until the early 1980s, the labour policy aimed for the extermination of "political unionism" prohibiting trade unions from supporting political parties. Besides, the labour laws forbade general nation-wide unionism with collective bargaining rights, "favouring" occupational and industrial trade unionism. Labour centres were confined to servicing trade unions and representing employees' interest in national tripartite councils. In practice, tripartism quickly derailed and gave way for conflicts between the labour centres (mainly MTUC) and the government. Trade unions were predominantly perceived and treated as part of the political opposition (Jomo & Todd 1994), implying that they had no political influence at all (Means 1991).

The trade unions' room of manoeuvre was incrementally narrowed. Industrial relations law was tightened (eg. management's right to manage the company without union interference), and an elaborated system of compulsory conciliation and arbitration was developed, based on rights and duties, but this system eventually protected employment, retrenchment benefits, etc. and could be supplemented when collective agreements were concluded and registered by the Industrial Court.

Hence, the labour laws of Malaysia might be understood as deduced from the economic and industrial policies, but rather than that, amendments were reactions to social upheavals and industrial actions, understood by the authorities within a worldview of authoritarian developmentalism, implying that trade unions, workers' collectives and labour activists were suppressed ad hoc. Besides, labour policies and practices were legitimized, sometimes by improving the employment laws, sometimes by soft interpretations of the law and regulations, but overall by the development prerogative of the NEP and its substitute, the NDP.

In the mid-1990s, employers hold that it is time for a change, that they are the vulnerable party and need the same protection by law as the employees enjoyed before (Interview 1995). However, they also admit that the Malaysian industrial relations system performs very well in terms of stability, order and industrial peace. A union viewpoint is that the employers have now developed a strong capacity for industrial relations and human resource management, effectively supported by the employers' association (MEF), which trade unions have been unable to match, without having the same professional staff of union officers, and without having a labour centre (MTUC) providing the same highly qualified services for the unions as MEF delivers to employers (Interview 1995).

### *2.3. Policy and Reception of Enterprise Unionism*

**W**ITH the articulation of the Look East policy in 1982, the government switched to another rationale of legitimation and to another strategy of curbing trade unionism, shifting from institutional regulation to organizational transformation by normative and cognitive means. Enterprise unions were not forced upon the

labour market organizations by law as it happened in South Korea. Their formation was encouraged ideologically, supported administratively, promoted by managements of state-owned enterprises, and explored by managers of private enterprises. However, critics of the government's in-house union policy, e.g. the MTUC (Interview 1997), holds that labour has not been free to choose industrial unions instead of enterprise unions, due to administrative obstacles by the labour authorities against unionization by national unions and against the establishment of new nation-wide unions in industries without national unions (e.g. the furniture industry, the electronics industry).

The development rationale of the policy was that enterprise unionism would facilitate company loyalty, improve work ethics and industrial harmony, and thereby increase productivity and a greater surplus which could be distributed in a just way (Wad 1997b). Although ambiguously conceptualized and communicated the government thought that new labour institutions and organizations were required due to the NEP restructuring, which created a new Malay workforce without industrial experience. Within such a developmentalist perspective enterprise unions could provide better organizational forms for the new Malay working class and labour in general.

This 'soft' policy of *organizational deconcentration* of Malaysian trade unions was not abandoned, neither when a more critical perception of the Japanese and the Look East policy arose, nor when the NEP was substituted by 'Vision 2020' and the National Development Policy. In the end, the policy of enterprise unionism happened to allow, at least legally, for greater pluralism among trade unions, contrary to the earlier setup promoting one national industrial union in one industry (although interpreting 'industry' in bizarre ways). It is also remarkable that the authorities argue that ultimately the employees should decide whether to adopt or reject the concept of enterprise unionism (although allowing employers to resist by use of legal means) (Interview 1995). However, this is vigorously denied by high level trade union leaders that the employees have a free choice between industrial unions and in-house unions because new industrial unions have not been allowed and existing industrial unions are severely impeded by the authorities during unionization of new workplaces (Interview 1997). In sum, the trade union law and policy provided a framework within which enterprise unions could evolve in line with

the demands and strengths of employers and employees, with the authorities pulling the strings via the Registrar of Trade Unions (RTU), making it difficult in many cases to form new industrial unions in new industries outside the jurisdiction of existing unions or for nation-wide unions to increase union membership by way of organizing new workplaces or getting established in new industries.

The positioning of the main centres of employers (MEF) and employees (MTUC, and MLO 1989-96) towards enterprise unions reveals several interesting areas of consensus. First, no organizations whole-heartedly endorsed or 'bought' the policy of enterprise unionism, adhered to by the government. National union leaders perceived enterprise unions first and foremost as weak unions<sup>3</sup>. The employers' association MEF conceived the personal relationship between management and union officers to be the pivot of industrial peace, adding professionalism and objectivity as important components of industrial peace, and these ingredients were lacking among officers of enterprise unions<sup>4</sup>.

Second, from both sides of the capital-labour relation, organizations acknowledged that employers prefer 'no union' as first choice, 'enterprise unions' as second choice, and only if it cannot be avoided, 'industrial unions', as the last resort<sup>5</sup>.

Third, both sides agreed that enterprise unions are not necessarily docile unions, and that they even might generate serious problems along the way. MTUC representatives held that active unionists in enterprise unions do exist, but they do not have proper means to defend themselves. Beside, employer initiated in-house unions will change over time if employers do not fulfill their promises, and new militant leaders might take over. Finally, enterprise unions are small in Malaysia compared to Japan where they are big and therefore much stronger. MEF officers perceived in-house unions as troublesome unions, lacking professionalism, resources and a broader outlook to issues of enterprise industrial relations. Problem-solving is not facilitated with such parochial contexts<sup>6</sup>.

Although disagreements prevailed in many areas, the conclusion is -- rather surprisingly and unrecognized by the Ministry of Human Resources -- that

there has been some kind of “umbrella-consensus” among MEF, MTUC and MLO (1989-1996) on enterprise unionism saying that enterprise unionism does not provide a panacea for the betterment of industrial relations, increased productivity, expansion of productivity related wages and a just distribution of the surplus. By implication, enterprise unionization has not been supported by the main players of the Malaysian industrial relations system, neither in the 1980s, nor in the 1990s. They have never been strong supporters of the enterprise based forms of unionization. However, the “lay” employers might still be active promoters of enterprise unionism when they face unionization by national unions, and they may still enjoy the support of Malaysian authorities in particular circumstances.

Given this constellation of social forces, the question is whether the trade union structure did change or not.

#### 2.4. *The Rise of Enterprise Unionism*

**I**N 1994, figures from the Ministry of Human Resources indicated a tremendous shift in trade union structure in Malaysia (MHR 1995). Out of a total of 497 employees unions, 356 or 72 percent were enterprise unions. Enterprise union membership counted 292,491 of a total of 697,256 union members, or 42 percent of all union members.

The 1994 situation compares with 1983 where in-house unions covered 48 percent of all trade unions in Malaysia and 26 percent of union membership, according to Ministry figures (Ministry of Labour 1985, Table 11-13).

In total, the number of enterprise unions rose with 24 percentage points (or 50%) while the membership of in-house unions rose with 16 percentage points (62%). In spite of not having gained 50 percent of the total union membership, enterprise unions seem to match non-enterprise unions in the middle of the 1990s.

When the policy of enterprise unionism was launched in 1983, enterprise unions were primarily a public sector phenomenon (defined as departments or agencies). Private sector in-house unions numbered 42 out of 152 trade unions in 1983, (or 28%). In-house union membership in the private

sector was 23,122, compared with 317,257 trade union members in the private sector (or 7%). (no information is disclosed on the sector distribution in the 1990s).

Based on data from annual reports of the DTUA, data on union structure and changes have been compiled for the period 1982-94, covering the manufacturing sector, Peninsular Malaysia (see Appendix, Table 1; the manufacturing sectors of Sabah and Sarawak are diminutive relative to the sector of Peninsular Malaysia).

The registered membership of manufacturing enterprise unions counted 10,802 in 1982, 22,611 in 1988 and 44,345 in 1994. This is a quadrupling in 12 years compared to a 68 percent increase in total trade union membership in the sector for 1982-94, the membership figures being 98,070 in 1982, 111,977 in 1988 and 164,271 in 1994. The faster rise in enterprise union membership than total membership implies that the membership share of enterprise unions rose from 11 percent in 1982, to 20 percent in 1988 and 27 percent in 1994.

Enterprise unions have not achieved membership majority in the manufacturing sector, but they are moving in that direction. However, enterprise unions count more than 50 percent of total membership by 1994 in the tobacco industry and the transport equipment industry. In these two industries, only around 30 percent of total union membership were members of enterprise unions in 1982. Moreover, the textile and apparel industry crossed the 40 percent level by 1994, rising from 3 percent in 1982. And the electrical/electronics sector, where employees were allowed to form in-house unions in 1988, rose from 4 percent in 1982 to 30 percent enterprise union membership in 1988 and stabilized slightly below that level in 1994.

In fact, no industries were dominated by enterprise unions (indicated by membership coverage) at the time of the announcement of the Look East in 1982. The rubber product manufacturing industry came close with enterprise unions counting nearly 50 percent, but then enterprise union membership declined relatively from 1982 to 1988. The share rose again from 1988 to 1994, yet without reaching the level of 1982.

Several industries were completely dominated by national (or state) unions in 1982: beverages; wood & furnitures; paper and paper products; chemical and petroleum; and machinery. Moreover, enterprise unions counted less than 10 percent of total membership in textiles & apperal; leather & foodware; non-metallic; and electrical/electronics.

If we use 'below 10% enterprise union membership' as demarcation line for central union dominance in a particular area, several industries were still dominated by national unions in 1994: beverages; wood & furnitures; paper & paper products; non-metallic; and machinery. Some of these industries did anyway muster two national unions, e.g. the cement and the non-metallic union in the non-metallic industry. In the machinery manufacturing industry, two national unions were established according to ethnic disputes, one being Chinese oriented, the other being formed as an alternative, multi-racial (or non-racial) trade union.

In sum, the trade union structure changed considerably towards enterprise unions in the paramount manufacturing sector, since the enterprise union policy was inaugurated by the government. The trade union structure became more pluralistic, with enterprise unions on the rise in general, in the crucial manufacturing sector, and in particular important manufacturing industries (chemical & petroleum; electronics; transport equipment).

The question is, why it changed the way it did? Was it caused or conditioned by the government's policy of enterprise unionism (state-labour factors), by employers and managers policies and practices toward (particular forms of) trade unions (firm-firm, management-management, management-labour factors), and/or by internal organizational problems and dynamics of trade unions (labour-labour factors)?

These questions are considered by taking a closer look at three different manufacturing industries and their diverse trends of industrial relations: the rubber product industry; the automotive industry; and the electrical and electronics industry.



### 3. The Industrial Relations of the Rubber Product Industry

#### 3.1. *The Rubber Product Manufacturing Industry*

**T**HE rubber product industry declined relatively during the postcolonial industrialization of Malaysia. It had the highest employment share (25.3%) of Malaysian manufacturing industries in 1960 (Rasiah 1995, Table 5, p.83), equalling the food industry in terms of value added share (17.4% vs. 17.8%) in 1963 (Osman-Rani 1982, Table 12.1B, p.268) and falling well below in terms of output share (11.2% vs. 53.4%) in 1960. By 1985, the industry mustered 6.6 percent of manufacturing output and 6.3 percent of employment and by 1993 further down to 4.3 percent of output and 4.9 percent of employment (NPC/DOS material, selected years).

The growth of the rubber products industry fluctuated during the 1970s and 1980s. Growth rates were double-digit (15-30% annually) during 1975-81, and again (10-40% annual growth rates) in 1987-90, with a slump during 1982-86 (3-6% annual growth) (MI 1996, p. 70). The rubber products industry held pioneer status like other resource-based industries during the decade 1985-95 (MI March 1996 p.66). In 1991, the industry became the world's largest manufacturer and exporter of latex goods, using more than 70 percent of locally produced latex concentrate (MI 1996, p. 68). The export value doubled in the period 1990-94, with latex goods being the big export item. The employment of the industry (Peninsular Malaysia) has also increased from 27,300 (unadjusted) in 1985 to 67,690 (unadjusted) in 1993 (NPC material; MI 1996 says 49,500 in 1993).

The car tyre sub-industry has been dominated by three companies: Goodyear Malaysia Bhd., Dunlop Malaysia (later DMIB Bhd), and Sime Tyres International (M) Sdn. Bhd., but since 1989 a fourth, Silverstone Tyre & Rubber Co., entered local production (this section is based on MI March 1996). Goodyear Malaysia is a US-subsiidiary, and Silverstone is a Chinese Malaysian owned company. DMIB and Sime Tyres are sister companies, ultimately controlled by the huge Malaysian owned Sime Darby corporation. Goodyear and Dunlop started operations in the 1960s and Sime Tyres in the 1980s. Passenger car tyres production takes on 70 percent of production capacity of Goodyear, 50 percent of Simes Tyres and probably in between for DMIB and

Silverstone. Goodyear and DMIB each hold around 33 percent of the Malaysian tyre market, Sime Tyres around 20 percent and the rest of 14 percent by Silverstone. Recently, the national car maker, Proton, asked suppliers to slash prices by 30 percent and only Sime Tyres and DMIB agreed (Interview 1997). While Sime Tyres export 50 percent of its tyre production, Goodyear is only re-starting an export drive after having concentrated on the local market since the mid-1980s when the national car production began. Being operating on licences from (former) parent companies, Goodyear and DMIB face heavy royalty costs when entering foreign markets with existing traders and producers of parent company products. Sime Tyres has its own products but not a world class brand name. All four producers face rising competition at the Malaysian market where tariffs have been lowered in the 1990s to 30 percent and to 5 percent by year 2008 with the ASEAN Free Trade Agreement (AFTA). This will make the ASEAN more interesting to the three big world players: Goodyear (USA), Bridgestone (Japan) and Michelin (France) holding 15.3, 17.5 and 19.7 percent of the world market respectively. The Sime Darby-companies, Sime Tyres and DMIB, plan to invest and upgrade production and product technology in order to survive in the future. DMIB is going to mechanize (conveyorise) its production lines, strengthen cost control and upskilling the workforce in order to rise productivity and efficiency.

### 3.2. *Industrial Relations*

**C**ONTRARY to the plantation industry, the rubber product manufacturing industry never established a centralized industrial relations system. The national union, NUECMRP, registered in 1962, unionized the two big car tyre manufacturers from the early 1960s, but the Dunlop worksite committee was closed down during a wild-cat strike in 1967 and an enterprise union emerged as substitute by 1968. Another old and big tyre factory, FKR, incorporated in 1939, never became unionized by the national union. An in-house union was formed in 1958 before the formation of the national union.

By 1982, union members were distributed equally between the national union and enterprise unions (51% and 49% respectively). The national union increased its share of membership in the next 6 years (1982-88) to nearly 70 percent, but it could not keep the record and lost out to 57 percent of union

members from 1988 to 1994. What happened was that the national union increased its membership by more than 25 percent in 1982-88 while the membership of enterprise unions fell with around 40 percent. In the next period, 1988-94, the national union continued increasing its membership by 1420 to 6119 (30%), but enterprise unions more than doubled its membership (with 2468 members) to nearly 4600 (116%). In both periods four new enterprise unions were registered.

The changes were primarily caused by tremendous reductions of membership in two old enterprise unions (FKRF and Dunlop) in 1982-88 and the formation or expansion of membership in three new companies with enterprise unions (Simes Tyres, Baxter Healthcare, Safeskin Corporation). Moreover, one old worksite committee broke away from the national union and formed an in-house union. Let us take a closer look on some of these cases (for confidential reasons, companies being visited for research purposes are anonymized).

One company was incorporated in 1939 and by 1984 acquired from a HK-based company by a Chinese Malaysian controlled company with its core business in property, construction and financial investment. The enterprise union is one of the first registered enterprise unions in the manufacturing sector, dating its birth to 1958. This union and the company had a very conflictual and turbulent history until the reconstruction of the company and settlement of industrial strife during the 1980s<sup>7</sup>.

In a second company, the national union (NUECMRP) lost the members of this company during an illegal industrial action, out of which emerged an enterprise union with the help of foreign employees and the management<sup>8</sup>. In the early 1970s, the in-house union was run by the supervisors, but later on taken over by rank-and-file. The new leadership turned it into a strong union with its own office outside the factory area (and with paid staff in the middle of the 1980s). But the company was overmanned relative to its production and sales which caused lack of competitiveness, and when management introduced new technology, rationalization, etc. retrenchment was on. In 1982, the union had nearly 1,800 members, but three rounds of retrenchment exercises during the middle of the 1980s reduced the

membership to 1,300. The union was actively negotiating the terms of retrenchment (voluntary if possible; retrenchment benefits, etc.). In the end, the tension increased between the management and the union and union leaders were dismissed when they took action during a negotiation period. The management broke off the collective bargaining, and the union leaders responded by refusing to return to work (from union leave) arguing that negotiations were still ongoing. In the end, the case was taken to the Industrial Court which ruled in favour of the unionists. The company had to take them back. When the next retrenchment wave came, exco members of the union applied for retrenchment, and the general secretary was employed as executive secretary by the union in order to build up a new team, capable to lead the union.<sup>9</sup> The enterprise union also lost members due to company restructuring. Sime Darby had taken control of the company, and later on it formed a separate company of one of plants of the enterprise concerned. The employees at this new company established its own enterprise union (with 220 members by 1994). In 1994, union membership was down to about 1,000 members in the company.

For many years the national union had no breakaways, but in 1993 a works committees of an old rubber product factory left the union.<sup>10</sup>

In the 1990s, the national union initiated an upgrading of union capacity and activity in order to raise membership, strengthen collective bargaining and improve union services to the members. The union did increase its membership in 1988-94 even more than in 1982-88. However, at one big company (Euromedical) the union did not take subscription from its 1,500 members because it could not enter into collective bargaining and finalise a collective agreement due to resistance by the management. Moreover, a few new and big enterprise unions emerged, counting more than 2,300 members in 1994. In the long run, the national union overstretched its resources and had to scale down in 1996.

Two of these cases are related to Baxter International, a notorious anti-union US company, which own Euromedical in the past and still owns Baxter healthcare (shifting names during 1997). Ever since 1975 workers of Euromedical have fought for unionization against the will of the management, refusing union recognition by all means. Presently, the claim for union

recognition has been granted by the Minister of Human Resources, but the management refused and appealed the award to the High Court.

The management of Baxter International failed to start an enterprise union at Euromedical but succeeded at Baxter Healthcare. However, the old leadership was finally changed at a general meeting. Later on, when the new leadership met with the sister company employees and the national union, they realized that their CA was bad compared to the CAs of the national union of the rubber product industry and other national unions. This prompted the new in-house union leaders to refuse to sign the CA, which had been negotiated but not signed by the former leadership. They preferred to take the case to the authorities for conciliation and eventually for compulsory arbitration at the Industrial Court. Hence, the enterprise union turned against the management in the end.

#### **4. Industrial Relations of the Auto Industry**

##### *4.1. The Malaysian Auto Industry*

**I**NDUCED by Malaysian import-substitution incentives major Western and Japanese auto TNCs relocated auto assembly production to Malaysia from 1967-77. At first the TNC auto manufacturer relied on TNC trading and/or assembling companies which were well established in the region car market (Singapore Chinese controlled Cycle & Carriage, UK agency house Borneo Motors/Inchcape, Australian trading company Wearne Brothers), implying that local sales companies and assemblers form a capital alliance (Champion Motors/Assembly Services; Associated Motor Industries; Cycle & Carriage Bintang; KPKK; Tan Chong Motor Assemblers) (Torii 1991). A few European TNC auto manufacturers (Peugeot, Volvo) set up joint ventures with capital invested by parent company. Capital Motor (later Oriental Assemblers) (with the license of Honda, Opel) was the only case where an assembly company was set up without capital affiliation to car traders or TNC auto manufacturers, but General Motors overtook the company as a fully owned subsidiary in 1971-80.

In the 1970s, the Malaysian car market was overtaken by Japanese cars

and the car assembly companies started restructuring which continued into the 1980s. Being an industry controlled by Western manufacturing and trading companies the Japanese captured control in alliance with domestic owned Chinese companies in the early 1980s. Nissan initiated this transformation as early as the mid-1970s when it transferred the license from Swedish Motor Assemblies (Volvo) to Tan Chong Motor Holdings, controlled by the Chinese Tan family, providing for a Nissan minority share, and later on restructuring the Tan Chong Motor Assemblies with Bumiputera participation. General Motors sold its subsidiary assembler to Oriental Holdings which formed an alliance with Honda to assemble Honda, GM, Isuzu. In 1981, Inchcape Holdings sold the Toyota franchise to UMW, forming an alliance with Toyota as minority shareholder. In 1984, Wearne Brothers sold AMI and the franchise of Ford to Ford Motor Company (Malaysia)(renamed AMIM), a joint venture of Bumiputera majority owned company (Pernas-Sime Darby, PSD) and Ford Motor Company (USA). PSD came in control when Ford USA sold 29% of Ford Motor Company Malaysia to PSD in 1986 (Interview 1987). In 1987, Pernas-Sime Darby restructured their auto companies into Tractors, owing AMIM with Ford as minority shareholder (30%).

In the early 1980s, a Japanese TNC-related Chinese family business system evolved in the corporate auto sector, controlling assembling, spare parts production, marketing and distribution, but it was a sub-system of the auto-TNCs subordinated to their global and regional strategies, and especially the largest Japanese auto TNCs (Toyota, Nissan and Honda). This situation was changed by the Malaysian government, embarking on a heavy industrialization strategy in early 1980s, spearheaded by HICOM. In spite of market economic setbacks, car market decline and heavy costs, the state-led Malaysian car project, Proton, a joint venture between HICOM and Japanese Mitsubishi, succeeded to become the dominant market player in 1987 (see Wad 1997a). The means applied were tariffs and taxation to give Proton near monopoly within its market segment.

The 1987-95 period signalled a transitional period, based on an alliance between the Malaysian state and selected foreign TNCs (Mitsubishi, Toyota, Citroen). The Chinese UMW-Toyota alliance changed to a Bumiputera PNB-Toyota alliance when the Bumiputera PNB bought over the UMW which

was in financial troubles. In 1992, the UMW formed a joint venture (Perodua) with other companies including the Japanese Daihatsu Motor Company (affiliated to Toyota) to produce the second Malaysia car (Kancil). Meanwhile Proton upgraded from assembling to manufacturing technology, increased localization of component production, introduced mechanical assembling lines, team work and just-in-time delivery from subcontractors. However, the more advanced technology and organization did not operate smoothly, the production system was not based on team production, and the production technology did not in practice include design, meaning that Proton remained as a hybrid of original equipment manufacturing based on Mitsubishi technology and design (FEER 1996.05.02; Rasiah 1996). In 1994, Proton allied with DRB, a company owned by a Bumiputera businessman with auto industry experience (Yahaya Ahmad), and the Proton-DRB joined hands with French Citroen to manufacture a new car make (Proton Tiara) based on French technology and design.

Both national car producers were companies within state-controlled diversified business groups, controlling car manufacturing vertically and relating to other sectors (Proton via HICOM to steel, cement, etc; Perodua via UMW to agricultural and construction machinery, property, trade, financing, etc). A new state-controlled business system was in the making if not for the privatization of the Proton company in 1995. With the Proton-take-over by Yahaya, the owner of the DRB, an experienced and wealthy Bumiputera automotive entrepreneur came to own and manage the biggest Malaysian car manufacturing enterprise. Having bought HICOM simultaneously Yahaya controlled a huge, diversified conglomerate with its core in the auto industry, and with potentials for not only vertical but also horizontal market co-ordination. A helicopter crash in March 1997 which killed Yahaya and his wife brought a Malay business success story to an end, making Yahaya's management an intermezzo in the history of Proton.

The death of Yahaya came at the same time as another private Bumiputera businessman went to get the UMW. Whether Proton and the UMW will continue as private and state controlled companies respectively are open for political struggle, among other things because the state still controls key shareholdings. The outcome of this struggle will imprint significantly on the privatization process of state-owned companies in the future. In sum, the Malaysian auto industry changed significantly in the period 1967-97 without

delivering a particular institutionalized system so far:

- 1967-82: A Western TNC dominated trading and assembling system based on manual assembling of imported CKD kits for the domestic market, but with key Japanese car makers gradually overtaking the car market in co-operation with domestic Chinese dealers and assemblers.
- 1982-87: A Japanese TNC-Chinese system, marked by the Chinese UMW-Toyota alliance taking over Assembly Services, where domestic companies are franchised by the dominant Japanese TNCs for labour-intensive assembling of imported CKD cars.
- 1987-95: State-protected and state owned auto enterprises taking domestic market control, based on state-Japanese TNC alliances and Original Equipment Manufacturing under Malaysian trade marks, with diversification in technology sourcing and partners (Daihatsu, Citroen).
- 1995- : Private owned and state supported Bumiputera companies evolving through privatization of state owned enterprises and coordinated by the Bumiputera/UMNO controlled state apparatus. The privatization drive was halted by the death of Yahaya but fuelled by a new proposal for privatization of the UMW.

#### 4.2 *Industrial Relations of the Auto Industry*

THE transformation of the industrial relations system of the auto industry paralleled the changes in the corporate structure of the industry. During the first period 1967-82 a centralised industrial relations system rose in the auto industry. The TEAIEU was formed in 1971 (nameshift to NUTEAIW in 1991), followed by collective bargaining between the TEAIEU and five companies with the conclusion of a CA for 1972-75, covering predominantly Western car assemblers. In the year to follow the Motor Vehicle Assemblers Association West Malaysia (MVAA) was established. Together the TEAIEU and the MVAA formed a centralised collective bargaining system, increasing its membership to 9, generating its first CA 1976-78 and a second CA 1979-81 (including the GM and the KPKK in 1976 and Automotive Manufacturers in 1979). Finally, the supervisors of the auto assemblers formed in 1981 their own national union, the Motor Assemblers Supervisory Staff Union Peninsular Malaysia (MASSU).

One of the important achievements of the TEAIEU during this period of centralised bargaining was the securing of the transfer of employees from the



Swedish Motor Assemblies to the Tan Chong Motor Assemblies when Tan Chong became the new assembler of the Nissan cars. This result was effectuated by putting pressure on both companies and the government by various means of voicing the grievances of the workers, e.g. demonstrations (Interview 1997).

The collective and centralised system began withering in 1982 when the UMW, after taking over the Toyota franchise, left the MVAA with the ASSB and the KPKK, thereby achieving the same independent status as the Tan Chong-Nissan alliance had upheld for long. And another domestic controlled company (Automotive Industries) followed the UMW. The MVAA finally dissolved after taking the last collective bargaining in 1988, left with 4-5 assemblers (of Western makes primarily), after facing at first an economic crisis which again became re-enforced in the private car market by the entrance and expansion of the Proton company into a dominant market position, and second, the closing down in 1989 of the Mazda-Peugeot assembling company, Asia Automotive Industries (AAI). A centralised-decentralised system emerged, where collective bargaining took place between the national union and the individual companies. This practice included a few companies in the auto parts and components industry, a sub-industry which expanded rapidly due to domestication but remained rather non-unionised despite ongoing efforts of national unionisation.

Although the auto industry restructured and went into an economic crisis during the 1980s the national union for long dominated the unionised sector and even increased its share of membership from 83 percent in 1982 to 88 percent in 1987. However, in 1988 its share fell to 56 percent, but the national union again increased its share of members to 76 percent by 1990. A new setback followed in 1991 and since then the national union has remained below 50 percent of union membership.

What happened?

When the state-led Malaysian car company (Proton) began dominating car manufacturing and car distribution in Malaysia, the struggle for unionization was on. In the end, the national union lost the struggle to unionize Proton due to management initiative and employees' support for the formation of an in-house

union in 1988. Compared to the national union with above 5,000 member in 1996, the enterprise union grew to around 4,000 members in 1996, following an expanding Proton workforce from 1,700 in 1989 to more than 5,000 in 1996 (interviews 1996). Beside Proton some other companies within the HICOM group also formed enterprise unions.

The second blow to the national union of autoworkers followed in 1990-91 when two assembly companies broke away from the national union. In both cases a split within the leadership of the national union paved the way for the formation of an in-house union. In the first case the employees joined an enterprise union which covered part of the mother company. It happened, after the president of the national union, employed by the company, lost his chairmanship of the union worksite committee. Blaming the rest of the leadership of the national union for his defeat he turned to the management side. When the opportunity showed up he persuaded new and old members to go for an in-house union, in which case management promised better compensation and working conditions. However, since the breakaway from the national union, many workers have been disappointed with the management and the in-house union. At first, they tried to improve their influence on the in-house union, but key people were sacked by the management. Seeking redress they had to go to their former union to get support for an unfair dismissal case while the in-house union leader refused feeling that they wanted to topple him as president. They won the case and the in-house union finally agreed to pay the legal expenses. Later on many employees wanted to return to the national union. It went to the point where the leadership of the worksite committee of the in-house union stepped down due to lacking support from the members, and members asked the national union for assistance in order to breakaway from the in-house union and return to the NUTEAIW.<sup>11</sup> The union-union struggle is still ongoing, involving the higher levels of the Malaysian trade union movement and turning the conflict into a rivalry between the combating factions of the MTUC and the IMF-Malaysia Council.

In the second case employees formed an in-house union after the worksite committee, headed by another defeated officer of the national union, instigated a wild cat strike. The management responded with a lockout, splitting the workers in two groups, one outside the factory gate and another

group working inside the gate. Incited by the management the last group resigned from the national union and formed an in-house union with the support of the management. This happened in 1991 and since then an enterprise union has been established in another company within the business group.

All in all, during the period of state-led restructuring (1985-95) the national union of the auto industry declined (the MASSU did too), and enterprise unions rose not only inside but also outside the cluster of state-owned companies. Enterprise unions gained the majority of the union membership from 1991 onwards. The national union survived anyway partly by unionizing car component factories and other road transport equipment companies, partly due to the rapid expansion of the car market in the 1990s (sales of vehicles went up from around 140,000 in 1992 to 345,000 in 1996; FEER 1997.05.08), the incapacity of the Proton company to fulfil demands, and the expansion of private auto makers.

In the auto industry, industrial relations became more pluralistic, changing from a centralized system of collective bargaining towards a fully enterprise based collective bargaining system between enterprise management and enterprise unions, with a semi-centralized system formed by the national union negotiating with individual employers. Although the NUTEAIW no longer command the majority of union members of the auto industry, it does still exercise great leverage on the overall terms of collective agreements. This influence is conditioned by several factors: 1) the dual or plural power structure among unions, 2) the transparency of union achievements (past and present) in a pluralistic and competing area of trade unionism, 3) the workprocess knowledge and influence on productivity possessed by autoworkers and transformed into workplace power through the union, and 4) the capacity to persuade employees of in-house unions and even management with such unions to turn to the national union.

The tradition for strong collective bargaining and the present pluralistic and competitive situation among auto industry unions seem to produce above average terms of compensation and employment conditions (Wad 1996b). The Proton company and the union have agreed upon as good CAs as the NUTEAIW's CAs but not all enterprise unions have achieved the benefits

expected. The unfulfilled promises of one management fuel the ongoing industrial and labour-labour conflict at the plant. Finally, a case of a Japanese auto part manufacturer with a Malaysian business sub-group consisting of two plants unionized by the national union, and one plant organized by an in-house union, where the in-house union dissolved and became a worksite committee of the national union, indicates that the development of enterprise unions, including breakaways from the national union, is reversible.<sup>12</sup> The HICOM group also witnessed a breakaway of an enterprise union in 1996. At the HICOM Diecasting company the in-house union was closed down by dissatisfied members who switched membership to the Metal Industry Employees Union (MIEU) which was subsequently recognized by the management (Interview 1997).

Without doubt there is a connection between the establishment of enterprise unions at the state-owned companies within the former HICOM group instigated by the management guided by the prescription that the National Car companies should be Malay workplaces without interference from outside non-Malay organizations, including the TEAIEU run by a grass-root oriented, multi-ethnic and radical leadership. By implication, the Proton enterprise union expanded the membership in relation to the employment generation of the company. The management of Chinese owned assemblers followed the government policy if not predating it (in the UMW business group an enterprise union emerged with management support in the middle of the 1970s when the national union attempted to unionize the company). Moreover, the decline of membership among the national union was also affected by the economic crisis and the retrenchment among organized workplaces, intensified at the very moment when Proton started to penetrate and capture the domestic auto market. Finally, internal organizational conflicts between union leaders and rank-and-file added to the loss of membership when two important workplaces broke away in the early 1990s.

In sum, there is a process of interdependent transformation between the changes of the auto industry and the industrial relations: from the Western TNC-owned and controlled sub-assembling system with centralised industrial relations in the 1970s, via the Japanese TNC-related alliance with Chinese family businesses and the centralized-decentralized industrial relations 1982-90,

towards state-supported enterprise unions and collective bargaining between enterprise-based actors within the new Bumiputera-controlled companies. However, this trend is not without exceptions. Within Bumiputera acquired older companies unionized by the national union there is not (yet) attempts to change the union structure; auto companies might even prefer standardized and integrated collective bargaining even where the negotiation will end up being the national union; and even within the Bumiputera complex of HICOM enterprises, workplaces with an enterprise union can be taken over by a national union.

The centralized industrywide bargaining system in the 1970s might be understood as a transferred IR-system initiated by the auto TNCs due to their home country system and the practices of the Western auto trading companies. In fact, it was generated by the institutionalization of centralized collective bargaining within the commercial sector prior to the evolution of a strong national auto industry workers union and an assembling industry influenced by Western oriented employers and managers, especially Australians. However, the attempt to standardize wage and working conditions at a low level spurred the radicalization of the national union during the mid-1970s, and the tense industrial relations and confrontational bargaining prevailed until the end of the 1980s whereby the crisis at the auto market made private auto makers and the national union think twice before opting for co-operative industrial relations in order to survive.

Although most private owned assemblers and the national union did survive, the situation can still worsen in four ways: first, the three larger assemblers (and their TNC-allies) with national union membership may withdraw from the Malaysian market due to the state-related companies' penetration of upmarket segments, neglecting former promises by Malaysian authorities to stay away from more luxury car segments. Second, the planned Malaysian motorcycle project may undercut workplaces which have many NUTEAIW-members. Third, the expansion of the strong Malay business groups into companies with national union presence may either lessen their antagonism to the national union or make them determined to overcome that kind of union organization. Fourth, the near-full employment situation may continue to weaken employees' trade union consciousness, a trend which may

be further strengthened by new management policies of employee sensing and involvement (human resource management in union-free workplaces).

Reflecting on these challenges, the national union has a strong argument in favour of national unionism, based on years of experience. The doom day seemed near in the second half of the 1980s and yet the union and its members stood up against the challenges and managed to maintain the union as a strong, grassroots oriented democratic union. More specific, the union leaders hold that the large auto TNCs stayed in Malaysian business and so will the motorcycle TNCs probably, that the Bumiputera conglomerates like Sime Darby are used to deal with national unions from, for example, the plantation and trading sectors, and that there is a huge membership potential in the car parts and components industry which can be tapped. However, in-house unionism haunts and has to be considered when planning and implementing strategies for unionization of the unorganized enterprises.

## **5. Industrial Relations of the Electrical and Electronics Industry**

### *5.1. The Electrical/Electronics Industry*

**T**HE electrical industry started way back in the 1960s. One of the first transnational companies to relocate production to Malaysia was Matsushita Electric Company (Malaysia) (MELCOM), incorporated 1965 and becoming a public company in 1966 when it started production of electrical household products for the domestic market under licence of its Japanese parent company (KLSE 30:2, 1995 p. 22). Local electronics manufacturing began in 1967 with the joint venture of Matsushita and Toshiba for the production of black and white television sets for the domestic consumption (Rasiah 1994 p.11). However, the tremendous growth and export of electronics goods started in the early 1970s when the government launched the export-oriented policy to attract foreign direct investments by providing tax incentives, free trade zones (FTZs) with minimal bureaucracy for international trade and production, etc. It followed in the wake of the successful export oriented industrialization by the East Asian NICs, the changing international division of labour and the initiation of the Malaysian NEP-strategy. Using an index of 100 by 1978 the output value of the electrical/electronics

industry has increased from near nil in 1960 to 500 in 1990 and the employment (1978=100) has increased to around 250 (Rasiah 1994, p.12 Fig.1). The industry's share of manufacturing export has increased from 3 percent in 1970 to 46 percent in 1980 and 56 percent in 1990 (Jomo & Edwards 1993, p.16 Table 1.3). While the industry was growing rapidly during 1970-85, its growth accelerated after the economic crisis of 1985-86. Its share of total manufacturing output rose from 14.5 percent in 1985 to 36.0 percent in 1993, the share of value added from 20.6 to 32.3 percent, the share of fixed assets from 12.3 to 22.9 percent and the share of employment from 19.1 to 32.2 percent. In absolute numbers, the employment rose from 81,900 in 1985 to 331,630 in 1993 (NPC/DOS, unadjusted data). In sum, the Malaysian manufacturing sector and the overall economy has been extremely dependent on the electrical/electronics industry, which is again very much controlled by TNCs (Rasiah 1995, p.76 Table 1).

This fragility was exposed in early 1997 when the foreign direct investment applications and approvals for electrical and electronics projects declined dramatically in value from January 1996 to January 1997 (MI June 1997, p.52). In terms of applications from nearly RM2 billion to RM36 million, and in terms of approvals from RM2.8 billion to RM2.2 million. However, in mid-1997 there was no panic among the unions and no mass retrenchment had been reported (Thomson Audio in Muar had closed down and Philips in Penang was planning to do so). Still, the question looms: Is it a temporary situation due to cyclical phenomena in the electronics industry or is it caused by structural changes related to the rising wages, tight labour market and overall falling international competitiveness of Malaysia?

## 5.2. *Industrial Relations*

**T**HE industrial relations system of the electrical/electronics industry is characterized by six important aspects: first, electronics industry employees have been prohibited from either being part of a national union (the Electrical Industry Employees' Union, EIWU) or forming a separate National Union of Electronics Workers. Second, the EIWU has demonstrated strength and capacity for unionization of the expanding workforce in the electrical/electronics industry, becoming the biggest union in the manufacturing sector although it is excluded from unionizing electronics

companies (as defined by the authorities). Third, two central organizations of employees and employers respectively evolved, but no central industry-level bargaining ever took place. Fourth, industrial (semiconductor) electronics TNCs fight fiercely for union-free workplaces and against national as well as enterprise unions. Fifth, enterprise union membership expanded relatively more rapidly before the permission to form enterprise unions in electronics companies than after the permission. Sixth, breakaways from the national union have occurred caused by internal conflict between the top leadership and rank-and-file, and by management interference, while a break-back took place due to corporate restructuring and the wish by the employees of the in-house union.

Being considered one industry by industrial classification worldwide (and even so in Malaysia's industrial surveys) the industry has been divided into two by the Malaysian labour authorities in terms of trade union activity and industrial relations: The electrical and consumer electronics sub-industries have been allowed to become unionized and engage in collective bargaining, while the industrial electronics industry has been prohibited from unionization until 1988 when the formation of enterprise unions were allowed while national unions are still prohibited. This political practice took place contrary to labour law, and had some bizarre manifestations in the RTU classification of electronics companies over the years, e.g. one company, Mitsumi Electric, has been categorized within the RTU-sectors: 'Electricity and Gas', then 'Electrical and Electronics', and finally 'Electronics' (RTU Annual Reports).

Conditioned by political and employers' resistance to unionization, especially in industrial electronics, total union membership of the industry increased from nearly 7,000 in 1982, 13,800 in 1988 and 32,300 in 1994, meaning that the union density fell slightly despite the steady unionization (employment grew by 305% between 1985 and 1993 and union membership by 277%). More surprisingly, the share of membership of national unions decreased from 96 percent in 1982 to 70 percent in 1988, rising slightly to 71 percent by 1994. The industry did not take a forward leap into enterprise unionism after the permission to form in-house unions in 1988.

Established in 1971 the EIWU was registered as a state-based union but later enlarged its domain to the federation level by the end of 1972. Since then its membership increased steadily with minor setbacks in 1982 and 1988,



while taking a leap forward in 1989 and 1992-95 (EIWU 1996). With the rise of a strong national union in the electrical/electronics industry the employers in 1983 formed their own association (EIEA, Electrical Industry Employers Association Peninsular Malaysia). The two central organizations never established central bargaining relations due to the differences between the companies and the resistance to central bargaining by the EIWU. An industrial conflict between the two organizations nearly erupted in the wake of the dismissal of the executive secretary of the EIWU. Disliking this act, the EIEA decided to teach the leadership of the EIWU a lesson, but it collapsed immediately when the president realized that the union knew about the decision and was prepared to respond accordingly, starting with the company of the president. Ever since the EIEA has been a sleeping association.

The unionization drive of the EIWU made the employers initiating in-house unions during the 1980s and 1990s, but they did also resist such unions in the electronics industry. Let us shortly look at four case stories (anonymized):

The EIWU had been dealing with the corporation for a long time, having unionised its light tube factory. However, when it came to the electronics company within the corporation the EIWU could not use the good relations with the management of the tube company, because that company belonged to another division than the electronics company (Interview 1995).

In the case of a second company the EIWU thought it had persuaded its former US management to give in and accept the national union, but suddenly an in-house union appeared. Later on, this enterprise union caused the management problems, and the management wanted to return to the EIWU, but the leadership of the in-house union preferred to stay on their own. However, in 1996 the company restructured production, transferring lower value added production to the Philippines, planning to take in higher value added production in Malaysia. This relocation caused retrenchment which angered the enterprise union and motivated the union to seek assistance of the MTUC (Interview 1995). In the end, it closed down.

In a third company a wild cat strike took place in 1990 involving around 1,000 employees. It happened when RTU refused workers to become members of and be represented by the EIWU. The police was called, the strike

was broken, the employees were reinstated after they apologised to the management, union activists were not returning for fear of ongoing harassment by police and expected harassments by management, and the EIWU was examined for pulling the strings. The company became unionized a second time by EIWU, but again the RTU rejected the claim of EIWU-representation. In 1994 an in-house union was formed (Interveiw 1995).

In a fourth company, the situation was a bit different not because the employees formed an in-house union after being rejected membership and representation of the EIWU, but because the Japanese management did resist the establishment of such a union, thinking that the Japanese electronics companies were selected for unionization while the US companies went free. An officer of the Malaysian Employers Federation (MEF) assisted the workers solving their troubles and persuaded the Japanese manager to accept the in-house union. In the end, he became very satisfied with the arrangement (Interview 1995).

Several enterprise unions dissolved or became passive due to management resistance and/or changed enterprise relations. The notorious case is that of the US TNC subsidiary, Harris Semiconductor (HSSM) (Wad & Jomo 1994). An in-house union was established in the company in 1988 inspired by the new government policy on in-house unions, but the management fought the enterprise union, restructuring the company in order to isolate the union leadership from the rest of the workforce and then later on closing down the 'company' with the union leadership being the only labour force left, retrenching the leaders and making the union redundant. The union leaders referred the case to the Industrial Relations system, where it went to the Industrial Court, ruling in favour of the management, then appealed by the union to the High Court, which ruled in favour of the union, then appealed by management to the Court of Appeal which made a no-nonsense award, publicised in August and formalised in September. The company accepted to reinstate the dismissed unionists and most returned to restart the in-house union. One of the first initiatives was to apply for a name change from the HSSM union to the HAT union, which the Ministry allowed. However, this prompted the management to sue the Ministry. The union prepares for collective bargaining and an expected refusal by management to recognise the union as a

representative of the HAT employees.<sup>13</sup>

A case of successful management resistance to enterprise unionization took place in a sixth company, an Italian-French TNC. Facing the formation of an in-house union in 1990 the company launched an employee sensing and involvement campaign which undermined the support for the union among the employees. The in-house union is sleeping, but it can be reactivated if necessary, although it had not been pertinent because the management really does a lot for the employees (Interview 1996). The union became deregistered within a year.

In 1994, seventeen enterprise unions existed in the electrical and electronics industry, the earliest one covering a subsidiary of a US TNC, registered in 1968. The employees of a sixth company wanted a union in order to solve their problems and turned to the National Union of Petroleum and Chemical Industry Workers, which was unable to unionize electrical companies because they were outside its jurisdiction. Without having an option for national union membership (EIWU was established 1971 and became a national union in 1972), the workers formed an enterprise union. At first the supervisors were actively involved, but the management refused to address their claims in collective bargaining and they withdrew from the union (Interview 1995).

The second oldest enterprise union, registered in 1985, is a breakaway union from the national union in a company producing cables and wires. The Metal Industry Employees Union (MIEU) had organized the company, but when the registrar rejected MIEU's claim for jurisdiction over the company, the EIWU took over. The workers were not happy with the leadership of the EIWU at that time, and with the backing of management and authorities the workers formed an enterprise union which was registered and recognized by management. The management later regretted the outcome due to strained union-management relations, according to one source.<sup>14</sup> However, after a change in union leadership, the management seized the chance to improve the relationship with the union and during the collective negotiations in 1996 a CA was settled amicably, including a significant improvement in the employees' pension savings, making it one of the best in Malaysia. The new union leadership underlines that the union has only changed its means, not its goals (Interview

1997).

A Swedish TNC illustrates how an enterprise union at first emerges out of the national union due to company restructuring and management pressure, and then later on returns to the national union when management again wanted to restructure the company and employees preferred to join the national union. The Swedish company formed a new company in order to win the tender of supply and installation of public telecommunication systems. Having promised the EIWU that the new company would stay within the domain of the union the management later refused to recognise the EIWU and accepted that an in-house union was formed. This in-house union existed from 1986 to 1996. It was dissolved when the company had accomplished its contracts and the parent company wanted a merger. When the merger took place the employees decided to return to the national union because they perceived the EIWU as a stronger union than their enterprise union, having achieved a better collective agreement than the one reached by the in-house union (Interview 1996). The management and the authorities approved the wish of the employees. However, the EIWU had yet to fulfil the expectations of the former members of the in-house union in order to prove that the national union is indeed better than the in-house union.

## **6. Explaining the Changing Structure of Malaysian Unions**

**I**N order to understand the dynamics of the Malaysian industrial relations system and the development of enterprise unions, it is necessary to address three key issues: the impact of the government's policy of enterprise unionism since the early 1980s (state-labour relations); the industrial relations policies of the companies (management-labour relations); and the internal coherence and conflicts of trade unions (labour-labour relations). The debate on the decentralisation of industrial relations and the new global competition is related to the Malaysian context, before the paper is concluded.

### 6.1. *State-labour Relations*

**T**HE Malaysian government used political power to prohibit unionization of the electronics industry until 1988, and then only allowing for enterprise unions in this industry and a more pluralistic trade union movement in other industries. The government used legal and administrative force to narrow the room of manoeuvre for trade unions, including specified borders of jurisdiction and strict surveillance and control. It also made the strike weapon a rather theoretical choice in the unionized sector substituting industrial action with state guided conciliation and compulsory arbitration, and an illegal means in the non-unionized sector. It did also prohibit trade unions from political activities and even jailed trade unionists during the suppression of oppositional groups to the Mahathir regime in 1987. However, the Malaysian policy of enterprise unionism was 'soft' (ideological) compared with the 'hard' one (repression by means of labour law and physical force) applied in, for example, South Korea. It is the argument here that, as a whole, the Malaysian government relied more on administrative, ideological, cultural and ethnic based methods than direct coercion to transform trade unions into an organizational structure and culture which took Japan as model for institution building among the upcoming Malay working class.

This relative soft approach can be understood within the overall ethno-political structure of Malaysian politics and the decision by the power block to industrialize rapidly for NIC status (and by 1991 to go for developed country status). Moreover, the policy seems to impact differently in the manufacturing sector. The change of union structure took place in different ways in various sectors and over time. In some industries, enterprise unions mushroomed and membership increased rapidly. In other industries, status quo prevailed, or enterprise union membership declined.

If government policy had an important impact, it seems at least to be conditioned by particular factors in the various industries. The government did not alone determine the rise in enterprise union membership. The political regulation of national unionization and ideological support for enterprise unionization within the sensitive export manufacturing industries indicate variations in the "impact" of government policies. The proclaimed endorsement of enterprise unionization of the electronics industry in 1988 did not start a wave

of enterprise based unionization relative to the unionization drive performed by the national union, EIWU. The change toward enterprise unionism took place in the first period, 1982-88, not after. A different trend is found in another export-oriented industry, the textiles, garment and apparel industry. Here, enterprise unionism spread faster in the period 1988-94 relative to 1982-88. The expansion in total union membership during 1982-88 equalled the rise in enterprise union membership, and total membership stagnated during 1988-94 while enterprise unions doubled their membership.

These divergent paths of unionization within export industries might partly be explained by differential treatment of the authorities: nation-wide industrial unionization was resisted by the government in both industries but the government accepted state (regional)-based unions in the textile and garment industry, refusing the formation of one single national (federal) union in Peninsular Malaysia. Later on, the state based unions backed down and formed a federation of (state based) textile and garment unions, registered in 1989. The rise in enterprise unions during 1988-94 could then be caused by coordinated national union drives for unionization, but the federation has been 'sleeping' most of the time. The explanation seem to be that several companies relocated production within Malaysia, moving to peripheral areas (less industrialized states of Malaysia), meaning that the new workplaces had to be unionized again by other state-based unions. This drive might again have prompted employers to initiate and support the establishment of enterprise unions as a preventive act against state-wide unions.

In the resource based and domestic oriented rubber product industry (until the economic crisis of mid-1980s) enterprise unions were high at the outset of the 1980s due to management-labour and state-labour relations, but when these unions' membership declined in the wake of the worsening of employment conditions the national union increased its relative share in 1982-88. However, it lost out to enterprise unionism in 1988-94, not because of a weakened union capacity and absolute membership decline but due to the entrance of some large export oriented TNCs where management initiated enterprise unions in defence against national unionization.

In the domestic oriented auto-industry the government played a prominent economic role through the management of state owned enterprises.

The restructuring of the auto industry from a Western TNC controlled industry to an industry controlled by the state in alliance with a few selected Japanese auto TNCs, made a tremendous impact on the whole industry and its system of industrial relations. When the state-owned car manufacturer (Proton) took over the market and encouraged enterprise unions within a Malay dominated company and workforce the cross-ethnic national union lost out. However, it managed to stage a come back which again was torpedoed by breakaways of key workplaces.

Researchers have argued that the policy was targeted for the weakening of the trade union movement, not for the strengthening of trade unionism at the enterprise level. Prominent researchers on trade unions like Jomo K.S. and Patricia Todd present this critique in a straightforward way:

Despite ostensible government support for in-house unions, very few new in-house unions have been registered where no unions existed before, except for several in the electronics industry. Instead, in-house unions are being encouraged specifically to replace 'troublesome' national (industry-wide) unions already in existence. Seen in this light then, it may be concluded that government encouragement of in-house unions for the private sector is intended to further erode the already weak trade union movement in the country (1994, p.151).

Although this argument is straight forward, it is not without flaws. First, most industries have at least one national/state-wide union, and most national unions within the manufacturing sector did not crumble during the period 1982-94, keeping at least the majority of union members within the domain of their unions. Second, if "troublesome" unions are unions affiliated to the MTUC, then the formation of the MLO as a second labour centre might be seen as proof of the policy. But the MLO did not endorse enterprise unions despite it went for the support of enterprise unions which were dissatisfied with the MTUC. Third, if 'troublesome' unions are neither national industrial unions per se, nor MTUC affiliates, but industrial unions in opposition to the MTUC (and MLO) leadership, the most known case is the auto workers union (which was diaffiliated in the 1980s). This union did suffered badly with the rise of enterprise unions, but this change was caused primarily by the Malaysian Car project, undercutting the market share of the car assemblers unionized by the national union, and secondarily by the policy of enterprise unionism whereby

the Proton management prevented the access of the national union by initiating an in-house union.

Among labour, the MTUC argues that no national union has been registered since the adoption of the enterprise union policy in spite of several industries having no national union, e.g. the furniture industry. Contrary to the labour centre, the Ministry argues that the national union of woodworkers covers the furniture industry. Although the MTUC argument is valid concerning the electronics industry, it is also a fact that no enterprise unions have been established within the wood and furniture industry.

The policy of enterprise unionism may have been guided by two other intentions: first, incorporating the new Malays industrial workforce into non-Western and more accommodating unions organizations; and second, weakening or undercutting trade unionism in general. However, the policy has not prevented Malay employees from joining trade unions. In fact, they formed already the majority (52%) of union membership within the manufacturing sector (Peninsular Malaysia) in 1983 (Ministry of Labour 1985, Table 11-5, p. 171) and increased their share to 57% by 1988 (Ministry of Labour 1988, Table 9-4, p.110; it is unclear whether it refers to Malaysia or Peninsular Malaysia). No aggregate data reveals whether the rise in Malay union membership took place foremost within enterprise unions, but in many companies unionized by national unions, Malay employees form the majority of the workforce and unions membership.

Regarding the goal of undercutting trade unions in general, the fact is that the overall trend of union density at first stabilized and then declined since the policy was announced in 1983. In the manufacturing sector of Peninsular Malaysia, the trend can be estimated for 1982-93. It shows that the union density lay at 17-18 percent in the years of economic crisis 1985-86 (adjusted employment figures). Then it dropped every year since 1987, except in 1992, to reach the low point of 11 percent in 1993. However, in absolute numbers the union membership increased yearly after the fall in 1987, but the manufacturing labour force increased more rapidly from 1986 onwards. Without being strictly comparable, the union density can be assessed to 18 percent in 1982, indicating that the downturn started after the recession followed by the high growth period from 1988. Hence, the crux of the matter does not seem to be the policy of in-



house unionism, but the economic crisis followed by the rapid expansion of manufacturing employment since 1988.

In sum, the state-labour nexus provides us with a mix of soft and hard conditions influencing the rise of enterprise unions within the manufacturing sector. State policy induced employers and employees to respond to national industrial unionization campaigns by supporting the formation of enterprise unions. This took place especially within new state-owned enterprises (e.g. Proton) where the management vigorously supported and intervened in trade union matters in order to prevent national unions organizing the workplace, but it also happened in private enterprises and especially among export oriented TNC controlled companies (textiles & garments, latex-goods, industrial electronics). However, the impact of state policy did not wholly determine the unionization process. The legitimisation of enterprise unionism in the industrial electronics sub-industry did not spark off a wave of enterprise unionization compared to the years before, and managers of enterprises, which were acquired by SOEs (e.g. AMIM) had not tried or succeeded to restructure union worksite committees into in-house unions. In fact, a case from the banking sector demonstrated that the Trade Union Act did not allow enterprise unions where employees could be represented by a national union (the Maybank case) and the government had to amend the Trade Union Act in order to legalize enterprise unions, defined as trade unions of employees in establishments. Refraining from legally prohibiting other types of trade unions than enterprise unions the government created a framework for a more pluralistic trade union structure in Malaysia.

## 6.2. *Management-labour Relations*

**T**HE evidence from Malaysia points to the employers/managers as decisive actors behind the rise of enterprise unions in the manufacturing sector in 1982-94. In many situations the management initiated or supported the formation of enterprise unions when national unions knocked on the factory gate. The situation was coined by a national unionist, saying that “the employers took advantage of the government policy of enterprise unionism”. But employers were not unanimous in advocating enterprise unionism. Many preferred to manage a union free

enterprise and saw in-house unions as second-best choice, with the national union as the worst scenario. Therefore, a *reverse Jomo-Todd hypothesis* should be formulated, stating that in accordance with managements' preference for non-unionized workforces very few enterprise unions arose where no national/state unions were active; but in-house unions were favoured by employers where national/state unions campaigned for membership.

Some employers explored the opportunities provided by trade union organization, establishing cooperative relations with the union and incorporating the union in the daily personnel problem solving of the company. Choosing between national unions and enterprise unions, the employers federation (MEF) was clearly in favour of national unions because they offered a more professional and qualified counterpart for collective negotiations and cooperation.

The MEF viewpoint is not necessarily in line with the views of the majority of its members, but it is interesting because it reflects the employers' more broader and generalized experiences with enterprise unions. Enterprise unions are no guarantee that the management will have a weak and docile union. Enterprise based industrial relations sometimes turn into "cat-and-dog" fights between management and in-house union, and such conflicts become very personal and difficult to solve at the enterprise level, leaving no choice other than taking the dispute to state institutions for conciliation and arbitration. Dealing with national unions offer better promises because union officers view problems of singular enterprises in a broader industry perspective, meaning that it is easier to communicate, negotiate and deal with national union representatives compared to enterprise union officials.

Such considerations might explain the lack of enterprise union formation in industries with national unions, eg. beverages, wood & furniture and non-metallic. Union density is high and employers and employees are satisfied with or at least accept the prevailing order. The lack of membership growth in beverages might be caused by the high union density and declining employment due to rationalization of production and increased productivity. Aggressive unionization is not initiated by national unions due to the high level of union density, leaving employers without the push to instigate enterprise unions. Moreover, some managements do even actively support the

transformation of enterprise unions into union locals (worksite committees) of national unions when that outcome is seen as enhancing the efficiency of management and collective bargaining, and/or is a natural consequence of the restructuring of the company.

In general, employers might win the first battle of unionization having an enterprise union, but in the medium or long term the ongoing processes of industrial relations at the enterprise level might change both the enterprise union and the relations between management and union. This happened in several cases and created a very tense and conflictual situations. Such dynamics have several outcomes: The management and union might reach a compromise which settled the conflict by mutual recognition of rights and plights; or both counterparts view industrial relations as a power struggle and do not give in, institutionalising industrial strife which can only be overcome by the defeat of one of the combatants; or the power struggle reaches levels where union members seek assistance and reunion with the national union.

The actual outcome of conflictual relations between management and enterprise unions seems to be conditioned by unfulfilled expectations among union members. Management might have promised a lot to persuade employees to choose or join enterprise unions instead of national unions, and then having forgotten the promises after the establishment of the enterprise union employees might be very disappointed and start complaining. If the enterprise union is not able to get concessions from the management things might deteriorate, union leaders being radicalized or oppositional leaders elected, and militancy being tried out (Wad 1997b).

Combining the assessment of the state-labour and the management-labour factors, it can be argued that the government policy of enterprise unionism induced management to resist national unionization, not by union busting but by way of supporting the establishment of enterprise unions; but enterprise unions did not remain management lap-dogs, they turned against management when management did not comply to promises and expectations, and some of these unions even showed force and became strong and/or militant unions leaving managers regretting that they ever supported the formation of enterprise unions.

### 6.3. Labour-labour Relations

WITH a government-supported framework for enterprise unionism and with employers exploring the opportunities at hand, the final decision for or against enterprise unions is taken by employees. While enterprise unionism was conceived as the “new unionism” of democratic and militant organizations in the Mexican corporate society, it has been understood as “enterprise corporatism” in Malaysia, by authorities, by national unions and by employers - a ram for in-house, corporate loyalty instead of class or sub-class (industry, trade, occupation) solidarity.

Malaysian experiences tell a more complex story. Workplace based worker collectives have broken away from centralised and less democratic unions as well as from more decentralized and democratic unions. And enterprise unions, having initially been guided or controlled by management, have turned against management-oriented leadership and installed their own independent leaders, who have followed a more worker oriented approach and, eventually, a conflictual policy, to the point where they have paved the way for a return to the national union. But a decentralized and democratic national union is no safeguard against breakaways as they may happen due to internal leadership conflicts (about union positions or policies) combined with strong mutual local level relationship between leaders and management, and/or leaders and workers. Enterprise-based coalitions between management and employees may arise and become a nucleus for the formation of an enterprise union.

However, this is not the end of the story. Managements may not be able to control or pacify enterprise unions in the medium or long term if they do not provide concessions as expected by employees. Enterprise unions provide for intensive, direct and daily communication between leaders and rank-and-file, especially in in-house unions covering only one plant and less so in larger, multi-plant or multi-company enterprise unions. Leaders are under constant pressure from members, whom they meet daily, which keeps them conscious of promises made, pushing for concessions. With members at hand they might also be easier to mobilize, leaders might fall in disgrace, and new more militant leaders might take over. Management might suddenly face a less docile, if not antagonistic, union in its own backyard.

On the other hand, enterprise unionists face also tough pressures from management in daily working life. Although workplace union activists (shop stewards, in-house union leaders, active members), are not protected by special legislation or collective agreements, facing harassment, unfair dismissal etc., Malaysian labour law and practice provide for perceiving trade unions as autonomous, legal bodies of employees, which have their own rules and procedures outside the domain of employers. Therefore, if management intervene directly and openly in union affairs, they risk loosing out if the case is brought to the legal industrial relations system. They can do it more hidden and indirectly, and they do. Like national unionists enterprise unionists are defined as independent of management, but without the same experience and knowledge as provided for by national trade union education, enterprise unionists risk to make more mistakes and errors.

There is no doubt that enterprise unions and their activists need more resources and knowledge which they cannot provide for by themselves. Like small enterprises which achieve economies of scale and scope by networking with other smaller or bigger enterprises, enterprise unions might also be strengthened through networking and cooperation with other enterprise or national unions. However, such networking need to be coordinated by somebody. In Malaysia, neither MTUC nor national unions have taking enterprise unions serious enough, implying that many have never affiliated with or, if so, left the MTUC again. The abolished labour centre, MLO, reached out for enterprise union affiliation, without advocating enterprise unionism as such, and MLO serviced some interprise unions, which they appreciated very much. Back in MTUC, the present one labour centre could seize the change and upgrade the support and servicing of enterprise unions. Alternately, industrial unions and enterprise unions within the same or similar industries could cooperate on trade union education and information exchange.

Taking stock of the trade union situation in Malaysia, where trade union density is low and falling, it is paramount that the trade unions surpass the old stereotypes and join hands, making it easier and legitimate for better off unions to help the worse offs unions, not least the smaller enterprise unions. International trade union secretariats could assist such a strategy of organizational solidarity. In fact, there is no alternative in Malaysia, if “union-

free" workplaces and a future of "no unionism" shall be avoided.

Facing reality and adapting in an appropriate way is much in need. A trade unionist from an industrial union, supporting and cooperating with enterprise unions, formulated the dilemma in the following way:

PW: I understand that you have in-house unions as members or do you have that in the (network)?

IP: We have that.

PW: You accept them?

IP: We accept them. Sometimes it's a problem of enforcing your principles. Some principles, or most principles are good, but sometimes the principles can also destroy you in the sense that we agree with the in-house union because we know that they are weak unions. If we can't fight the employers then we have to go within the platform. That means we have to strengthen the in-house unions, motivate them, educate them, so that (they) will fight the employers as how we fight the employers. Maybe a day will come the employers will say, whether in-house, state or national union it makes no difference. But if we keep them out and say, no we stand on our principles, no in-house unions, we don't want to be a party with them, what happens is this, they come before and we become weaker and weaker. Every employer will look at, are these weak unions, I will prefer weak unions. The main point is that whether the in-house unions want to be strong or continue to be weak? That is their choice. We can go back to them and say, if you join our federation then we will help you, but the choice is theirs whether they want to become weaker or they want to become stronger. But this will happen because the workers in the factory with in-house union will want change eventually.

PW: Is that your own conclusion or is that a general attitude to the question of in-house union?

IP: In our union our policy is like this. We have a set of policies, but sometimes we have to compromise with our policies to see the changing need to sometimes to (amend) your hard and fast policies. You can't live with the same policies all the time. You have to change. It must be a living policy." (Interview 1995)

#### 6.4. Enterprise Unionism and the New Competition

**T**HE rise of enterprise unions is a way of decentralizing industrial relations in Malaysia by deconcentrating trade unions from larger to smaller organizations. However, the contemporary explanation of decentralisation of industrial relations, whereby the new international competition is the independent, causal factor, does not seem to make sense in Malaysia. On the contrary, *delinking* enterprise unionism and

new global competition makes sense in in the Malaysian context.

The Look East Policy was conceived and adopted in response to Western resistance to Malaysian "economic nationalism" combined with the endorsement of East Asian political economic thinking and economic organization. It did not appear in a context of globalization, liberalization and deregulation. The concept of "flexible specialization" and the demand for economic flexibility had not yet captured the agenda of international and national business communities and polities. In the early 1980s Malaysian industrialization was very much dependent on traditional technologies, labour intensive assembling and manufacturing, and labour cost competitiveness. The demand for decentralized teamwork, total quality control and innovative autonomy had not and has still not come to dominate Malaysian manufacturing. It is now getting increased importance due to the rising liberalization and deregulation after the economic crisis 1985-86, new inflow of foreign investments during the last decade, low unemployment, lack of skilled employees, technicians and engineers, and rising wages and salaries. But the demand for organization based employment systems due to imperatives of innovative production systems with highly skilled employee autonomy and teamworking is part of Malaysia's future, not of the present manufacturing sector.

Besides, Malaysia's industrial relations system is fairly decentralized compared with many Western systems. In the manufacturing sector no central collective bargaining takes place any more. The central industrial relations system of the auto industry collapsed when the alliance between Japanese and domestic Chinese manufacturers took over in the early 1980s, i.e. before the introduction of the policy of enterprise unionism, but anyway carried by actors which were not keen on national unions. The normal pattern of collective bargaining is between central unions and individual employers, if necessarily backed by the servicing of the MEF. Thereby, employers have the option to shape collective agreements in accordance with their particular concerns. They also face a trade union which takes the best collective agreement for benchmarking and use it conditioned by the high employment situation. The shift from national union to enterprise unions increases the importance of the enterprise perspective and thereby, management and union flexibility, in theory

at least, but not necessarily in practice if enterprise unions follow national union achievements and the Industrial Court, handing arbitration of stalemate collective negotiations, is guided by average assessments and inflation trends. Finally, collective bargaining is not dominating the management-employee relations because union density is low and even declining since the economic crisis 1985-86.

The call for and pressure towards decentralised industrial relations due to innovative production systems is hopefully a problem of the future when Malaysia moves from the factor and investment phases of competitiveness to the innovative phase (Michael Porter concepts, adopted by Malaysian authorities for the new Industrial Master Plan). With a fairly decentralized industrial relations system and a pluralist trade union movement in the manufacturing sector, Malaysia is probably in a privileged situation for the time being, facing first and foremost the rising competition due to internationalization of its own and other economies. Flexibility is therefore a must, required by increased cost-competition, market fragmentation and fluctuation. This is reflected by recurring calls of government and MEF for productivity improvements and productivity based wage systems. The productivity problem is also acknowledged among trade unionists to a higher degree than employers and authorities think. However, trade unions will not engage in productivity-based wage systems until employers make their accounts and policies more transparent, while the employers back out when this demand is raised. The legacy of management prerogatives, institutionalized by labour law and blessed by employers, seems to be a problem far greater for the ongoing industrialization and technological upgrading of Malaysian manufacturing, because this prerogative excludes employees and their organizations from negotiating issues concerning information and participation in the daily management of Malaysian enterprises right down to the factory floor.

## 7. Conclusion

**T**HE evidence presented on Malaysian in-house unions calls for a reconsideration of the dynamics of enterprise unions, surpassing the Galenson-Odaka thesis. It is a myth that enterprise unions are, by



nature, weak, docile company unions. Although they do very often arise by management initiative, they do also very often turn against unfair managers and become genuine, strong or even militant trade unions. It is also a myth that enterprise unions by necessity band together forming or joining national unions. Worker collectives of national unions might as well disband and bargaining competences might be decentralised.

In this reshaped perspective, it is probably no coincidence that the so-called "new unionism" of militant, grass-root organizations in Mexico and India in the 1970s was created by enterprise unions breaking away from corporate structures of unionism. Without having the same state corporate structure as Mexico, Malaysian experiences indicate that, provided other conditions, enterprise unions might "break away" in more complex ways: from employer to dominance, from central union membership, and also back to central union membership, or back to management subordination.

The formation and dynamics of enterprise unions are conditioned by three key relationships: state-labour relations (labour laws, policies and practices), management-labour relations (not least management resistance to trade unionism in general and national unions in particular), and labour-labour relations (internal leadership, organizational democracy, policy, ethnicity, gender and other socio-cultural issues). Moreover, economic trends and business competition (firm-firm relations; state-firm relations) condition employment fluctuations and corporate restructuring, affecting union density and union structure. In sum, a multi causality explanation is pertinent for the understanding of the rise of enterprise unions in Malaysia, not a one sided statist theory: the rise of enterprise unions (here the dependent factor) is conditioned by two sets of independent factors: management-labour relations and labour-labour relations, and a third factor (the state-labour relations) forming a framework and mediation system in which a pluralistic structure of trade unions and industrial relations are formed by the key players of employers/managers and the labourers/unions.

The Malaysian experiences indicate that, at least in the medium and long term, enterprise unions are not by nature company unions but perform very much like genuine trade unions. They deserve to be taken seriously instead of

being conceived as “disadvantages of backwardness”. Strengthening and integrating enterprise unions with the trade union movement could add significantly to the viability of trade unionism not least in a political context (e.g. the Malaysian) legitimating enterprise unions, but also in a wider context of growing internationalization and decentralization of industrial relations. Facing increasing turbulent economic and business contexts the contemporary and future challenge to trade unionists and union members is to form decentralised, democratic and flexible trade unions, which are capable of adapt to changing economic, business, political and socio-cultural environments without losing the basic, development objective of trade unionism: Improving the lot of present and potential union members. The ultimate choice of Malaysian employees is not one between national and enterprise unionism, but one between trade unionism and 'no unionism'. In order to stay ‘in business’ trade unions have to develop flexible policies and organization structures, i.e. *flexible unionism*.

## Notes:

1. The conceptualization of 'structure' and 'institution' varies between different paradigms and schools of social sciences. By 'structures' I refer to institutions based on or related to productive, coercive or communicative resources reserving the concept of 'institution' for even more encompassing social relations of culture, structure and routine practices, including regulatory, normative and cognitive elements (see Scott, W.R. 1995). More concrete and operationally speaking I use the term 'economic structure' to describe the relations of production (the character and distribution of ownership and control of productive resources), the productive resources (labour, capital, knowledge/technology, and organization) and the division of labour within the production system (sectors and industries of production and distribution, the work organization etc.) at the international, national, regional and local levels.

2. The general secretary of EIWU rejected the concept of enterprise unionism because of the powerlessness of this type of unions: "You see, in-house unions are based on the Japanese model of trade unions. It has been here for a long long time. I would not say that all in-house unions are bad, but generally, they are weak. First and foremost, the leadership is always at the mercy of the employer. To put it in a nutshell: the leadership can not work for two masters at the same time. One master is the employer, and the other master is our members. So it will be very difficult for the person working in the centre not to offend either this side and that side. The other thing is that there is a greater tendency of the employers to influencing workers to throw away existing leaders. A very strong tendency. Also on the other side: the leadership can sometimes be bought over, either in kind or by way of promotions, better opportunities, better prospects and this sorts of things. And if the leadership is a genuine leadership, then of course they risk being terminated, dismissed. They also risk being transported from one place to another place. They also risk being harassed and intimidated on their job. Their life will be very very miserable. Their own members work sometimes against their interests, because they all work within the same organisation and it is very difficult for them to operate as a genuine union. The next thing is that in-house unions normally lack the necessary skills and knowledge to handle issues like collective bargaining, industrial disputes and so on. They don't have research facilities. They don't get up-to-date information. And their negotiations with the company is not on a regular basis as we negotiate ones in three years. (...). There is also a rapid turnover of leadership in the in-house union companies. Elections are normally held every two years and in some cases even annually. Annually there is a change of leadership, and there is no continuity as a result of this. And that weakens the very strength of the union. There must at least be a small period of continuity.(...). Take a look at the inhouse union: because of the rapid change in leadership, there is lack of continuity, lack of skills, lack of knowledge, they don't know how to dispute and they don't know how to identify problems in the factory." (Interview 1995)

3. "In fact, generally speaking if you ask me I would prefer to talk to national union leaders because they are enlightened, they are more exposed to issues so when we discuss matters it is easier to persuade each other on the basis of law and reason. When you talk to in-house unions, the in-house union leaders usually have no experience. This is the first time they are holding a position in the union, and if you talk to them, hey you know the law says this, and there was this court case or court rule like this, no no, I'm not interested what the court rules. They don't know what they are talking about. They are not familiar with all these established principles, established precedents made by the court so it is more difficult to persuade or convince them in any discussion." (Interview 1995).

4. A MEF-officer says: "I would agree that most companies would prefer to have no union because they would have more flexibility. They can change and re-organize fairly quickly. If you have a union you have to talk to them, probably you have to modify certain things in the collective agreement before you can implement the changes. It's not because they want to exploit the workers. For examples there is a lot of talks of electronics companies. Even without unions they have been paying wages and giving benefits well above the average. They know that they have to compete with other companies to get the workers, particularly in the last few years when we have been so short of labour, and we have thousands of foreign workers in our contry. The preference is mainly for the ease of reorganization rather than to

exploit the workers who are not protected by a union. It's not in that sense." (Interview 1995)

5. A MEF officer said: "There is this mis-conception that it is easier to deal with an in-house union, but that is not our view. I mean, to us national union or in-house union make no difference. Whether you get along with the union or not is very much a personally problem. If the officers in that company can come along with the union leaders in the national union, we have seen very peaceful harmonious relationships. On the other hand, we have seen in-house union leaders who just can't get along with their company managers, and they fight like cat and dog. There can be no generalization on this to say, all in-house unions are good or all national unions are bad. Not true." (Interview 1995)

6. The general secretary of the enterprise union outlines the story in the following way: "When I was a boy in the 1950s there was a strike in the factory. The factory closed down for two years. When it started up again, the manager set up an in-house union. He was the president and his managers took all the exco positions. In 1980, we took over the union. In 1981 we got the first collective agreement registered. Before the workers had only a piece of paper, and it was not registered which meant that it was not legally binding. After 1981 we have renewed the CA every three years. In the early 1980s we were very aggressive. We would force the management to recognise our union as a force representing the workers. The company did not even follow the labour laws. We fought the minest change in production and worked according to the rules and regulations. In the end the factory closed down several sections (shoe, car mates etc). After 1983 the workforce declined from 2000+ to 1000+ (excluding management staff). After that we reconsidered the situation and established cooperative relations. The management also changed and agreed to disclose their account, which we again could check in relation to production of various products. Finally we agreed to the reorganizing of production and installment of new technology. It happened around mid-80s. The company, owned by a Hong Kong resident and managed by a relative to the owner taking out all profits of the country, was bought over by a Malaysian corporation. (The company) brought in a new management group, new funds, and new machinery. We agreed to increase productivity while sharing the outcome in terms of increased piece rates. After that wages have increased about 5-6% per year. The union now has the right to negotiate the piece rates, but the company decides how much to produce. The company informs the union on their plans and what is going to happen so they are prepared when the workers ask. But the union does not have any say regarding technology and work organization of the new plant to be started in two years. Nor do we influence the training and education activities. But the management and the union depend on each other. The mangement needs the help of the union to run the production smoothly and solving daily problems." (non-taped interview, based on notes by the author).

7. IPI: "Towards the end of 67, there was a strike in the factory (...) on salary, low wages, and I think, at the time they did not comply with the law. They had the right to strike, but there should be called a secret ballot, meetings to explain why they were going on strike. During that period I think that the Malaysian government did not control very strickly. Those days when we went on strike we could actually set up outside the factory. They sat up, all the workers. They actually physically downed tools in the area. (The union leaders) did not communicate with the actual membership, they did not inform the members why there was a strike. So there was a split in terms of the membership at that period. There was confusion in the union, and this derives to the government to take further action. The government was trying to conciliate and solve the issue. Unfortunately, as I said, there was a split, so the management was able to convoy new workers into the factory and also some of the foreign employees there, so the production was still running. So I think that impeded the exercise of the strike, although they went on strike for almost four or five days, almost a week. Finally, when talks broke down, I think the police, the Federal Reserve Union came in to disperse the strikers. At that time they used tear gas, I remember, I was still there. Tear gas was shot at the workers, they had to run all over the basement. Finally, the strike was resolved with this police action and all that. The (worksite) leadership - most of them did not turn up, so the employer took them off the employment list. Those who did not come back was given a deadline to come back to work. I think they were reinstated on new terms of employment. A lot of them were very strong, they did not come back to work, so that fizzled out. Then we registered a trade union also, in fact also, I think with that membership. I think we were removed from membership of the national union of rubber workers. So there was a period between 67 and 68, there

was a period of no protection of the workers in (the company) due to the action there. And also I think, there was a core of workers who wanted to have some formal protection, and so the employer also felt a need to create relationships with the workers. I think, at that time a member, he actually came from the management side, I think he got to assist our forming a protem committee. At that time it was lead by management. We were just behind. That's how we got the inhouse (union) in 68. That's how what we call (name of new in-house union) came into existence. At that time we were registered as (name of union). A lot of people were nervous, especially the newer employees, so initially we had to tell them, inform them because of the record of the strike. I think a lot of the employees who came and joined was through the recommendation of the foreign people who were working there. They always said 'Oh, are you member of the union, ah' (Interview 1995).

8. The former general secretary summarizes the difficulty of the inhouse union by stressing the membership pressure on enterprise union officials: "Compare to the national situation, you can get some kind of immediate response as an in-house because we are always within. We are always close with them, sitting in the canteen with them. Everyday you could tell them stories, what is happening, what is going on in the union. The 'selling' is very important in the in-house concern, so we must be very close with the membership. The important thing is that the leader group come as a sub-committee, as a (wrap?) or they will remove from us the support..." (Interview 1995)

9. The national union perceives the breakaway in the following way (the present inhouse union leaders were reluctant to give an interview in spite of persistent phone calls and appearance at the factory gate (management didn't want to cooperate too): "The factory was the second oldest to be organised under our Union. For a very long time, the Klang Branch only constituted one factory i.e. Shum Yip Leong. It was only somewhere in August 1989 that the Branch expanded to include other new factories under instructions from the EXCO to do so. As at February 1993 the other two companies coming within the Branch were Torita Rubber and Len Brothers Industries. Complaints were received in January 1993 from members of the Branch in other factories regarding the conduct of the Branch Officers and the mal-administration of the Branch. The EXCO had over the period observed the non-functioning of the Branch Committee. The EXCO then conducted an inquiry of all the Branch Officers which resulted in the expulsion of three Principal Officers of the Branch effective from 21st February 1993. The details are on record in the minutes of the last B.D.C.. All the other Branch Officers were given a warning and advised not to repeat the past mistakes. Subsequently to this, the EXCO received a petition dated 4th March 1993 from 213 members from Shum Yip Leong protesting against the decision of the EXCO of expulsion, and expression no confidence in the Vice-Chairman and Ass. Secretary of the Branch. On 16th April 1993, the Exco called for a meeting of all Klang Branch Committee members to discuss the protest, to fill in the vacancies in the Branch Committee and to ensure the expelled members handed over all properties. At this meeting, one of the Officers from Shum Yip Leong, who was in possession of the keys, refused to hand over only after a General Meeting of Shum Yip Leong's members. Soon after, Shum Yip Leong members had a General Meeting on 25th April 1993, at the Branch office and took the decision to leave our Union and to form an In-House Union. Between 26th April 1993 and 28th April 1993 all five Branch Committee members from Shum Yip Leong tendered their letters of resignation from the Union. This was followed by an enbloc resignation of 267 Shum Yip Leong members from the Union on 28th April 1993. Thereafter Shum Yip Leong workers made an application to register an In-House Union and which was registered on 18th November 1994. The EXCO regrets that this has happen, and certain individuals had self interest in this process. Knowingly or unknowingly of the implications, Shum Yip Leong workers had taken a decision in favor of an In-House Union. We hope they would soon realise their grave mistake and come back into our National Union." (NUECMRP 7.the Biannual Delegates Conference Report 1995 p.9-10)

10. The case is interpreted by the general secretary (IP2) in the following way: "The former president of this union was, before he became president of the union, also elected chairman of the worksite committee at A1. In 1989, in their worksite election, he was defeated. He blamed some of our colleges from the national union that we never supported him. But we thought that this was his own area, we do not want to interfere there. He lost. Subsequently, he resigned from the presidency, and he became very

close with the management. As president of the union he had more say during the period, you can see any person at any time, you can have a very close rapport with the management. But those days he did a lot of good things for the members. After this problem he started moving very close to the management, just because the national union did not support him for the worksite committee chairman election. He wanted to get away from the national union. But in the beginning the new worksite committee confronted (him) and others who initiated to form an in-house union. But over the period the management turned on the pressure. Finally, after three month they became member of the existing in-house union. It happened in 1990 (...).

PW: How could the management put pressure on the workers?

IP2: They called group by group, five people in a group, the human resource officer called them to office to talk about the good thing of the enterprise union, what are the benefits they can get if they join the enterprise union. The worksite committee were given some good opportunities that this can happen if they join in-house union. Subsequently five members were promoted to supervisors.

PW: What about the old enterprise union. Did they try to persuade the new people to join the union?

IP2: No. The enterprise union did not play much role. The enterprise union was under the protection of the management at that time. They did not say anything. Everything became decided by management. (...) You cannot blame the members, but them in the exco were very close with the management, because they were taken well care of by the management." (Interview 1995; the perception of the course of events, e.g. the role of the preexisting in-house union, differ among the actors, but there is no doubts that the former president was a key power player, and he admitted it frankly to the author 1996).

11. What happened is described by the general secretary of the NUTEAIW (IP2): "This factory is situated in Shah Alam. Under one roof there are three companies: J1 which manufactures car seats for Proton; the other company J2 manufactures car interior parts for Proton, and the (third) company is now as J3 which produces raw materials for both companies (J1 and J2). J1 and J2 are considered new factories. J3 was formerly (located in the outskirts of the Kuala Lumpur area) procuring their materials from Penang. From Penang they ship to (the area). When they were established in (the KL area) they registered as an in-house union, the 'J3 Workers Union'. In the whole group the J3 Workers Union was the first union. It is more than 10 years ago. Subsequently we organized the other two companies, and the management recognized us as representing the workers at J1 and J2. The J3 maintained their enterprise union. Over the period our terms and conditions were better than the enterprise union, and whenever the company wanted to do anything with the workers they always deal with the national union and they informed the officials from the J3 enterprise union: You just follow the other agreement. Over the period the committee of the J3 union realized that the J3 union is not very much to the eyes of the management. It is not very important. Anything that J1 and J2 agreed they just put though in J3, especially on leave matters, because they had the problem that they are working for shifts, one week five days one week six days (...). We tried three years ago to join (the) unions but some of the union officials were well taken care by the management. So even when the members wanted to join, they realized: It is not right for them. But in the very beginning of the year, all members resigned from the union and joined us. They sought recognition by the company. The company only rejected it as there was already the J3 Workers Union. Since then the leaders also joined us, and we prepared all things and took them to the Registrar of the Trade Union and informed the Registrar that this union should be deregistered. It is so that if more than 75% of the members resign that union can be deregistered. We used that clause to deregister the union, and now are all of them our members. Now all the three companies are under our union, but they are separate entities and have their offices and own worksite committees. We are now negotiating collective agreement and it is much easier. Formerly, it was: We can do this or that for then the other companies will also have it.

PW: So the management does not care too much about it?

IP2: Along the period they realized that it is easier to deal with one person than with three persons, so they are also satisfied." (Interview 1995)

12. The workplace was good in the sense that the employees talk a lot politics during breaks. In 1988 some employees discussed in-house unions because of the government in-house union policy and when the government announced the possibility to form in-house unions in the electronics industry, one employee (A) was challenged by a college asking: "Why don't you set up an in-house union?" Being a

man of action A went ahead, got 15 subscribers and went to the DTUA. The DTUA was surprised because it was the first case in the electronics industry, but as the government had just legitimized electronics in-house unions they supported the case. They told A that the list of protem members must include at least seven production workers as some of the applicants were technicians, but by coincidence seven were actually production workers. However the Harris protem committee did not know about registration procedures, and the DTUA lectured them for 2-3 days. The MTUC was very critical to the Harris in-house union as the labour centre advocated the formation of a national union of electronics workers. MTUC had prepared a press statement which condemned the union as a management set up. The DTUA called the MTUC and explained that the in-house union was independent. The MTUC official didn't believe the department. Therefore DTUA send the protem committee to MTUC so they could hear by their own ears and assist the in-house union. In the end the MTUC press statement was not released. The DTUA also disclosed that the Harris management was furious and very much against the formation of the in-house union. The 24 January 1990 HSSM threatened to transfer all workers (2.680), except the union exco and some key members (24 of which 11 were women), from HSSM to Harris Advanced Technology (HAT). The union applied for name change to Harris Malaysia Workers Union but had not (in September 1994) received any reply. In April the workers of HAT were moved to a new building 400 meters away. In Septembers HSSM was closed down and the workers terminated and with them HSSM Workers Union, Malaysia's first electronic workers union acc. to the article; But is that statement true? What about Mitsumi?). The workers filed a report of unfair dismissals and demanded reinstatement to the Industrial Relations Department, the minister of Human Resources, Datuk Lim Ah Lek referred the case to the Industrial Court. In May 1994, the Industrial Court ruled that the workers' claim for reinstatement was dismissed. The case is appealed to the High Court which ruled in favour of the union. The management took the case to the Court of Appeal which ruled that the case was a clear case of union busting ordering the company to reinstate the dismissed employees of HSSM "with no loss of seniority or benefits, monetary or otherwise". The company did not appeal the award to the High Court, but it resumed the legal game when the union changed name to become the HAT union with the approval of the Ministry. This time the Ministry and not the union was sued (The Sun Magasine 22.9.1994; Court of Appeal award No. W-04-109-95, September 27, 1996; interview with union official and employee 1995, 1996, 1997).

Meanwhile the US company had a lot negative local and worldwide publicity as 'union buster', and the company worked hard to repair its public image (Interview with union officers 1995, 1996; FEER 1995.04.27). The human resource manager actively sought to promote the public relations of the company by advocating the three pillars of Harris human resource management: 1) Joint committees with consultations, 2) Management By Walk Around (MBWA) and 3) dialogue sessions between management and employees. In the eyes of the management, Harris is a model company. In the eyes of the defunct in-house union, the situation is upside down: The joint committee was set up by management and consisted of management and the middle level staff (supervisors); at the meetings, the management only held their monologues, and after the formation of the union, they threatened that workers joining the union would be sacked. The MBWA practice was also used to frighten workers and surveil union activity. When the union began organizing, they extended the MBWA to the nightshift also to catch unionist distributing leaflets on union matters and prevent its continuation. Harris also engaged a Muslim priest to deliver long sermons about the wrongs of unionism, that it was un-Islamic to become union members ('to bite the hand which feeds you'), and that the union was an attempt to Christianize Muslims. The Harris management deliberately turned religion and Malay ethnicity against the union.

13. The general secretary of the EIWU said: "The name of the company at that time was (...) and later it was acquired by a Japanese general manufacturer and it became (...). That company, the workers, left our union because they disgusted the then existing union leadership. They were not happy with the leadership. They were not happy with (the former executive secretary). They were not happy with the way (he) negotiated the collective agreement, because the workers generally felt that (he) could have done a better job and got better benefits. As such they left our union and formed a plant based union. The amazing thing here is that the manager of the company was with them at the registration department to register the union. The interesting question is: What interest does the management have?"

Why did the management go to the registration department with the workers? It means that it is in the management's interests. But somehow, to everybody's surprise, that union became a very militant union. Instead of contributing to the progress of the company, they were actually contributing to the destruction of the company. Since then, they have had two collective agreements, and every time they have picketed and destroyed some cars and all this sort of things. Very militant workers. So much so that I recently met the human resource manager at Langkawi (Malaysian island north of Penang, pw) he was telling me that he regrets having an in-house union. He would prefer a national union where we look at things in a much more professional manner. I mean, militancy is part and parcel of the trade unions, it all depends on when do you want to (act) and for what purpose. But in inhouse unions there are no mediations, so they just shortcut. Now, the company regrets, and they would prefer the EIWU instead of the in-house union because the EIWU believes in such things as good employer-employee relationship, does believe in harmony, in good working environment etc." (Interview 1995). According to the manager and the in-house unionists this description exaggerates the situation, denying that the industrial conflict ever turned into sabotage and damage to property.



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**IKMAS WORKING PAPERS**  
**Table 1: Union membership (registered) 1982-94 by trade unions and by enterprise unions in the Manufacturing Sector, Peninsular Malaysia**

Industry	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	%Change
1. Food, tea & E	5883	6682	6485	7214	7013	6471	7140	8000	9169	8438	9740	9258	9758	41.8
E/T%	1542						1833						2166	40.5
2. Beverages	22.4	2448	2556	2744	2517	2486	2056	2413	2285	2305	2282	2348	2361	- 4.1
E/T%	0.0						0.0						171	>
3. Tobacco	2219	2283	2346	2347	2360	1964	1849	1826	1686	1633	1620	1260	1229	- 44.6
E/T%	740						901						617	10.4
4. Text&apparel	33.3	15863	16346	14810	15435	15977	18459	20787	23163	22179	21716	21528	18747	18.2
E/T%	470						3297						7625	1564.9
5. Leath&footw.	2194	2015	1973	1786	2053	2173	3028	2886	3351	3211	3416	2876	2648	20.7
E/T%	45						280						351	680.0
6. Wood&furnit.	6649	6182	7174	6064	5366	5055	6871	7175	8655	10057	12000	11306	10712	61.1
E/T%	0.0						0.0						0.0	-
7. Papers&prod.	1310	1204	1245	1199	1228	1227	1246	1179	1196	1134	1174	1335	1663	26.9
E/T%	0.0						0.0						0.0	-
8. Print&publ.	5908	6191	6124	6191	6462	7439	7371	7759	7925	8088	7490	7464	7659	29.6
E/T%	766						687						1178	53.8
9. Rubber prod.	13.0	7533	6783	6641	6567	6496	6829	7869	9325	7929	9773	10322	10717	50.7
E/T%	3455						2130						15.4	33.1
10. Chem&petro.	48.6	11379	10757	11872	12706	13399	13574	15045	16656	17575	17896	19335	42.9	67.8
E/T%	11379						3468						5383	>
11. Non-metall.	7148	7571	8397	9181	9495	8955	9869	8619	11028	11729	12825	13716	14401	101.5
E/T%	84						367						913	986.9
12. Bas&fab.met.	1.2	9894	10183	10785	10851	9378	9570	10162	10886	12414	13243	13392	16364	74.9
E/T%	9355						25.5						2664	107.2
13. Machinery	1286	3106	2955	2402	2019	1932	1860	1921	1856	1821	1803	1708	16.3	- 50.0
E/T%	3443						0.0						0.0	-
14. Electr/onic	0.0	7586	7599	8047	10546	11310	13825	19297	22345	23727	26740	30362	32272	364.1
E/T%	296						4092						9302	3042.6
15. Transp.equi	4.3	8052	8736	8991	7050	4938	5967	6063	7689	9038	10134	10912	11074	53.3
E/T%	7224						23.6						6853	223.6
16. Prof.sc.& other manuf.	2118	1976	2159	2366	3059	2566	406	2624	2685	2998	2975	2931	3940	61.9
E/T%	29.3						16.6						2124	98.3
E/T%	0.0						16.6						53.9	>
Total manufact.	98070	102645	101818	102640	104727	102366	111977	123625	139900	144276	154827	160054	164271	67.5
E	10802						22611						44345	310.5
E/T%	11.0						20.2						27.0	

Source: Compiled by the author from MHR/DTUA annual reports (industry classification revised and classification of particular unions changed for comparison with NPC/DOS material)

Legend: T = trade union membership in total; E = enterprise union membership; > means infinite increase. @ Peter Wad 10.4.1997

Table 2: Leadership stability/instability for unions registered 1982 or before

Industry	Union type	Industrial unions	Enterprise unions
1. Food, tea etc		FIEU 31/36	MSM 32/36
2. Beverages			
3. Tobacco		TIEU 22/36	ROTHMANS 34/36
4. Text & garment		PTGWU 31/36	SPT/Berjaya T. 30/36
5. Leather &			
6. Wood & furniture			
7. Paper & product			
8. Print & publication			
9. Rubber product		NUECMRP 19/36	FKRF 24/36 DMIB 29/36 DMSA 24/36
10. Chemical & petroleum		NUPCIW 32/36	
11. Non-metal			
12. Base & fabricated metal		MIEU 31/36	MALAYAWATA 29/36
13. Machinery			
14. Electrical/electronics		EIWU 30/36	UC/EBC 33/36
15. Transport equipment		NUTEAIW 32/36 MASS 23/36	UMW 26/36
16. Misc.		UETU 28/36	
Average		National/state unions 28/36	Enterprise unions 29/36

Source: Compiled by the author from MHR/DTUA annual reports

Legend: '28/36' means that out of 36 possible years of formal leadership by president, general secretary and treasurer, 28 years are held by the former year's inhabitant. (1982 is the year of departure, and 1983-94 the following years where leadership might change every twelve years, i.e. making 3X12 changes possible)

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