

Journal of Industrial Relations

© Australian Labour and Employment Relations Association (ALERA)

SAGE Publications Ltd,

Los Angeles, London, New Delhi, Singapore and Washington DC

ISSN 0022-1856, 54(4) 494-509

[DOI: 10.1177/0022185612449135]

Revitalizing the Malaysian Trade Union Movement: The Case of the Electronics Industry

Peter Wad

Copenhagen Business School, Denmark

Abstract: The article takes an historic perspective on contemporary issues of trade union revival in Malaysia, focusing on the challenge of raising union density and analysing the process of organizing employees in the strategically important electronics industry. It concludes that the political support for transnational corporations in the electronics industry is declining. This strategic shift enables union activists to bypass enterprise and state-based unions and to establish larger, regionally based unions. However, newly organized unions have not yet overcome resistance from global corporations, nor have trade unions been included in the larger politics of development strategies. Unions must be part of a larger socio-political movement and regime change in order to overcome the restrictive labour laws as well as the anti-union practices of transnational corporations. Yet the majority of the peak union organizations prefer non-partisan engagement. In order to revitalize themselves, the unions must demonstrate to the Malaysian public that they are both relevant and important for increased productivity and that they can play a significant role in enabling Malaysia to move beyond the middle-income 'trap' towards a more developed market economy.

Keywords: *developing country; electronics industry; Malaysia; trade union*

Contact address: Peter Wad, Department of Intercultural Communication and Management and Centre for Business and Development Studies, Copenhagen Business School, Solbjerg Plads 3, Copenhagen, DK-2000, Denmark.
[email: pw.ikl@cbs.dk]

Introduction

Three paradoxes beset the Malaysian labour movement. First, while the employment structure is highly commoditized, with employees forming 75% of the workforce (Ofreneo and Wad, 2010), trade union density is estimated to be around 8.5% of the employee workforce. Second, although trade unions are unified in one national labour centre, the Malaysian Trades Union Congress (MTUC), this centre is not a centralized trade union but registered as a 'society' (a labour non-governmental organization (NGO)). Furthermore, the Malaysian trade union movement is highly fragmented into more than 600 separate unions with an average of 1300 members per union (Ministry of Human Resources (MHR), 2008; MTUC, 2010). Third, Malaysian workers have neither a strong labour party to represent and to voice their concerns and claims in Malaysian politics, nor influential cooperatives, consumer associations, educational institutions or cultural societies to promote and articulate their interests. Thus, trade unions in Malaysia are too weak to have their interests represented in the formation of government policy (Rasiah and Chua, 1998).

The article sets out to analyse the difficulties facing the Malaysian trade union movement in the early 21st century, focusing on the low union density and poor organization of one of the key manufacturing industries: the foreign-controlled electronics component industry (Rasiah, 2009). Foreign direct investment (FDI) by transnational corporations in export-oriented industries has been an important vehicle for sustained economic growth since the 1970s. Furthermore, FDI has provided the political rationale for suppressing union organizing of these industries, especially in the dominant electronics industry, which has been strongly influenced by anti-union US corporations (Wad, 2002). More broadly, contemporary Malaysia can be classified as an 'authoritarian developmentalist market economy', in which the state is controlled by a 'development coalition' of political and economic elites that excludes and tightly regulates social movements and labour organizations within a formal parliamentary framework, but simultaneously aims for economic growth and development, including the alleviation of poverty and elite equality through Malay-affirmative policies (Henderson and Phillips, 2007; Rasiah, 1997; Rasiah and Ishak, 2001; Ritchie, 2005). However, in the coming decade, Malaysia will have to rely more on domestic private investment in medium- and high-tech industries and less on both FDI in labour-intensive production and state subsidies for domestic companies (National Economic Advisory Council (NEAC), 2010). The question is whether unions in the electronics industry will be able to successfully organize workers, overcome resistance and contribute to the revitalization of the trade union movement in Malaysia.

The article is based on long-running research into the Malaysian trade unions with fieldwork having been undertaken since 1983, and with a particular focus on trade union matters in the Malaysian manufacturing sector (Wad, 1988, 1997, 2007) and the automobile industry in particular (Wad, 2004). For this article, field research was undertaken during the second part of

March 2011, including interviews with key union leaders, as well as the analysis of secondary data from various academic, public and private sources.

The article is structured as follows. The theory on union organizing is briefly outlined. Based on this account, the overall trend and low union density in Malaysia in the 2000s is analysed. Then, the organizing challenges facing Malaysian unions are examined, particularly the history of organizing in the electronics industry. This began with the early days of anti-unionism, followed by state support for in-house unionism, and progressed to the new era of regional electronics industry workers' unions. The article concludes with an assessment of recent developments in union revitalization in Malaysia.

Organizing Employees in Market Economies: A Theoretical Outline

The analysis is framed by the 'varieties of unionism' perspective on trade union revitalization against a worldwide trend of union decline since the 1980s. This has been evident in the decline of union membership, economic and bargaining power, institutional vitality and political power (Kelly and Frege, 2004). Kelly and Frege argue that the level of union membership, and hence organizing, plays a more important role for union power within industrialized liberal market economies, while union structure and alliances are more significant in industrialized coordinated market economies. However, Malaysia is not an advanced market economy, but a political economy in transition from a commodity-based economy to an industrial economy. This process of development has been driven by an alliance of the state and transnational corporations from which organized labour has been excluded. How can union organizing be theorized in this context?

Reviewing the literature on union organizing in a general historical perspective, Cooper and Patmore (2002) listed the following broad factors affecting union membership: economic cycles and labour market changes; the legislative and regulative environment; employer strategies; job features; and worker attitudes. These factors are relevant because they interface with three different types of labour power, namely: labour market power, workplace power and associational power, for example, trade unions (Wright, 2000). Thus, the situation facing union organizing in Asian developing countries can be summarized in the following way (Deyo, 1989; Kuruvilla and Erickson, 2002; Kuruvilla and Venkataratnam, 1996; Kuruvilla et al., 2002): organizing is more difficult if unions operate in low-growth economies and numerically flexible labour markets with abundant labour supply, including women and immigrants. This is particularly the case if employers are dominated by anti-union, export-oriented transnational corporations and their domestic suppliers are demanding unskilled or semi-skilled workers in low-paid, precarious jobs. Furthermore, union organizing is made difficult if the firms are supported by anti-union legislation and pro-FDI policies formulated and enforced by governments in culturally heterogeneous societies. If these forces are widespread and increasing, it follows that union density will be low and declining. Defenceless workers

and their dependants will experience increasing socio-economic deprivation and despair ('race to the bottom') and, as a consequence, will form a 'precariat', which has been described by Standing (2011) as a new dangerous class that may instigate societal upheaval, rebellion or revolution. Or they may increasingly become politicized and join labour parties advocating progressive labour reforms, if possible.

Contemporary Challenges of the Malaysian Trade Union Movement

The historic paradox of Malaysian unionism is that a strong trade union movement emerged in the years of decolonization following World War II. Union density peaked at 21.4% (a minimum estimate) in 1947 but fell dramatically during the intensive part of the civil war, 1948–1950 (the First Emergency) (Jomo and Todd, 1994). The Communist-dominated union movement, based on general unions, collapsed. To fill the vacuum, the British colonial administration supported the establishment of a reformist labour movement in the 1950s, which was based on industrial unions in commodity export-related industries (plantations, mining, transport, public infrastructure). Union density recovered to 18.5% of the workforce (in Peninsular Malaysia) at the time of independence (1957). The independent Malaysian government tolerated the unions until the Second Emergency, involving the *Konfrontasi* (confrontation) with Indonesia during 1963–1965 over the formation of Malaysia. Labour legislation enforced compulsory arbitration, and a tight labour control regime was strengthened during the Third Emergency (1969–1971). This period marked the shift to the state-driven New Economic Policy (NEP) in 1971 and export-oriented industrialization. Nevertheless, the trade union movement was stabilized, and even increased union density to 20% in 1970 and 21% in 1980 in Peninsular Malaysia (author's calculation based on Jomo and Todd, 1994).

The economy grew rapidly during the post-colonial era, interrupted by crisis in the mid-1980s and the late 1990s (by the East Asian crisis), with an average Gross Domestic Product (GDP) growth of 6.6% in the 1960s, 7.7% in the 1970s, 5.9% in the 1980s, 7.3% in the 1990s and 5.2% in 2000–2006 (Yusuf and Nabeshima, 2009: 18). Union density in Malaysia declined from around 20% of all employees in 1980 to 11% of all employees in 2000, and further to 8.5% in 2007 (author's calculation based on the Department of Statistics (DOS), 1983, 2003; Ministry of Labour and Manpower (MLM), 1981; MTUC, 2010; Ofreneo and Wad, 2010). Thus, high economic growth rates do not seem to be a critical factor in explaining changing trends of union density in Malaysia. Even though absolute membership rose from around 220,000 in 1957 and to 530,000 in 1980, and more than 800,000 in 2008, declining union density in a rapidly expanding workforce since the 1980s has undermined union power and poses a key challenge to union agency.

The expansion of the Malaysian labour market created a new working class among Malays who left rural/agricultural areas for urban/industrial areas. Malaysian society is a multicultural society where class interests articulate with ethnic identities (Rowley and Bhopal, 2005, 2006; Zawawi, 1998).

By 2007, Bumiputera (Malays and indigenous people) comprised around 60% of the Malaysian population, Chinese Malaysians comprised 23%, Indian Malaysians comprised 7% and foreigners comprised 9% (EPU/PMD, 2008: 45). However, is ethnic diversity in general, and Malay culture in particular, an insurmountable barrier to union membership as indicated by some theories? The share of Malay union members was 21% at the time of Merdeka (Independence) in 1957, but the Malay membership reached 50% of total union membership already in 1980 (Jomo and Todd, 1994: 272). Thus, the new working class of Bumiputera/Malays seems to be as (dis)inclined to join unions as the other two ethnic communities. Hence, ethnicity is not the core issue in promoting union organizing!

Moreover, union strongholds in various sectors demonstrate that it is possible for organizing to succeed. Union density was 3.7% in the private sector relative to 30.9% in the public sector in 2007. But even in the private sector, strong industrial trade unions evolved in banking in the 1960s and in the automotive industry in the 1970s, and the high union densities in these sectors have been sustained by the unions adapting to changing environments and adopting new innovative methods of organizing (Peetz and Todd, 2001; Wad, 2004). Even the electrical and consumer electronics sub-industries have been relatively well unionized, but not the electronics component sub-industry (Wad, 1997).

Finally, low levels of organizing are not caused by relatively high labour force participation by women and low union density among female employees. The gender distribution of union members was 60% for men and 40% for women in 2007 (Department of Trade Union Affairs (DTUA), 2011), which was rather similar to the gender distribution of the labour force (64% to 36% in 2004, respectively) (DOS, 2005).

What are the causes of low union density? Although union density is much lower in the private sector than the public sector, it can be argued that employer resistance to organizing and collective bargaining is a very important factor, and especially so among transnational corporations (TNCs) in the electronics industry. High inflow of immigrant workers in precarious jobs in private industries like plantations, construction and domestic services makes it difficult to unionize because authorities and employers prevent immigrants from joining unions (Crisis, 2010). Moreover, temporary employment is used increasingly in Malaysia, particularly for immigrant workers, making the labour market more flexible and informal, to the advantage of employers. Finally, the overall political intervention in and strict regulation of the labour market and labour organizations make it difficult for unions to organize members and provide benefits for their members. For example, in the private sector, trade unions are almost excluded from using industrial action to further their interests. In the public sector, unions are not allowed to undertake collective wage bargaining. Unions are forbidden by the Ministry of Human Resources to organize across narrowly defined industry or sub-industry demarcations, and they are restricted from establishing national unions in key export industries, such as garments and electronics (Anantaraman, 1997).

Another important challenge is the mushrooming of trade unions and their decreasing size. This fragmentation is also conditioned by the Malaysian Trade

Union law and is deepened by the government's preference for enterprise unions (in-house unions) relative to industrial unions since the early 1980s (Wad, 1988, 1997). Trade union fragmentation weakens the unions' capacity to organize new members and achieve more bargaining power. Meeting this challenge requires union coordination and restructuring through union federations, mergers or organizational innovations, on the one hand, and political leverage in order to change labour legislation and administration, on the other.

Malaysian unions have little influence through tripartite bodies and they are prohibited from supporting political parties or forming their own political parties. Malaysia's political system is cast in ethno-political parties and constitutionally privileges the Bumiputera population as the indigenous nation of Malaysia. Moreover, collaboration between trade unions and NGOs in Malaysia has been weak and fragile. There was an unsuccessful attempt to form an alternative social movement unionism in the 1980s (Dass, 1991) and ad hoc alliances, such as rallies for a minimum wage, in the wake of the 'Reformasi' movement appeared in the late 1990s and the 2000s. Cooperation between Malaysian unions and foreign or global union federations and confederations can be useful, but the scope of collaboration and support is restricted by the fact that Malaysian unions, operating in a middle-income country, have little access to external financial aid.

Political exclusion and suppression of labour organizations, as has occurred in Malaysia, would often condition the politicization of labour and their unions ('political unionism') and/or trigger the formation of labour parties. However, Malaysian unions were forbidden to support partisan politics from the late 1960s (Jomo and Todd, 1994) and no significant labour party with extensive linkages to trade unions has been formed during the last 40 years (interview with Syed Shahir, 21 March 2011). From a union perspective, it does not make sense to try to form a political party when the trade unions organize less than 10% of the workforce (interview with N. Gopalkishnam, 19 March 2011).

The case study of how the important electronics component industry, with a workforce of up to 300,000 employees, organized provides a critical insight into how Malaysian trade unions have responded to the challenges of trade union revival in Malaysia.

Organizing for Collective Bargaining in the Electronics Component Industry

The Role and Policy of Industrial Unions and the Malaysian Trades Union Congress

The Electrical Industry Workers Union (EIWU) tried in the 1970s and 1980s to become the dominant union for electronics workers, but the Registrar of Trade Unions refused the EIWU's applications to organize electronics workers. Subsequently, the MTUC took the unsuccessful initiative to form a National Union of Electronics Workers (NUEW) in 1978 and 1980. The International Metalworkers Federation (IMF) unsuccessfully raised the case

with the International Labour Organization (ILO) several times. However, the Malaysian government finally conceded to the MTUC's wish to form the NUEW when the peak labour centre in 1988 after the American Federation of Labour and Congress of Industrial Organizations (AFL-CIO) demanded that the US government withdraw Malaysia from the US General Systems Preferences (GSP) of international trade because the Malaysian government prevented unions from unionizing within the foreign-controlled industry. However, the Malaysian government backtracked after pressure from US TNCs and allowed only in-house unions to be formed in electronics companies (Anantaraman, 1997). The MTUC and IMF took an anti-'free union' case to the ILO the same year and the AFL-CIO resumed its case in the US. When the US government finally investigated the case in Malaysia in the mid-1990s, it found that the workers could organize themselves in enterprise unions and declined to recommend that the US Congress follow the AFL-CIO recommendation. The MTUC gave up pressuring the Malaysian government through the ILO, and, in 1997, the MTUC launched the MTUC Langkawi Charter – 'The role of the labour movement in the 21st century' – which advocated that the MTUC should 'continue to demand an industrial union for electronics workers but in the mean time will assist these workers to organise themselves into enterprise unions for their immediate protection and interests' (MTUC, 1997).

During the mid-1990s enterprise unions in Malaysia mushroomed, but only succeeded in organizing 27% out of the total union membership of 164,000 in the manufacturing sector. However, enterprise unions were the only form of labour organization in the electronics sub-industry. Enterprise unions organized the majority of union members in the tobacco industry (67%) and the automobile industry (62%), while it was in the minority in the electrical and electronics industry (29%) (Wad, 1997). However, the US TNCs in the electronics industry still preferred to be union-free and they successfully resisted the formation of in-house unions. Japanese TNCs claimed that they would accept enterprise unions, but only if their competitors also did so (Bhopal and Todd, 2000; Wad, 1997, 2002). The anti-union policy that American TNCs pursued in the Malaysian electronics sector is exemplified by the formation of the Harris Solid-State (Malaysia) (HSSM) in-house union.

The Harris Solid-State (Malaysia) Union Case

At the time of the establishment of the HSSM union, the Harris Solid State (Malaysia) company was a subsidiary of Harris Semiconductor, which in turn was a subsidiary of the American Harris Corporation (Bhopal, 1997). In 1988, the Harris Corporation acquired the semiconductor division (RCA) of General Electric, and this acquisition included RCA's Malaysian company assembling and testing semiconductors (interview with B. Periera, 6 May 2001).

The announcement of the Malaysian government's new policy on unionization of the electronics industry in 1988 inspired a few employees at the RCA Malaysian subsidiary to form an in-house union. The secretary of the in-house union, Bruno Periera, was motivated by a worker who suggested that he

establish an in-house union. Periera secured the required minimum of 15 members and made an application to the DTUA. The DTUA was taken by surprise because it was the first application for an in-house union in the component electronics industry, and as the government had only just legislated for in-house unions, they supported the case. The RCA pro-tem committee did not know about registration procedures, and the DTUA lectured them for two to three days. In the end, the union was registered as the 'RCA Workers Union' on 31 January 1989 after their application had been processed rapidly by the DTUA in one week (Bhopal, 1997)!

The American company rejected the RCA union's claim for recognition on the grounds that the union did not have support from the majority of the workforce. Moreover, management changed the company name from RCA to Harris Solid-State (Malaysia) and claimed that the RCA union could not represent the HSSM employees. The RCA union leaders immediately applied for a change of name, and the DTUA accepted the new name as the HSSM Workers Union. The DTUA also recommended that the HSSM management recognize the union within a period of two weeks.

The HSSM management vigorously opposed the establishment of the in-house union. In April 1990, the workers of Harris Advanced Technology (HAT) were moved to a new building 400 meters away, leaving the union activists behind in the old building. The HAT union pressured the company to commence collective bargaining. When the company refused, the union took their case to the Ministry of Human Resources for conciliation (Bhopal, 1997). In September 1990, a week before the conciliation meeting, the HSSM closed down and the workers were retrenched. The workers filed a report of unfair dismissal, demanding reinstatement. Subsequently, the Industrial Relations Department and the Minister of Human Resources referred the case to the Industrial Court. In May 1994, the Industrial Court dismissed the workers' claim for reinstatement. The employees appealed to the High Court, which ruled in favour of the union. The management then took the case to the Court of Appeal, which ruled that the case was clearly about union-busting, ordering the company to reinstate the dismissed employees of HSSM 'with no loss of seniority or benefits, monetary or otherwise'.

Surprisingly, the company did not appeal the award of the Court of Appeal. Instead, it resumed legal action and sued the Ministry on the grounds that the union was not entitled to change its name to become the HAT union, as approved by the Ministry. The company lost its case against the Ministry and then took it to the Court of Appeal. Meanwhile, the US company received a great deal of negative local and worldwide publicity as a 'union-buster', while the company tried hard to restore its public image.

The leadership kept the union in existence during the years of legal conflict and only charged its members one Malaysian Ringgit (US\$0.25) as a membership fee. It peaked with 2400 members in 1994. Yet, after the HAT company was acquired by the US Citicorp and the HAT union recognition case was still pending with the Court of Appeal, the HAT union secretary came to the conclusion that the in-house union organization was too weak to defend workers

against a determined anti-union management. Moreover, the legal fight did not achieve a solution to their organizing campaign. However, the alternative of closing down the union was not an attractive option because the union leadership would be without a platform for unionizing electronics workers and would be prevented from engaging in national union politics within the MTUC. The alternative was to form a new and legitimate network of union activists, either in a state-based or federal-based pro-tem union committee of dedicated electronics component industry employees (interview with B. Periera, 6 May 2001).

In 2004, the HAT leadership finally decided to close down the in-house union. The deregistration procedure was initiated, and the secretary decided to work for the formation of a national union of electronics workers. Following the deregistration of the HAT union, the secretary deemed that the in-house union concept had become discredited and irrelevant – at least within the US-dominated electronics component sector of Malaysia. The union membership figures in the electronics industry corroborated this assessment. By 2006, the DTUA registered nine enterprise unions with 7416 members in the electronics industry, including the 1524 members of the HAT union who wanted to deregister.

Regional Electronics Industry Employees' Unions

The HSSM union had been quite isolated in the Malaysian trade union movement; the MTUC continued to work for a national union of electronics workers as its primary objective and the EIWU did not support the union in any way. The IMF-Malaysia Council (IMF-MC) could not accept the HSSM union as a member as long as the IMF refused to let the union become a member due to its in-house union status. However, no application for a national union of electronics workers had been forwarded to the Ministry of Human Resources, which made it easy for the government to fend off criticism that it was being anti-union.

In fact, the new organizing momentum was based on dedicated union activists and has been actively supported by the MTUC under a more activist leadership since 2005. The MTUC provided some help, discussing the regional electronics union issue with the Minister of Human Resources while it kept pushing for a national electronics industry union. It hosted a meeting with leaders of electronics workers at the MTUC headquarters, but personnel and financial support were quite negligible (email from S. Shahir, 28 October 2011). In the western region of Malaysia around Kuala Lumpur, the key driver of organizing electronics workers was Bruno Periera, the former secretary of the HAT in-house union. In the northern region, Francis Xavier, a former executive secretary of the National Union of Employees in Companies Manufacturing Rubber Products (NUECMRP) and activist, did much organizing work until he died in a traffic accident in 2010 (interview with N. Gopalkishnam, 19 March 2011). Activists from the labour NGO Labour Resource Centre (LRC) also undertook organizing work in the south and east regions (email from S. Shahir, 28 October 2011). The IMF East Asia &

Pacific office, based in Malaysia, offered financial support for capacity-building training workshops, but could not fund the organizing work that was urgently needed (interview with B. Periera, 20 March 2011).

Finally, the concept of regional unions emerged as a compromise between the demands of both the workers and the unions for a national industrial union and the government's offer to allow state-based unions, as existed in the textile and garment industries. Bruno Periera became the general secretary of the Electronic Industry Employees Union Western Region Peninsular Malaysia (EIEUWRPM). The EIEUWRPM currently has approximately 3000 members but it does not charge members monthly fees because it has not yet signed any collective agreements (interview with B. Periera, 20 March 2011). The organizing drive of the union is weakened as long as employers are setting up in-house unions to counter the establishment of regional unions. However, this employer tactic does not always succeed. In the southern region, the management of ST Microelectronics, with 2700 employees, unsuccessfully tried to prevent organizing by way of forming an in-house union. The company was unionized by the EIEU Southern Region when 57% of workers (from a total of 1700) voted in favour of the regional union when the certification election was held by the Ministry of Human Resources in January 2011 (IMF, 2011).

In sum, electronics manufacturing TNCs led by US corporations defeated the institutional innovation of in-house unionism, which was advocated and supported by the Malaysian government and state agencies. This outcome paved the way for a more centralized approach to the formation of a regional electronics workers' union based on a temporary alliance between workers, unions and the authorities. If and when the regional unions of electronics workers engage workers, overcome resistance from employers and win collective bargaining agreements, they may change the industrial relations of the strategic electronics industry in Malaysia. Moreover, they may also impact on the power balance inside the national labour centre MTUC, which would have wider implications for the role of unions in society. Given the size of the electronics workforce, the four regional unions of electronics employees may become large unions with thousands of members, and they will have the strength to influence the election outcome and internal power balance in the MTUC. The stakes of organizing electronics workers are high for the trade union movement, internally as well as externally.

Revitalizing Malaysian Labour as an Agent of Transformation: Mission Impossible?

In 2001, Todd and Peetz (2001) argued that although Malaysia during the past decade aimed to achieve developed-economy status by 2020 ('Vision 2020'), the Malaysian industrial relations system had not changed from a 'control' to a 'commitment' system, which is necessary to develop highly productive workplaces. And in the mid-2000s, Todd, Lansbury and Davis (2006: 83) concluded that 'legislative changes alone will not achieve the high performance workplace

relations necessary for Malaysia's development', although 'all parties are questioning the appropriateness of their current labour laws'.

This situation is corroborated by the case of the evolution of industrial relations in Malaysia's electronics industry. Although state control was lessened, allowing for enterprise unions in 1988 and legalizing them in 1989 (Wad, 1997), in-house unions were opposed by TNCs in union-free companies. Alternatively, in-house unions were supported by management against the organizing efforts by industrial unions. Enterprise unionism was finally abandoned by unionists as being an unviable way to unionize the electronics workers. This was acknowledged by the Ministry of Human Resources when it permitted the formation of regional electronics industry unions.

The 'high control' regime of Malaysia is linked to the export-oriented industrialization (EOI) strategy pursued by Malaysian governments since the early 1970s. These governments have supported the abundant supply of cheap and docile labour and a stable macro-political-economic framework in order to attract FDI. Moreover, Malaysian trade unions have been marginalized by the governing bloc in Malaysian politics since the 1970s because they were considered anti-government and they sided with the political opposition (Jomo and Todd, 1994). However, the EOI development model has come under increasing pressure due to the rise of China and India as attractive destinations for FDI. Also, the global financial crisis in 2008 caused export markets to implode, while domestic demand was expanded in EOI-based economies.

A partnership between the trade union movement and the government is required to form a social compromise and a 'productivity alliance' that can unlock Malaysian development potential from the present 'middle-income trap'. In fact, such a 'productivity alliance' was part of former Prime Minister Mohamad Mahathir's 'Look East' policy in which he encouraged Malaysians to imitate and learn from the successful Japanese economic transformation. One component of this vision was the 'in-house union' policy, which Mahathir hoped would create an institutional basis for harmonious collaboration between management and labour at the workplace level, while keeping political labour at arm's length (Wad, 1988). Today, we know that the 'Japanization' of Malaysian industrial relations withered due to the determined opposition by anti-union TNCs and local human resource managers.

The current state of Malaysia's industrial relations system is constraining, if not blocking, the progressive mobilization of Malaysian labour for the economic development of Malaysia. The amendment to the Employment Act in November 2011 that legalized the use of labour contractors, against opposition by the trade unions, illustrates the current situation. The recently retired general secretary of the MTUC and current executive secretary of the Metal Industry Employees Union pointed out that: 'I have been in a main position in the last 17 years since 1994 and from 1980 in various positions. I have very little to be satisfied about!' (Interview with G. Rajasekaran, 22 March 2011). The former president of the MTUC and executive secretary of the

National Union of Transport Equipment and Allied Workers notes that:

In Malaysia we only have trade unions. We had a labour party once. To a certain degree it did work and co-operate with the unions and workers. We are still talking about organising and collective bargaining, the law and regulations. They are very inclined to the state and the employers. You are not strong enough to change the system. (Interview with S. Shahir, 21 March 2011; email 28 October 2011)

For the time being, the Malaysian union movement is currently too weak to achieve necessary reform. It will take a profound 'reformasi' movement, a change of political regime from the present one to one led by the oppositional 'Pakatan Rakyat' coalition, to establish a less anti-labour and more pro-labour 'just' society, respecting human and labour rights, and to include labour as a developmental force. But, for the time being, the majority of MTUC unions have chosen to stay neutral, non-partisan, in the ongoing partisan battles. When the new leadership of the MTUC was elected at the end of 2010, the incoming President and Secretary General of the MTUC came from the non-partisan faction. They have avoided being involved in partisan politics or 'race' politics:

Here, politics is race based. The whole Barisan government is race based. There is no secret about it, MIC [Malaysian Indian Congress], MCA [Malaysian Chinese Association], UMNO [United Malays National Organization]. They are very powerful and they are very revengeful. In order to remain in power they will tell all kinds of stories, use the newspapers and mass media to attack the MTUC. MTUC is not big enough and strong enough and unity is not that great when it comes to racial politics to be able to influence and change. (Interview with G. Rajasekaran, 22 March 2011)

The partisan 'reformasi' MTUC opposition subscribes to an alternative conception of trade unionism, which is articulated by the former president of the MTUC Syed Shahir as follows:

Most important, trade unions are a political organisation. You cannot deny that. MTUC also. You must show to the world that you are a political organisation. You can join a political party in Australia, Singapore, South Africa. Your minimum agenda must be supported by a political perspective. Whether you engage with a political party or not is an individual choice. It is about positioning yourself. . . . You have never had an MTUC leadership without party members. During my term we have pushed the minimum wage issue. Now the government agreed to establish a National Wage Council. Already in 1949 was the minimum wage issue raised. Retrenchment Fund is now a public issue. (Interview with S. Shahir, 21 March 2011)

Hence, Malaysian unions are caught in a 'Catch 22' situation: a political-economic regime shift is necessary to revitalize the union movement; and a revitalized union and labour movement is a precondition for a regime shift. Is this 'mission impossible'?

Research on Malaysia's labour market in the early 1990s demonstrated that the so-called 'union effect' included a 15–20% higher wage level, lower labour turnover, higher labour benefits, increased training and higher productivity (Freeman, 2010: 4677; Standing, 1992). Both employees and employers can achieve net benefits through union participation and collective bargaining.

Yet this fact is not yet recognized by the vast majority of employees and employers, or by the governing political coalition in Malaysia.

Conclusion

According to their own perception, Malaysian trade unions are politically and economically weak in relation to the ruling political coalition and dominant businesses. Unions have not been revived during recent decades. Since the 1970s, labour's socio-economic organizations have been increasingly contained and relatively weakened and its socio-political potential as a class has been diverted into ethno-political partisan politics. However, with the high and deepening level of workforce commodification, organized labour has become a potential social force in the political economy of Malaysia. Moreover, the trade union movement is constituted on a non-ethnic foundation. With the inflow and integration of Bumiputera labourers as members and officers in the trade unions, Malaysian unions can evolve into a strong labour movement. It can become part of social forces that can challenge and transform the existing hegemony of the ruling Barisan Nasional (BN) coalition.

A political-economic regime shift is probably necessary to 'free' the unions from the 'iron frame' of hostile labour legislation. With the declining importance of foreign capital for capital accumulation in Malaysia, new options for a broad 'productivity' coalition could appear. The unions should present themselves as new alliance partners, partly substituting foreign capital with labour commitment in an alternative economic model. In order to achieve this, the unions face a huge challenge. They must demonstrate to the public, in the media, in tripartite institutions and at workplaces, that they are relevant and important actors for the creation of a high-performance and high-income society. A first step would be to embrace new information technology and reach out to an increasingly electronics-conscious population through websites, electronic newspapers, Facebook and so on.

However, taking part in the anti-hegemonic 'reformasi' movement in Malaysia is not without risks for trade unions. This is because the governing coalition has the determination and the means to crush the trade union movement if it is deemed necessary in order to stay in power. The majority of MTUC unions have so far chosen to play safe and elected a non-partisan leadership in the early 2010s.

Acknowledgements

The author appreciates pertinent comments from: the participants in the Seoul workshop, Chung-Ang University, 17–18 June 2011; the editors of this special issue, B.-H. Lee and R. Landsbury; and Rajah Rasiah, University of Malaya; in addition to interviews and/or comments by Syed Shahir, N. Gopalkishnam, Bruno Periera and G. Rajasekaran. The usual disclaimers apply.

Funding

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

References

- Anantaraman V (1997) *Malaysian Industrial Relations*. Law & Practice. Serdang: Universiti Putra Malaysia Press.
- Bhopal M (1997) Industrial relations in Malaysia – Multinational preferences and state concessions in dependent development: A case study of the electronics industry. *Economic and Industrial Democracy* 18: 567–595.
- Bhopal M and Todd P (2000) Multinational corporations and trade union development in Malaysia. *Asia Pacific Business Review* 6(3–4): 193–213.
- Cooper R and Patmore G (2002) Trade union organising and labour history. *Labour History* 83: 3–18.
- Crinis V (2010) Sweat or no sweat: Foreign workers in the garment industry in Malaysia. *Journal of Contemporary Asia* 40(4): 589–611.
- Dass A (1991) *Not Beyond Repair*. Hong Kong: AMRC.
- Department of Statistics (DOS) (1983) *General Report of the Population Census, Volume 2*. Kuala Lumpur: DOS.
- Department of Statistics (DOS) (2003) *Population and Housing Census of Malaysia 2000. Economic Characteristics of the Population*. Kuala Lumpur: DOS.
- Department of Statistics (DOS) (2005) *Labour Force Survey Report 2004*. Putrajaya: DOS.
- Deyo F (1989) *Beneath the East Asian Miracle*. Berkeley, CA: University of California Press.
- Department of Trade Union Affairs (DTUA) (2006) *Senarai Kesatuan Sekerja di Malaysia Pada 31 Disember 2005*. Putra Jaya: Ministry of Human Resources.
- Department of Trade Union Affairs (DTUA) (2011) Statistics. Available at: www.mohr.gov.my/pfd/LHR2010.pdf (table B2.13) (accessed 16 May 2011).
- Economic Planning Unit/Prime Minister's Department (EPU/PMD) (2008) *Mid-term Review of the Ninth Malaysia Plan 2006–2010*. Putrajaya: EPU/PMD.
- Freeman RB (2010) Labor regulations, unions and social protection in developing countries: Market distortions or efficient institutions? In: Rodrik D and Rozenzweig MR (eds) *Handbook of Development Economics*, Vol. 5, 4657–4702.
- Henderson J and Phillips R (2007) Unintended consequences: Social policy, state institutions and the 'stalling' of the Malaysian industrialization project. *Economy and Society* 36(1): 78–102.
- International Metalworkers' Federation (IMF) (2011) Newsletter. Available at: www.imfmetal.org/index.cfm?c=25290&t=2.
- Jomo KS and Todd P (1994) *Trade Unions and the State in Peninsular Malaysia*. Oxford: Oxford University Press.
- Kelly J and Frege CM (2004) Conclusions. In: Frege CM and Kelly J (eds) *Varieties of Unionism. Strategies for Union Revitalization in a Globalizing Economy*. New York: Oxford University Press, 181–195.
- Kuruvilla S and Erickson CL (2002) Change and transformation in Asian industrial relations. *Industrial Relations* 41(2): 171–227.
- Kuruvilla S and Venkataratnam CS (1996) Economic development and industrial relations: The case of South and Southeast Asia. *Industrial Relations Journal* 27(1): 9–23.
- Kuruvilla S, Das SK, Kwon H, et al. (2002) Trade union growth and decline in Asia. *British Journal of Industrial Relations* 40(3): 431–461.

- Malaysian Trades Union Congress (MTUC) (1997) *Hari Buruh 1 Mei 1997*. Petaling Jaya: MTUC.
- Malaysian Trades Union Congress (MTUC) (2010) *Report of the General Council 2008–2010*. Subang Jaya: MTUC.
- Ministry of Human Resources (MHR) (2008) *Labour Situation in Malaysia: General Overview 2007/2008*. Putrajaya: MHR.
- Ministry of Labour and Manpower (MLM) (1981) *Labour and Manpower Report 1980*. Kuala Lumpur: MLM.
- National Economic Advisory Council (NEAC) (2010) *New Economic Model for Malaysia. Part I: Strategic Policy Direction*. Putrajaya: NEAC.
- Ofreneo R and Wad P (2010) Industrial relations and labour market conditions. In: Rasiah R and Schmidt JD (eds) *The New Political Economy of Southeast Asia*. Cheltenham: Edward Elgar Publishing Incorporated, 169–197.
- Peetz D and Todd T (2001) ‘Otherwise you’re on your own’: Unions and bargaining in Malaysian banking. *International Journal of Manpower* 22(4): 333–348.
- Rasiah R (1997) Class, ethnicity and economic development in Malaysia. In: Rodan G, Hewisen K and Robison R (eds) *Political Economy of South-East Asia*. Melbourne: Oxford University Press, 121–147.
- Rasiah R (2009) Expansion and slowdown in Southeast Asian electronics manufacturing. *Journal of Asia Pacific Economy* 14(2): 123–137.
- Rasiah R and Chua TC (1998) Strengths of trade unions in Southeast Asia. In: Rasiah R and Hofmann N (eds) *Workers on the Brink. Unions, Exclusion and Crisis in Southeast Asia*. Singapore: Friedrich-Ebert-Stiftung, 15–46.
- Rasiah R and Ishak S (2001) Market, government and Malaysia’s new economic policy. *Cambridge Journal of Economics* 25(1): 57–78.
- Ritchie B (2005) Coalitional politics, economic reform, and technological upgrading in Malaysia. *World Development* 33(5): 745–761.
- Rowley C and Bhopal M (2005) The role of ethnicity in employee relations: The case of Malaysia. *Asia Pacific Journal of Human Resources* 43: 308–331.
- Rowley C and Bhopal M (2006) The ethnic factor in state–labour relations: The case of Malaysia. *Capital & Class* 30(1): 87–115.
- Standing G (1992) Do unions impede or accelerate structural adjustment? Industrial versus company unions in an industrialising labour market. *Cambridge Journal of Economics* 16: 327–254.
- Standing G (2011) *The Precariat: The New Dangerous Class*. New York, NY: Bloomsbury Academic.
- Todd P and Peetz D (2001) Malaysian industrial relations at century’s turn: Vision 2020 or a spectre of the past? *International Journal of Human Resource Management* 12(8): 1365–1382.
- Todd P, Lansbury RD and Davis E (2006) Industrial relations in Malaysia: Some proposals for reform. *Philippine Journal of Labor and Industrial Relations* 61(1): 70–84.
- Wad P (1988) The Japanization of the Malaysian trade union movement. In: Southall R (ed.) *The Trade Unions and the New Internationalization of the Third World*. London: Zed Books, 210–229.
- Wad P (1997) Enterprise unions and structural change in Malaysia. IKMAS Working Paper No. 13. Bangi, Malaysia: IKMAS, UKM.
- Wad P (2002) How do TNCs interact with domestic trade unions in Malaysia? In: Schaumburg-Müller H and Schmidt JD (eds) *The Global Positioning of Firms and Local Responses in Developing Countries*. Development Research Series. Occasional Paper No. 3, Research Center on Development and International Relations, Institute for History, International and Social Studies, Aalborg University, 72–91.

Wad: Revitalizing the Malaysian Trade Union Movement

- Wad P (2004) Transforming industrial relations: The case of the Malaysian auto industry. In: Elmhirst R and Saptari R (eds) *Labour in Southeast Asia. Local Processes in a Globalised World*. London: Routledge Curzon, 235–264.
- Wad P (2007) ‘Due diligence’ at APM-Maersk: From Malaysian industrial dispute to Danish cross-border campaign. In: Bronfenbrenner K (ed.) *Global Unions: Challenging Global Capital through Cross-border Campaigns*. Ithaca, NY: ILR Press/Cornell University Press, 40–56.
- Wright EO (2000) Working-class power, capitalist-class interests, and class compromise. *American Journal of Sociology* 105(4): 957–1002.
- Yusuf S and Nabeshima K (2009) *Tiger Economies under Threat*. Washington, DC: The World Bank.
- Zawawi I (1998) *The Malay Labourer: By the Window of Capitalism*. Singapore: ISEAS.