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Transforming Industrial Relations: The Case Of The Malaysian Auto Industry¹

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The decentralisation of collective bargaining has been a significant trend in Western labour markets during the 1980s and 1990s, and it has challenged conventional trade union strategies and practices in many ways. In the same period we have witnessed a decentralisation of trade union organisations in East Asian market economies. The decentralisation of whole industrial relations systems, i.e. bargaining and organisational decentralisation among and between employers and trade unions, is a more unique phenomenon and very little studied. The Malaysian auto industry provides an organisational field where the trend towards double decentralisation emerged during the 1980s and continued in the 1990s, without becoming a completely decentralised system.

To understand changing industrial relations systems it is important to consider it as a system of multiple social actors, who interpret, act and interact with other actors in accordance with their position, strategic outlook and perception of the concrete situation. Industrial relations thereby evolve in a contextual and situational frame of political-economic power relations and socio-cultural institutions of meaning and interaction. Taking advantage of this approach this chapter aims to explore the industrial relations dynamics behind the trend toward industrial relations decentralisation in the Malaysian auto industry in order to explain the forces behind changing industrial relations and especially the role played by industrial and enterprise unions.

Taking one sub-sector (the transport equipment industry and especially the auto sub-industry) as its focus, the analysis will span the period from the late 1960s to the Malaysian crisis at the end of the 1990s, which covers more than two business cycles and a turbulent period of Malaysian political economy and trade union development (Jomo 1993, Jomo & Todd 1994, Khoo 1997, Rasiah 1995, Rasiah & Hofmann 1998). The argument is based on research evidence at the industry and organisational levels of the Malaysian manufacturing sector and auto industry during the 1980s and late 1990s. Most of the material was collected by the author during field research in Malaysia in 1995, 1996, 1997 and 1999, supplemented with material from earlier research in 1983,

¹ This is a revised version of a paper presented at the panel on “Changing Labour Relations in Southeast Asia” in the EUROSEAS Conference 4-5 September 1998, Hamburg. This paper will appear in the edited volume ‘Labour in Southeast Asia: Local Processes in a Globalized World’ edited by Rebecca Elmhirst and Ratna Saptari (Curzon Press, London)

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1984 and 1987.³

The chapter is structured in the following way. The political, economic and social history of the contemporary Malaysian industrial relations system is briefly outlined, providing the background for the development of the Malaysian auto industry, and the changing industrial relations of the auto industry. These changes are periodised by the centralisation of the industrial relations system 1971-81 and the decentralisation of the system due to the collapse of decentralised collective bargaining and the rise of enterprise unionism from 1982 onwards. The dynamics of Malaysian industrial relations are explained in terms of their related social actors: labour, employers, authorities and more encompassing systems of political power, business restructuring and crisis, before the paper is concluded.⁴

The History Of Malaysian Industrial Relations

Malaysia became incorporated into expanding European capitalism from the early sixteenth century. This inclusion evolved through mercantilism (1500-1850s) driven by the Portuguese and the Dutch, colonialism driven by the British (1850s-1930s and 1945-57) and the Japanese (1941-45), post-colonial industrialisation (1960s) and ethno-nationalist economic development (1971-present). A productive market economy was built during British colonialism with the establishment of capitalist plantation and mining export industries, based on immigrant Indian and Chinese labour. During the 1970s and 1980s the political-economic strategy (New Economic Policy, or NEP) sought to modernise the rural Malay population by providing jobs, housing and formal education in urban areas. Positive discrimination in favour of the *Bumis* (comprising Malays and indigenous populations) continued in a less rigid form with the National Development Policy (NDP 1991-2000), influenced by the deregulation and liberalisation measures applied during the economic crisis 1985-86 and the booming economy around 1990. In 1991 the *Bumis* came to be the dominant Malaysian labour force in agriculture, forestry & fishing (72%), manufacturing (52%) and services (56%)(Population and Housing Census, Malaysia 1995 table 1.1). Yet, in 1995 immigrant workers probably reached 30-40% of the workforce in agriculture, forestry and fishing, 13% in manufacturing, and 30-40% in construction (Edwards 1997:18).

In post-colonial Malaysia industrial policies have been changing from a regime of import substitution in the 1960s to a dual policy of import substitution and export oriented industrialisation during the 1970s to the 1990s, moving into heavy and chemical industrialisation during the 1980s with Japan and South Korea as models of development. In the wake of this “Look East” policy, which has meant a developmental re-orientation from the West (United Kingdom) to the East (Japan and South Korea), the Malaysian government introduced the policy of enterprise (“in-house”) unions in 1983 (Wad 1988).

³ Thanks to trade unionists from industrial unions, enterprise unions and labour centres plus employers, representative for employers associations and state agencies, and researchers for invaluable information and discussions throughout the years. My deepest appreciation goes to the NUTEAIW and its officers, employees and members. Through the years Arokia Dass, Syed Shahir and Gopalkishnam have provided me with hospitality, experience and critical reflections on the Malaysian industrial relations system in general and the auto industry in particular, yet the responsibility for the outcome rests with me.

⁴ Interviews are made and transcribed and modified into written English by the author. The abbreviation “IP” stands for “interview person”.

The rationale of the government's in-house union policy is the same today as it was at the time of inception. The government claims that, contrary to the Western model of industrial unionism, the Japanese model of enterprise unionism facilitates company loyalty and corporate mentality, management-labour collaboration, productivity orientation of employees, mutual sharing and industrial harmony at the enterprise level. Hence, enterprise unionism facilitates company profitability, labour benefits and national economic development. Critics point out that in-house unions in comparison with industrial unions are “company unions”, i.e. weak, “yellow” or management-controlled lapdogs, more or less unable to defend and improve employees' rights and interests, and that they may even not be “dynamically efficient” in the sense that they do not provide for concomitant wage and productivity increases (Standing 1991, 1992a, 1992b; for an alternative view Wad 1996, 1997a, 1998).

The legacy of trade unionism dates back to the formation of centralised trade unionism during British colonialism, based on the development of Chinese and Communist controlled labour organisations during the 1930s and 1940s. The trade unions were organised as general unions, based on geographical criteria across trades and industries and united under a central leadership. The general union movement became illegal in 1947-48 clashing with the returning British colonial authorities, who tried to instigate a British reformist labour movement composed of a British-like labour party and sector-wide unions (trade, industry, occupation). What were sustained were the nation-wide industrial unions, which had strongholds in the plantation estates and commercial sectors and even evolved into centralised industrial relations systems, when employers formed nation wide associations and engaged in industry level collective bargaining.

After the fall of the centralised Communist controlled trade union movement the post-colonial government continued the British labour policy, aiming for the extermination of “political unionism”. The Malaysian government prohibited “outsiders” from being elected as trade union officers, demanding at least three years of work experience from the field of union jurisdiction; it required formal registration of an organisation, constituted on an economic mission and increasingly prohibited unions from supporting political parties. The industrial relations laws regulating collective bargaining between trade unions and employers and their federations were tightened until the 1980s, providing for an enterprise regime, where management prerogatives prevailed and an elaborated system of compulsory conciliation and arbitration was developed, based on employment legislation and registered collective agreements. Finally, national labour centres were only allowed to exist in the form of “societies” without collective bargaining rights. Although trade union centres sometimes were invited to participate in tripartite bodies, the trade union movement was mainly perceived and treated as part of the political opposition by the ruling coalition, headed by the United Malays National Organization (UMNO).

The era of industrial unionism lasted until the late 1980s. The trend of the 1970s towards industrial unionism in the strategically important manufacturing sector changed towards enterprise unionism after the announcement of the government's legitimization of enterprise unionism, although industrial unions still dominate the trade union movement in manufacturing (Wad 1997b). Enterprise unionism proliferated during the 1980s, located primarily in the public sector, but also increasingly in the manufacturing sector.

In sum, the Malaysian system of industrial relations was decentralised in both

relational and organisational terms in the long term. Centralised collective bargaining withered with the economic and employment decline of the plantation industry, and the removal of centralised bargaining in the manufacturing and service industries. Centralised unionism (and union density) declined from its peak in the general unionism of 1947-48, while enterprise unions mushroomed during the 1980s. Yet, in absolute terms union membership grew and changed in terms of sector composition. Moreover, the trade union centre, the Malaysian Trades Union Congress (MTUC), is still dominated by the bigger national unions, and the trade union field in Malaysia is today composed of pluralistic and competing union organisations, engaged in enterprise-based collective bargaining with individual employers. The economic crisis in 1997-99 did not seem to change that situation overnight.

The Development Of The Malaysian Automotive Industry

The recipe for national auto industrialisation

The auto industry has been considered the “industry of industries” of the twentieth century due to its scale and spin-off effects (Dicken 1998:316). It was perceived as a core component of national economic development strategies in the North until the first oil crisis in the 1970s and in the South until recently. The strategy to form a national auto industry in developing countries had to follow more or less a particular sequence of national auto industrial development (adapted after Dicken 1998:318):

- Stage 1: Import of completely built-up (CBU) vehicles by local distributors.
- Stage 2: Assembly of semi- or completely knocked-down (CKD) vehicles by subsidiaries or licensed or franchised domestic companies, importing parts and components from the brand corporation.
- Stage 3: Assembly of CKD vehicles but with increasing local content.
- Stage 4: Full-scale manufacture of automobiles, at first for a protected domestic market, secondly for the export market and thirdly for transplants in these export markets, meaning that the sequence is repeated by Southern auto transnational corporations.

The evolution of the Malaysian auto industry did in fact follow this sequence, which again related to the industrialisation policies of import substitution regarding transport vehicles from the 1960s and heavy and chemical industrialisation from the 1980s.

The Malaysian auto industry until the crisis 1997-99

Induced by Malaysian import substitution incentives major Western and Japanese automobile transnational corporations (TNCs) relocated auto assembly production to Malaysia from 1967 to 1977. At first the TNC auto manufacturers relied on TNC trading and/or assembling companies which were well established in the regional car market (e.g. Singapore Chinese controlled Cycle & Carriage, UK agency house Borneo

Motors/Inchcape, Australian trading company Wearne Brothers). This implied that domestic companies obtained licences to sell and/or assemble TNC makes and models, and local sales companies and assemblers formed capital alliances in order to do so (e.g. 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 their parent company. Capital Motor (later Oriental Assemblers), in possession of the licenses from Honda and Opel, was the only case where a domestic assembly company was set up without capital affiliation to car traders or TNC auto manufacturers, and General Motors took over the company as a fully owned subsidiary for the period 1971 to 1980.

In the 1970s Japanese cars ousted Western cars in the Malaysian market, and the Malaysian car assembly companies began a restructuring process, which continued into the 1980s. Being an industry controlled by Western manufacturing and trading companies at the outset, the Japanese auto manufacturers had captured the market in alliance with domestic owned ethnic 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 ethnic Chinese Tan family; Tan Chong provided Nissan with a minority share, and later on Tan Chong restructured the Tan Chong Motor Assemblies to include *Bumi* equity participation. General Motors sold its subsidiary assembler to Oriental Holdings, which formed an alliance with Honda to assemble Honda, General Motors and Isuzu vehicles. Lacking *Bumi* capital Inchcape Holdings lost the Toyota franchise to ethnic Chinese controlled UMW in 1981, which again formed an alliance with Toyota as a minority shareholder. In 1984 Wearne Brothers sold AMI and the franchise of Ford to Ford Motor Company (Malaysia)(renamed AMIM), a joint venture of a *Bumi* majority owned company (Pernas Sime Darby, PSD) and Ford Motor Company (USA). PSD took 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, owning AMIM with Ford as minority shareholder (30%).

In the early 1980s, a hybrid of Japanese TNCs and ethnic Chinese family businesses evolved in the Malaysian corporate auto sector, controlling assembling, spare parts production, marketing and distribution, but it was a sub-system of the TNCs global reach. Thereby the Malaysian auto industry was subordinated the global and regional strategies of the auto TNCs and especially the largest Japanese auto TNCs (Toyota, Nissan and Honda). This situation was to be changed by the Malaysian government under Prime Minister Mahathir Mohamad, embarking on a heavy industrialisation strategy in the early 1980s and spearheaded by the state-owned holding company, HICOM. The state-led Malaysian car project, Proton, a joint venture between HICOM and Japanese Mitsubishi, succeeded in becoming the dominant market player in 1987 in the wake of the economic crisis 1985-86, the collapse of the car market, and the return to operational managerial control by the Japanese (Wad 1999). Tariffs and taxation provided Proton with a subsidised monopoly position in the domestic market.

The 1987-95 period signalled a transition period, based on an alliance between the Malaysian state and selected foreign TNCs (Mitsubishi, Toyota and Citroen). The ethnic Chinese UMW-Toyota alliance changed to a *Bumi* PNB-Toyota alliance, when the *Bumi*-controlled trust fund, PNB, bought out UMW, which had financial troubles due to the economic crisis. In 1992 the UMW formed a joint venture (Perodua) with

other companies and notably the Japanese technology supplier, the Daihatsu Motor Company (affiliated to Toyota), which thereby became the second Malaysian car project, manufacturing the Kancil. Meanwhile, Proton upgraded from the assembling of imported key components and parts to increased local manufacturing of components, introduced mechanical assembling lines and team work and aimed for just-in-time delivery from a network of local subcontractors comprising a rising share of *Bumi* small and medium sized companies. However, the more advanced technology and organisational design did not operate smoothly, the production system was not based on team production, and the production technology did not in practice include design and development of critical systems, meaning that Proton remained as a hybrid combining its own brand with original equipment manufactured by the application of Mitsubishi technology and design (Far Eastern Economic Review 1996.05.02, Rasiah 1996).

Both national car producers were companies within state-controlled diversified business groups, controlling car manufacturing vertically and horizontally, relating to other sectors: Proton via HICOM to steel, cement etc; Perodua via UMW to agricultural and construction machinery, property, trade and financing. A new state-controlled sector business system was in the making, but its major component, Proton, was subsequently privatised in line with the government's privatisation policy. In 1995 the controlling share of HICOM was bought by Yahya Ahmad, the owner of the auto assembler DRB and a *Bumi* businessman with auto industry competence and experience. Proton and DRB had allied with French Citroen to manufacture a new car make (Proton Tiara), based on French technology and design, in order to upgrade technologically and freeing itself from Japanese technological control.

Having bought HICOM, Yahya controlled a huge, diversified conglomerate with its core in the auto industry, and with potential for vertical and horizontal market co-ordination. The new chief executive officer took a set of initiatives, including the buying of a UK- based company (Lotus) with capability in auto design. However, a helicopter crash in March 1997 killed Yahya and his wife and brought a successful Malay business story to a tragic end, making Yahya's management an *intermezzo* in the history of Proton. With the death of Yahya the state returned as the controlling agency of Proton, installing a new top management, which soon faced the worst economic crisis in post-Independence Malaysia. At that time Proton had embarked on a plan to build the first genuine Malaysian designed model to be manufactured in the new "Proton city" with the application of an advanced modular production system and in co-operation with internationally branded TNC suppliers.

The impasse of national auto industrialisation

The developmental potential of national auto industries has been questioned recently (Humphrey 1998). At least three trends during the 1980s and 1990s make it increasingly difficult to establish and develop viable and international competitive auto manufacturing companies and clusters. First, the auto industry has turned into a very globalised and Northern TNC-controlled industry, demanding enormous investments for continuous innovation and product development in an increasingly liberalised and internationalised market. The recurring over-capacity of the industry has induced the formation of alliances, mergers and acquisitions, which has eradicated the British-owned auto manufacturers and has recently swept over the entire industry, subordinating big TNCs like Chrysler, Mitsubishi, Nissan, Saab and Volvo (passenger car division) to other TNCs like Daimler Benz, Renault and Ford.

Second, auto manufacturing was an assembly industry, and standardised mass production became the paradigm of production from the 1910s (Ford's assembly line) to the 1970s. During the 1970s a flexible mass production system evolved in Japan and spread to other countries in the 1980s and 1990s. It was baptised "lean production" (Womack et al 1990) and was customer driven, integrating marketing, design and production in a work organisation based on team work, and a supplier network based on outsourcing, Just-In-Time (JIT) delivery and tiering of suppliers into first, second and third grades of suppliers. This "lean" system is now moving in the direction of modular production, while Northern TNCs are considering withdrawal from production and are instead increasingly turning to research and development, marketing and financing.

Third, the change among Western TNCs from vertical integration to outsourcing, JIT, and supplier tiering induced the growth of auto parts and component companies into transnational companies and led the auto assemblers to divest their component subsidiaries. The outcome was the rise of first tier auto component TNCs in close collaboration with the TNC assemblers and co-ordinating the supplier tier down the line. The evolution undercuts the formation of Southern suppliers through localisation, because the TNC assemblers demand follow-sourcing from their first tier TNC suppliers, implying that indigenous suppliers are increasingly forced to merge or ally with TNC suppliers or exit the market.

These trends are reversing the expected development sequence of a country's auto industry from CBU import to full-scale manufacturing with CBU export. Under the present global conditions a sequence of de-indigenisation is more likely, and the East Asian financial crisis 1997-1999 could be a decisive blow to national auto industries in the region, including the Malaysian national car projects.

The East Asian crisis and the Malaysian auto industry

A domestic market-oriented auto industry is typically an industry which "overreacts" to cyclical up-swings and downswings, and this also happened in the late 1990s in Malaysia. While overall production (GNP) declined 6.8% (in domestic value) in 1998, the sales value of the auto manufacturers fell by 62%, and the physical production of motor vehicles (in units) fell 63% with motorcycles and scooters declining by 41% (DOS 1999). Among the auto companies the "non-national" enterprises nearly vanished with a free fall of 85% of production in 1998, while PROTON faced a decline of 57% and Perodua 43% only (Wad 1999).

Employment fell considerably too, but less dramatically than production. The labour force of the auto manufacturers/assemblers dropped by 32%, the auto parts/components manufacturers by 28% and manufacturers of motorcycles and scooters by 20% (DOS 1999). Again the national auto manufacturers only had a manpower reduction between 10-15% while the labour force of the "non-national" producers dropped by nearly 40%. All in all the auto companies did not match the fall of production with a similar retrenchment of employees, but the labour costs among the auto manufacturers were reduced with paid salary and wages decreasing by 37% from 1997 to 1998 (DOS 1999, the DOS-figures on auto parts/components and motorcycles/scooters are not compatible from 1997 to 1998). The cost-reduction in remuneration compared with employment indicates that the cuts hit overtime and various benefits as well as jobs. Within the unionised sector collective agreements

destined for renewal were typically extended on the same terms as the old, and eventually only extended temporarily: the important thing was to save jobs.

This “inflexible” response in a rational business interpretation makes an imprint on productivity within the auto manufacturing sub-industry. In 1997 the level lay at 24 units/employees/year and it went down to 13 units/employee/year in 1998. Comparing “non-national” companies with “national companies” the productivity of the former decreased from 18 units/employee/year to 4, while productivity at PROTON fell from 34 to 17 and at Perodua from 27 to 18 (data compiled by the author 1999). These terrible figures also reflect how both the national and the non-national auto manufacturers were unable to increase export in response to the collapsing domestic market. This inability especially concerns Proton, because it was the only company that had the opportunity and a long term strategy for export promotion.

The turnaround of the industry and the economy in 1999 was caused by several factors in sequence or combination: the early crisis management led by finance minister, Anwar Ibrahim; the controversial currency and capital control policy, led by the prime minister Mahathir Mohamad and his chief economic adviser, Daim Zainuddin. This was combined with expanding public demand and selective support of ailing companies and industries, including the national and later also the non-national auto manufacturers. Also important were growing markets for Malaysian export (USA, Europe); and the regional economic rebound in East and Southeast Asia generally. Meanwhile, Anwar Ibrahim and his faction were ousted from UMNO and either jailed (Anwar) or reorganised in the National Justice Party, a new multi-ethnic political party headed by Wan Azizah, the wife of Anwar Ibrahim.

Summary

The Malaysian auto industry changed significantly in the period 1967-99, moving through the prescribed sequences based on shifting business alliances between foreign and local private and state actors. Starting with Western auto companies the Malaysian market shifted to Japanese makes, and Japanese auto TNCs became the enduring technology partners of ethnic Chinese, before the *Bumi*-controlled state enterprises took over the market, with a short interruption of privatisation under the owner-management of a *Bumi* businessman.

The Centralisation Of The Auto Industrial Relations System

The development of the auto industry was followed by the formation and centralisation of an industrial relations system, generated by its two key actors in the 1970s: the automobile workers union (TEAIEU, later NUTEAIW)⁵ and the automobile employers' association (the Motor Vehicle Assemblers Association, West Malaysia; MVAA).⁶ An industrial union of supervisors played a minor role during the 1980s.⁷

⁵ TEAIEU is the Transport Equipment and Allied Industries Employees Union, West Malaysia. The name was changed in 1989 to the National Union of Transport Equipment and Allied Industries Workers (NUTEAIW), because the TEAIEU was often confused with another union, the Transport Workers' Union (TWU).

⁶ The MVAA is often mixed up with the MMVAA (the Malaysian Motor Vehicle Assemblers Association), which is the trade association of private assemblers in Malaysia. The TEAIEU also

The industrial workers union

The auto worker's industrial union became registered in 1971 as the Transport Equipment and Allied Industries Employees Union, West Malaysia (TEAIEU). This event took place after an abortive attempt to unionise the Raleigh bicycle factory in 1969 by the Metal Industry Employees Union (MIEU) and industrial unrest among several auto assembly factories. The labour activists joined together and established the TEAIEU, organising 800 employees while awaiting the decision of the Registrar of the Trade Unions (RTU) for registration. Having been legalised the union soon faced external and internal problems: the formation of the employers' association (MVAA) in 1973, and factional conflicts in the union.

The founding leadership of TEAIEU was toppled by a radical and democratic-oriented group of employees, which transformed the union into an organisation with a strong workplace based structure, securing employee representatives from all major companies in the executive committee of the union, decentralised union activities and workers education programmes. This faction gained full control of the union, broadened its base and continued to run the union with certain shifts in unionised companies, membership and leadership. The general secretary, Arokia Dass, held the position until he was jailed for more than a year 1987-89 in Operation Lalang in November 1987, whereby the Mahathir-regime suppressed opposition forces inside and outside the ruling coalition and civil society.⁸ Dass recalls that the constituting principle of the union was:

Our main code was that the power of the union had to remain always with the shop-floor workers, that the soul of the union was in the work-site committees, and that all decisions had to be taken by these committees. They were comprised of ordinary workers, elected every year by their peers on the floor. Weekly meetings of these committees were held to review events on the shopfloor. Apart from occasional disputes, the executive council concerned itself mainly with collective bargaining. If a major issue arose that necessitated the involvement of the executive council, members of the work-site committee would participate in the meetings with plant management.

(Dass 1991:131).

interchanged between the MVAA and MMVAA.

⁷ A new industrial union of supervisors was registered in 1981: The Motor Assemblers Supervisory Staff Union Peninsular Malaysia (MASSU). It started with 7 members in 1981 (enough to register a trade union), but jumped to 195 (registered and in benefit) members the next year, the highest membership ever. At this point of time the MASSU had organised five factories: AMI, SMA, Assembly Services (ASSB), CCB, OA. The membership of MASSU decreased to 139 in 1986 and nearly collapsed in the years to come, down to 67 in 1987 to bottom with 29 in 1994. In 1996 the national union only had members in AMI and SMA, two factories located as neighbours in Shah Alam, Selangor. The union density is anyway 100% among the supervisors at these two companies. However, the AMI management wants the supervisors to form an in-house union, but they did not provide a package of incentives which was satisfactory. Otherwise they might have agreed. The leadership of the small national union of supervisors, the MASSU, explained the membership decline by the following factors (interview 1995): the economic recession whereby more than 70 supervisors were retrenched; promotion of supervisors to executive positions (Cycle & Carriage 1988 and Oriental Assemblers 1989); formation of in-house union (Assembly Services 1991).

⁸ The executive secretary, Syed Shahir, has been with the union since the 1970s, and the AMI work-site committee delivered the new general secretary of the 1990s, Gopalkrishnam.

The union successfully organised all assembly companies in Peninsular Malaysia in the 1970s: Asia Automobile Industries (Mazda), Associated Motor Industries (Ford), Assembly Services (Toyota), Cycle & Carriage Bintang (Mercedes-Benz), General Motors, Kilang Pembina Kereta Kereta (Mitsubishi), Swedish Motor Assemblies (Volvo) and Tan Chong Motor Assemblies (Nissan). Moreover, the union had also organised bicycle assembly factories, including the Raleigh Cycle company, and various component manufacturing enterprises. However, the union faced resistance from employers and reluctant employees, and the RTU sometimes opposed registration of organised factories within the union area of jurisdiction. For example, in mid 1970s the RTU did not allow the union to represent the employees at two companies producing motor-cycle batteries and bicycle tyres and tubes respectively, although it had the majority of employees as members (op cit: 43).

In the early 1970s the union tried to organise the UMW corporation, but the pro-tem committee at the company was exposed to the management and all members were dismissed. Union boycott of the company and demonstrations were met with union busters, and the union lost out. Later (1974) the employees established an in-house union which became member of the Malaysian Trade Unions Congress (MTUC).

At that time the TEAIEU was very critical towards MTUC, holding it responsible for the drop in union density (11% compared to 67% in 1947) and calling it "a tool of capitalists for its own end" (TEAIEU 1977: 47). Together with 11 other trade unions TEAIEU disaffiliated from the MTUC in 1977 aiming to form an alternative labour centre, the Congress of Industrial Unions, but this was blocked by the authorities and the initiative withered (Dass 1991:96, Jomo and Todd 1994: 138). Instead the union joined the international labour network, Asian Workers Solidarity Link, in the early 1980s (Dass 1991: 165), and finally, it ran a Workers Education Programme with Sahabat Alam Malaysia (Friends of the Earth, Malaysia), a very active environmental non-governmental organisation. In the early 1990s the auto workers union returned to the MTUC and became a very active member of the opposition within the labour centre.

The employers' association

The MVAA registered in 1973, and the first collective agreement (CA) between the MVAA and the TEAIEU was signed.⁹ This CA covered the period 1973-1975. The second CA was signed in November 1976 for the period January 1976-December 78, the third CA for the period January 1979-December 1981, and the fourth CA for January 1982-December 1984. The involvement of MVAA members in the CA was kept at a high level in 1976 (7 members) and 1979 (eight members; the new participant was Automotive Industries), but in 1981 the employers' federation fell apart. This brought an end to centralised collective bargaining between centralised actors in the auto industry, because the split among the employers started a process whereby the employers' association lost power and eventually faulted (see below). But other forces also generated a tendency toward a total decentralisation of the auto industrial relations system.

The Decentralisation Of The Auto Industrial Relations System

⁹ I have no exact information on the formation of the MVAA, except its registration data, and the first

Employer driven decentralisation

In the fourth CA of 1982-84 the MVAA participating members were reduced to five companies (AAI, AMI, CCB, OA, SMA) although actual membership counted 9 companies. This split among the employers was greeted as a victory by the TEAIEU:

For the first time the "Giants" were broken. In the 4th C.A. MMVAA¹⁰ only represented five Assembly Plants. KPKK and ASSB/AISB signed separate agreement with the union. This is a big change since UMW group spread into the motor industry. However the terms and conditions and salaries for all Assembly Plants are the same.

(TEAIEU 1983: 26)

The TEAIEU managed to negotiate secretly with UMW at the same time as the CA-negotiation between MVAA and the union took place. The union achieved a better CA with the UMW, which forced the MVAA to sign a similar deal. This outcome was a blow to the employers' association, and UMW withdrew. Since then, no new CA has been bargained or signed at the industry level. TEAIEU did not regret the dissolution of the MVAA as the employers were perceived to be much stronger together. However, the employers do not seem to regret this either, as a personnel manager of one of the former MVAA members recalled:

PW: Once you also had an employers association for the auto manufacturers?

IP: We had one, but instead of being our assistance it became a burden. Too much of paper work, too much of technicality, too much of government concern, so we said, we wind it up.

PW: You couldn't achieve anything?

IP: Nothing much. Because why? There was very few members. People started to break away. I think the last membership was only four of us: AMI, CCB Cycle and Carriage Bintang, Oriental Assemblers Johore and Swedish Motor Assemblies. The rest was not members, so to maintain it and to have discussions and to get all of this yearly returns done, there was a lot of paper works to be done. We said it was not worth it. If we can make it informally why do we have an association. So we wind it up.

PW: Otherwise you should also have Proton within the association?

IP: The Proton wouldn't come into. They don't want to share information at that time, but now they are opening up, they are coming out, because it's their time to deal with all assemblers. They are also trying to share...

(Interview 1995)

Policy driven decentralisation: the Proton in-house union

The membership of enterprise unions in the auto industry started to rise in 1988, and this rise made for an increase of the total union membership from 1987 to 1988. The significant event was the establishment of the Proton in-house union. The TEAIEU leadership was concerned about the national car project in the early 1980s before production started, but they were not against the project as such; they worried about the whole auto industry:

collective agreement (CA).

¹⁰ See note 4.

IP: We have written letters to the Prime Minister and other Ministers. There was nothing serious about it. There was not much of development. In fact, in that letter we repeat again that we are not opposing that project. What we are saying is that we are concerned about the workers and the whole auto industry for we are talking about billions of ringgits way back to the 1960s when they started assembly plans in Johore and in Shah Alam.

(Interview 1995)

When the Proton started production and increased employment, the national union went out organising the workers, but failed. A trade unionist of the TEAIEU explained the incident:

PW: You tried to unionise Proton?

IP: Yes, we did. In fact, we almost succeeded. Almost more than 50 percent of the employees of Proton already joined this union. That was in 87 we recruited them. We had meetings, we formed the pro-tem committee, we had the discussions, series of discussions in Shah Alam [location of TEAIEU's HQs, pw]. Probably this leaked, the management came to know about it, and they immediately started this so-called in-house union. It happened so quick and so fast. During a short period of time they managed to get it registered, and they managed to give recognition to their in-house union. I think, within one or two month they were all completed.

(Interview 1995).

The industrial union started penetrating Proton in 1986, and the Proton union was registered in August 1988.¹¹ The management initiative was authorised from above because the authorities did not want any outsider unions in control of the Proton workforce. The Proton management thereby stuck to the enterprise union policy of the government, launched in 1983. At this point of time the Proton company was not incorporated, nor publically listed. It was a state owned enterprise within the HICOM group.

The establishment of an enterprise union did not mean that there was no collective bargaining or that the collective agreement (CA) was much different from the CAs concluded by the TEAIEU. The national union, assessing the Proton negotiation and CA, says:

IP: They started negotiations with the in-house union, and they also brought consultant from the outside. The consultant was responsible for advising the union, the in-house union. And they negotiated with their in-house union. (..) They [the leaders, pw] are quite new, the Proton industry is quite new. Then if you look at their first agreement - we managed to get their agreement - you can check the similarity, even words, what we have concluded with other assemblers. You check the other assemblers' agreements and their agreement, you can see (it). What I'm trying to say is that I think they probably copied.

PW: They also make better (terms) in some ways?

IP: I think not much improvement compared to the others, except maybe now we are talking about giving loans to the employees that they can purchase a Proton car, certain loans and all that. This is different. Other than that, I think, it's almost similar or we are better in terms of adjustment of salary. I think one or two months ago they concluded

¹¹ The interference of the PROTON management with the employees' rights to form a union on their own choice has been confirmed by two independent non-union sources.

an agreement with their company, and they only got 10% across the board. We are talking about 12%, we are talking about 11%. And then if you look to the working hours, there are two shifts, day shift and night shift, so they work the plant in 24 hours.¹²

(Interview 1995)

The achievements of the national union have probably affected the negotiations in the Proton company and the whole structure of CAs in the industry. But this may change in time because the failure of the national union to organise the Proton factory seems to be decisive in the long run, while the national car company is increasing its market share on behalf of the other car assemblers. Moreover, history was repeated in the second national car company Perodua, where an enterprise union appeared too. In fact, it seemed to be the rule rather than the exception among HICOM companies that they formed enterprise unions, said a spokesman of the industrial union:

PW: It is my impression that many companies in the HICOM group are very difficult to unionise. Is that also your experience?

IP: Yes. We once had a situation in Sungai Petani, up in the North, in Kedah. We have a company called HICOM Honda. This company manufactures engine for Honda motorcycles in Kedah. We went there, organised the workers and all that. What happened was that the workers became harassed by the management, others were intimidated, a bit was sort of bought over. We have filed a report, filed a complaint. In that way, we lost in the secret ballot. People went inside the room and cast their vote, and of course they say they are not members of the union

(Interview 1995).

The NUTEAIW admitted that the Proton company had a very strong company culture where the (Malay) workers were taken care of and that they have been proud of participating in the national car project. When a private businessman obtained control of Proton in 1996 the relationship between the management and the in-house union might have changed. A leader of the Proton in-house union stated the situation in the following way (in my summary):

IP: We are employees. We do have nothing else but our labour. If we are treated well, we'll co-operate and be loyal. If not we'll fight for the cause of our fellow members. We'll fight back if they treat us bad. If they destroy the good relationship it'll be difficult to re-establish a good one.

(Interview 1996).

The Proton union leaders even characterised the management-union relationship as “excellent” during the Japanese management 1988-93, then it went down to “good” in 1995 and further down to “fair” in 1996. They explained:

IPs: The Japanese knew about the in-house unions. The present management does not have experiences. They should be sent to Japan for labour education. When the government started promoting in-house unions in the early 1980s we didn't knew very much about it.

¹² Within NUTEAIW unionised plants there is only one shift and overtime work.

Labour driven decentralisation

The rise of the Proton company and the economic crisis 1985-86 cannot explain the whole shift from national to enterprise unionisation. Two core companies changed to in-house unions in the early 1990s: Assembly Services of the UMW group and Tan Chong Motor Assemblies of the Tan Chong group. The company Assembly Services was bought by the UMW group in 1982 and restructured in 1987 with the take-over by *Bumi* interests (PNB). The former Chinese management withdrew UMW from MVAA in order to run its own show, partly with the UMW in-house union, partly with TEAIEU. After the change in ownership and management 1987 the car market grew again, UMW's ASSB expanded the production of Toyota cars, and new workers were hired. Then, in 1989-90 the president of the TEAIEU, who was also the chairman of the work-site committee of the ASSB, lost his position at the ASSB committee. The conflict between the president and his group and the rest of the union at local and central levels accelerated into the breakaway of the ASSB. One of the leaders of NUTEAIW explains the case:

IP: The former president of this union was, before he became president of the union, also elected chairman of the work-site committee at Assembly Services. In 1989, in their work-site election, he was defeated. He blamed some of our colleagues 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 work-site committee chairman election. He wanted to get away from the national union. But in the beginning the new work-site 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 [the UMW enterprise union, pw]. It happened in 1990...

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

IP: 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 work-site committee was 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?

IP: No. The enterprise union did not play much of a 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 [executive committee, pw] were very close with the management, because they were taken well care of by the management.

(Interview 1995).

The breakaway from the national union by the employees of the company was

¹³ The interview was conducted before the Jahya-management group took over: the managing director during the recent period of Japanese management was a former enterprise union leader of Mitsubishi, Japan. Notes in my own words.

very much instigated by the management's arguments about the virtues of the in-house union and its promise to improve remuneration and working conditions. By coincidence, the human resource manager of the Assembly Services entered the office where I was interviewing the work-site committee of the in-house union, and he reproved a work site committee (WSC) member, saying that "we jumped into the in-house union", by emphasising that "we progressed into the in-house union" (1995).

A key actor behind the breakaway was, as mentioned earlier, the former national union officer and work site committee chairman of the industrial union in the company. He recalled the situation before, during and after the breakaway in the following way:

During the period 1972-82 the [national] union and management was always fighting, but in the national union they are also close with the management. I could sell the workers. I was there for 10 years. I got better benefits for the workers, and we had better conditions [in ASSB]. All I got from [the company] was because I was closer with the management, not because of the fighting. The national union said that they must throw me out and make new arrangement. And it is easy by the national union to do so. I did it myself. Here I lost the majority.

The management likes people with my way of thinking. National union is difficult to handle by the management. Some made national union to lay me down. So I thought, if you want to challenge me I can manage an in-house union. Management was not happy with the new work site committee. At first I tried to put my people in the work site committee, but I failed. Then I worked closer with the management, and we assembled all the workers. We did not offer anything. We did only want to change to an in-house union. The push came from the management. The national union couldn't get anything. We persuaded three line leaders in the work site committee. I don't know why the workers changed. Today I realise that I was right. All the underground I did. When I flew to Japan the management started talking group by group. At that time 10% were not happy with the situation, now all are happy. I stepped out and functioned only as advisor. I was the mastermind. At the time of the national union the work site committee did not know the management. Now I can work very close with the manager. When this happened they persuaded me to become executive. I think that the union and the management must work close together.

My heart is still with the union. The management knows that I address the workers. I know the workers attitude, I was a worker before. If you want something, you must also give something. Most important for the work site committee is that it must be recognised by management. Now the work site committee is recognised and they can run their own show.

(Interview 1996)

The human resource manager did not entirely agree with the interpretation by the "mastermind" of the breakaway, saying that the management-worker relationship improved a lot (interview 1996). Before the in-house union took over, enterprise industrial relations were characterised by strikes, boycotts of overtime, picketing etc. After the company joined the in-house union of the mother company, the enterprise industrial relations have been calm and unproblematic. However, he did not mention that leading WSC members were dissatisfied with the outcome of the breakaway, that they had prepared to take control of the entire in-house union, and that these officers were dismissed on charges of illegal industrial action.

Asked about this dismissal case the manager brushed aside the problem arguing

that it was a small group that was unhappy and stirred up the others. When asking the WSC about the same case, at first people declined to answer, saying that they were not present, one being in Japan for training. Finally they did say that the WSC had disagreements with two managers, although they did not specify what kind of grievances they had, except that it had something to do with unfulfilled expectations. In protest, the WSC decided not to wear the prescribed company cap, signalling to the members that they should also wear “no-cap”. The management decided to dismiss the WSC chairman, the secretary and the treasurer. The in-house union took up the case and brought it to the Industrial Court, the union officers say. After four years the dismissed persons got compensation.

Confronted with this version of the dismissal case the officer of the national union tells another story: it was a trap set up to get rid of the three persons because the management believed that they were inclined to national unionism. The national union took up their case in support of them individually, because they were not members of the national union. After the case was settled out of court, the in-house union finally agreed to pay the bill of the lawyer. The former national union officer described the incident in the following way:

These three dismissed workers were still in contact with the national union. When they became committee members they went on handling problems by way of fighting. They didn't listen to the company. Management talked to me about how to cope with them. I wanted my three people in the committee and said, we find a way. Some day they made an action, calling the workers not to wear the cap. Management took the opportunity to throw them out, and I called in my people. It depends on the top management whether in-house unions are good or bad. Some management you can talk to, others you can't. If we have an anti-union management it turns bad. The management [in the company] has always been easy with the workers. It is also important that the union leaders are recognised by management. If leaders only talk empty talk, it's not good. You must have leaders to create a win-win situation. What happened to the three? Management did not recognise them, they always talked.

(Interview 1996)

At the meeting with the work-site committee members in 1995, which the human resource manager joined, I questioned them about the benefits of becoming an in-house union: what did they get? Did the working conditions improve? The human resource manager answered that the company had better salaries than the nearby companies unionised by the national union, because they had bigger volume, and because they withdrew from the employers association and signed their own CA in 1985. However, after they joined the in-house union, the company continued with the old CA running from 1991-1993 and negotiated by the industrial union. In 1994 the in-house union entered into the second CA with the company. Replying to the manager's speech I noted that apparently the employees did not get anything from the shift to the in-house union. Basic salary and working conditions remained unchanged. After several questions they came up with the answer that the annual bonus was raised from two to three and a half a month's pay. Asked about promotions after the breakaway the human resource manager confirmed that after one year four out of the 12-13 EXCO members were promoted. The former union officer was very sure about the benefits gained by the transition to the in-house union:

We have the highest salary in the auto industry. We get training for people in

Japan, every four months we send 30 people for training, 90 a year. We select the good people who work hard and are recommended by their supervisors. Any dinner or whatever we request is never turned down. We also get promotion.

(Interview 1996)

Taking all available information into consideration, the breakaway only generated meagre improvements in wage rates, a time limited extra bonus, and along the way promotions to people responsible for the transition to the in-house union. The perceived lack of progress caused dissatisfaction, and the work-site committee leaders felt cheated, went for a power struggle with the established leaders of the in-house union of the mother company, and they were dismissed when they initiated a symbolic demonstration of their discontent. The in-house union did not help them, until the national union had secured compensation for unfair dismissal. The discontent continued, and a large group of employees wanted to return to the national union.

When the national union was asked by the group to assist in organising their former members, it declined at first, but after repeated applications from the internal opposition of the in-house union, the national union finally entered the scene. The concerted effort did not immediately achieve the 51% signatures in need for demanding the authorities to start verifying the support of the employees and eventually change the affiliation of the workplace. The in-house union complained to the local council of the secretariat of the international federation (IMF-Malaysia), which again supported the in-house union against the national union due to an internal power struggles in the MTUC between the MTUC leaders and the industrial union. When the financial crisis erupted in 1997, and the car market collapsed in 1998, the oppositional workers and the national union had still not reached their goal, and the retrenchment in the wake of the crisis eroded the base of the workplace opposition.

The other case of labour driven decentralisation took place in the Tan Chong factory within the ethnic Chinese Tan Chong group, controlled by the Tan family. The factory assembled Nissan and Datsun vehicles, and the group also made spare parts and components, turning toward original equipment manufacturing (OEM) for Nissan. Moreover, it also subcontracted the assembling of Proton cars in the 1990s. In 1991 the Tan Chong employees left the national union: an in-house union was formed, after a dramatic industrial conflict. The general secretary of the NUTEAIW explains the course of the breakaway:

The Chairman of the Union Worksite Committee of Tan Chong Motor Assemblers, elected as General Secretary of the National Union in 1988. During this period the incumbent General Secretary was detained under Internal Security Act (Operasi Lalang). I was elected as his deputy during the same term. During this tenure as General Secretary, he wanted to bring in some changes at the national union, which were failed.¹⁴

When Arifin Idris then the President resigned, he relinquished his position to contest for President and he lost in his attempt. From then he stayed away from national union. There were occasions where he made some decision in the capacity as chairman of worksite committee without seeking opinion from national union. The

¹⁴ The demands were very much related to personal gain in nature, i.e. benefits for the chairman himself and not for the union/workers in general (personal communication with the union, November 2000).

relationship between him and management was very cordial during this time. However, the relationship started souring shortly. It became very severe, when the Company suspended him with another worksite committee member for instigating workers not to accept overtime. Subsequently, he instigated workers to lay down tools on first day for one hour and second day for a whole day. The national union was notified on the second day.

The Director of Industrial Relations Department, summoned the national union to the factory in the afternoon of the second day. The Director of Industrial Department, requested the workers to start work first, and let the national union handle the suspension issue. The worksite committee, being spokesman for the members in Tan Chong Motors refused to start work without 2 members being reinstated back.

The next day the Company “Locked Out” those “laid down” tools on the previous day. About 316 workers were locked. During the same period there are about 200 working inside. Workers with the assistance of national union picketed at the factory for 3 days. Subsequently, the Minister called a meeting at his ministry. During the meeting, the Company’s representative, on the advice of the minister agreed to take back all workers, however those on suspension pending domestic inquiry has to wait for the outcome of the domestic inquiry. The worksite committee did not agree to this and demanded that the 2 colleagues want reinstated back without any disciplinary action.

Finally, the whole effort to reinstate the workers was failed. Within a week, we received resignation letter from those workers still working with the Company within short period, the Company notified the national union that they are withdrawing the recognition granted to the national union and granting another union (House-Union) who is having 100% membership of the Company.

Apparently, we were told that the management of Tan Chong Motors took all the initiative to register an “in-house union”.

In our investigation it was revealed that the whole problem started when the Company realised that some of the request and demands made by the Chairman of the worksite committee was not met by the management.

(Interview from 1995, elaborated in writing 2000)¹⁵

Within the Tan Chong group several auto parts makers now have enterprise unions, but it also incorporates companies that are unionised by the national union.

Countering decentralisation

The merger of enterprise unions with the industrial union took place before and after the East Asian crisis. One case took place in a small group of companies, owned by a Japanese TNC. Three companies (called J1, J2, J3), managed by a fourth (J4), manufactures car components to several auto assembly factories, including Proton. They are located at the same site in the neighbourhood of the Proton plant. Two subsidiaries were unionised by the national union and one by an in-house union. In 1994 the in-house union joined the national union. The story is rather dramatic, and again the perception differs among the actors. The former leadership of the in-house

¹⁵ The Tan Chong management declined to be interviewed, and the president of the enterprise union did not accomplish an agreement to meet.

union has one version, but I follow the version of the general secretary of the NUTEAIW, because it has been confirmed more or less by a former work-site committee member at the company J1 and J2:

This factory situated in Shah Alam. There are three Companies, i.e. J1, J2 (manufacturing seat for automotive industries mainly Proton) and J3 manufacturing raw material for J1 and J2. J3 was the first Company to [be] registered in Malaysia and it was located in Penang. Fifteen years ago they shifted their operation from Penang to Kuala Lumpur, and an in-house Union was formed twelve years ago. Subsequently the Company (J3) shifted to Shah Alam. During the same period J1 and J2 established in Shah Alam. While J3 maintained in-house Union, the National Union managed to organise J1 and J2.

From the time the National Union organised and entered into negotiation for better terms and condition (Collective Agreement) the in-house Union was side lined by the management. It is simply under the umbrella of the National Union the workers are united, and this gave National Union to negotiate better terms and conditions than the other union. This lead the members of house union to criticise the leadership of the in-house union. During the same period the National Union through the worksite committee J1 and J2 started talking to the members of house union in general and officers in particular to join National Union. Another important point which let the house union convert to National Union was that the management started dealing with National Union on most issues pertaining to workers issues. Within the short period we recruited more than 80% of house union members and we used a provision in Trade Union Act to de-register the house union and seek recognition from the management to which they did accord recognition.

Now the workers in all three companies are members of our Union, it makes easy for the National Union to negotiate for better terms and condition.”

(Interview 1995 elaborated in writing 2000)

The election of the work-site committee in 1995 became very dramatic, when the former leadership of the in-house union tried a comeback which ended in violence. They thought that they had been cheated during the work-site committee election, and instead of making a complaint to the executive committee of the national union they started a fight. The police were called, and some of the people were jailed briefly. The losing group resigned from the national union, which lost about 40 to 50 members. The leaders of this group also had a fight in 1993 when a dispute between a guard and a driver turned into racial accusations. These Malaysian subsidiaries of a Japanese company have not been showcases of quiet Japanese business. The Japanese management tried to be neutral, but the situation got out of hand.

This case of returning-to-the-national-union is not unique, and it indicates that the NUTEAIW succeeds when its members take control of the in-house union, close it down and join the industrial union. It is much more difficult when the in-house union is not controlled by supporters of the national union, as the case of the Assembly Services shows.

Business driven changes

Due to the success of the national car project during the period between the crisis in 1985-86 and 1997-99 the organisational fields between the national car manufacturers with enterprise unions and the industrial union organising non-national auto assemblers and suppliers came to overlap. The Proton factory was unable to produce and deliver the cars in demand, and the Proton management began subcontracting assembly work to a few assembling companies outside the HICOM group: Tan Chong and later on also AMI. While Tan Chong employees broke away and formed an enterprise union, the AMI was a stronghold of the industrial union. In the past the AMI was a fully owned subsidiary of Ford Motor Company (Malaysia), later being sold to local interests and finally taken over by Tractors Malaysia Holdings Bhd, one of the five core division of the huge Sime Darby business group. Tractors had its main activities in heavy machinery (for agriculture, construction, commercial, public and private transport etc) (Kuala Lumpur Stock Exchange, vol.21 book 205-206). Through Tractors and Sime Darby AMI became related to the *Bumi* business community and the *Bumi* political elite, both of which also had heavy stakes in the HICOM and Proton corporation.

Crisis-driven transformation of the industrial relations of the auto industry

Other changes have been crisis-driven. The economic crisis of the 1980s effectuated a reduction in employment within the transport equipment industry: from 21,294 in 1981 and 22,281 in 1985 down to 17,026 in 1988 before it went up to 48,260 in 1993 (calculated from NPC basic material 1985-1993). The car assembly factories organised by the national union witnessed massive retrenchment exercises (e.g. AMI, ASSB, SMA), but most companies stayed in the market and only AA assembling Mazda closed down. When the market picked up again, many new employees were hired, even though some companies wanted their old employees to return (e.g. AMI, SMA, CCB). This shift of the workforce to younger generations meant that the union had to socialise a new workforce into the worldview of the union.

Despite the growth in membership of the national union, enterprise union membership increased even faster. The industrial union reached its lowest membership in 1988 with 2673 members, and then rose to 5000 members in 1995 to reach 6000 members by the end of 1997, albeit interrupted by setbacks. TEAIEU lost several strongholds among their larger assembly factories: Tan Chong, Assembly Services, KPKK, Asia Automobiles. In the mid-1990s the union still organised AMI, Cycle & Carriage Bintang (CCB), Oriental Assemblers (OA) and Swedish Motor Assemblies (SMA). Besides unionising motorcycle assemblers the bulk of the union membership is spread over smaller auto parts manufacturers. Covering 34 workplaces in 1995 with 5168 members makes an average of 152 members per workplace, ranging from four to 477 members per workplace. In sum, the union's industrial base has shifted from larger, foreign owned or controlled auto assembling factories towards smaller, Chinese owned and controlled transport component manufacturers.

This shift to unionise the supplier companies in the transport equipment industry was part of a strategy to revitalise the union. Besides, the union turned to a less militant and more pragmatic policy together with the assemblers in order to save the non-national auto industry. However, the union did still acknowledge that although they had to co-operate more they would participate from a position of strength and this position

had sometimes to be sustained and communicated to the employers, for example through formal and informal industrial actions. The mantra for independent, democratic unions was avoid “getting close with management”.

During the 1997-99 crisis the trade unions within the auto industry suffered with the collapse of sales and production and the loss of jobs and members, but there was again a time lag. The national union increased its membership during 1997 to around 6000, but lost 1400 members or 23% of total membership during 1998 and went further down to around 4500 members in March 1999(compiled by the author 1999). The Proton union also increased its membership during 1997 to around 4700 and improved further to around 5300 members by end of March 1998, but then it lost more than 1000 members during the rest of 1998. The net loss during 1998 was around 500 members or 11%, but the union consolidated its membership by the end of March 1999 with a little less than 4300 members. When the auto market started rebounding the national union was still slightly larger than the largest in-house union, with 4606 members and 4215 members respectively (comparable figures for Perodua have not been obtained), but together the enterprise unions held the majority of the union membership within the auto industry.

Although the crisis has impacted differentially at the various segments and companies in the auto industry the auto employees and their unions have all felt the pinch. Both the national union and the larger enterprise unions have recognised that they face similar problems and that they might gain by increasing their exchange of information and collaboration. No new breakaways have been reported, but one workplace employee collective closed down their in-house union and applied for membership of the national union.

The strategy of the national union to prioritise the organising of auto parts and components manufacturers seemed to pay off until the crisis hit. This strategy has been supplemented by a policy to form a network or even a federation of trade unions within the auto industry. In 1999 discussions were ongoing, and core enterprise unions were involved. Yet, several outstanding questions had to be resolved, for example, what statements can be made by whom in the name of the federation? But the old myths and stereotypes about each other seemed to wither, opening up for the formation of some kind of regional “network unionism” between auto industrial and enterprise unions in the industrial hub around the capital, Kuala Lumpur.

Explaining The Changing Malaysian Auto Industrial Relations System

The centralised industry wide 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 institutionalisation of centralised industrial relations 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 standardise wage and working conditions at a low level spurred the radicalisation of the national union during the mid-1970s, and tense industrial relations and confrontational bargaining prevailed until the end of the 1980s. The crisis in 1985-86 affected the auto market and private auto assemblers severely, and it made the employers of the private auto sector and the national union think twice,

opting for co-operative industrial relations in order to survive.

Meanwhile the new and dominant business alliance between Japanese TNCs and ethnic Chinese businessmen undercut the centralised collective bargaining system in order to be able to follow their own strategies. This positioned the industrial union in the optimal powerful position of being able to divide the employers, but it also proved to be an unstable situation. When the employers were not united against the national union, the dominant ones went for enterprise unions, ideologically supported by the government. Being constituted on a grass-roots democratic model, the national union was loosely structured and open for breakaways if worker collectives at the workplace level split, together with divisions among the top leadership.

When the state-led Malaysian car company (Proton) began dominating car manufacturing and car distribution in Malaysia, the struggle for its unionisation was on. In the end, the national union lost the struggle to unionise Proton due to management initiative and employees' support for the formation of an in-house union in 1988. This was the first serious blow to the dominant position of the national auto workers union (TEAIEU). Decisive factors seemed to be the recruitment of a new Malay workforce without former experience within the auto industry and the national union, and the deliberate exposure of this workforce to a national auto project, in which the Malay community took great pride. The second blow to the national union of autoworkers followed in 1990-91 when two important 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.

All in all, during the period of state-led restructuring between 1985 and 1995 the national union of auto industry workers 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. Compared to the national union with above 5000 member in 1996, the enterprise union grew to around 4000 members in 1996, following an expanding Proton workforce from 1700 in 1989 to more than 5000 in 1996 (interviews 1996). During the crisis the Proton union matched the national union with above 5000 members in 1998, but it fell behind in 1999 when it lost more members than the national union, respectively down to 4274 members and 4542 members (interviews May-June 1999). The difference may be accounted for by the retrenchment of non-unionised immigrant workers in the non-national auto industry, while the national auto companies only employed Malaysians and primarily ethnic *Bumis*.

The national union survived partly by unionising car component factories and other road transport equipment companies (motorcycle assemblers and component manufacturers), partly due to the rapid expansion of the car market in the 1990s where sales of vehicles went up from around 140,000 in 1992 to 345,000 in 1996; Far Eastern Economic Review 1997.05.08), the incapacity of the Proton company to fulfil demands, and the expansion of private auto makers increasing production in Malaysia 1997 to its peak: 335,000 passenger cars, nearly 110,000 commercial vehicles and slightly below 360,000 motorcycles (MIDA 1999 app. II).

Although the industrial relations of the auto industry became more pluralistic during the 1980s and the NUTEAIW no longer commanded the majority of union members of the auto industry in the 1990s, the national union still exercised great leverage on the overall terms of collective agreements. This influence is conditioned by several factors: 1) the central co-ordination and support by the national union for enterprise level negotiations, 2) the transparency of union achievements (past and present) in a pluralistic and competing area of trade unionism, 3) the work process

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.

Because most privately-owned assemblers and the national union did survive the 1980s recession and the development of the national auto industry, the lessons learned by the leaders of the national union are still strongly in favour of national unionism. Doomsday 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, grass roots oriented democratic union. Before the crisis in 1997, the union leaders held that the large auto TNCs will stay in Malaysian business and so will the motorcycle TNCs, that the *Bumi* conglomerates like Sime Darby are used to dealing with national unions from 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 unionisation of the unorganised enterprises. The national union had to establish some kind of collaboration with the enterprise unions, subscribing to the principle that it is the workers who must choose which kind of union they prefer.

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 centralised-decentralised industrial relations 1982-87, towards state-supported enterprise unions and collective bargaining between enterprise-based actors within the new *Bumi*-controlled companies. However, this trend is not without exceptions and reversals. Within *Bumi* acquired older companies unionised by the national union there are not (yet) attempts to change the union structure; auto companies might even prefer standardised and integrated collective bargaining even if the negotiation will end up being the national union; and even within the *Bumi* complex of HICOM enterprises, workplaces with an enterprise union can be taken over by a national union on the initiative of the employee collective getting dissatisfied with the in-house union. Finally, the impact of the recent economic crisis has not yet worked its way through the minds and institutions of the auto industry and its industrial relations system.

Conclusion

The contemporary industrial relations of Malaysian auto industry is very much an outcome of Malaysia's colonial legacy and process of decolonisation, the interplay between a TNC controlled auto industry and domestic industrialisation policies and restructuring, and finally the promotion of the in-house union concept by the state and the exploitation of or subscription to this discourse by the individual managers of auto companies. An actor-oriented industrial relations perspective seems pertinent and appropriate, when we considering three core trends of industrial relations disclosed by our analysis:

- That the U-turn during the 1980s of the trend of trade unionism from industrial

unionism to enterprise unionism seems to be caused by the combined actions of state agencies and business managers, adding labour-labour conflicts and ethnic-oriented loyalties to the explanatory framework.

- That the transition from a centralised to a decentralised collective bargaining system in the Malaysian auto industry during the 1980s was driven by the rising alliance of Japanese TNCs and domestic Chinese auto businessmen.
- That the split between the employers at first looked like a big advantage for the industrial unions, but this system of industrial relations withered and induced employers to mingle in labour-labour conflicts and support the formation of in-house unions among break away factions.

Like the former economic crisis in 1985-86, the crisis in 1997-99 may be a milestone in the development of Malaysian auto industrial relations. Although the collapse of the domestic auto market was not accompanied with a similar collapse of employment and earnings due to a concerted efforts of employers, unions and state authorities to minimise the impact of the crisis on employment, core stakeholders do anyway acknowledge that the Malaysian auto industry must stand up to rising regional and global competition. This competitiveness may only be achieved by technological and organisational upgrading, which again calls for closer collaboration between management and labour on the one hand and intensified co-operation with one of the big global auto players on the other hand.

The technology partner of Proton, Mitsubishi Motor Corporation (MMC) probably entered the joint venture, because it was in a weak position at the Malaysian market and internationally, and today MMC is not among the big global auto manufacturers. Ironically, the disadvantage of linking up with a weaker auto TNC may now turn into an advantage, because Daimler-Chrysler recently came to control MMC. This unexpected outcome of global competition may provide the Malaysian national auto industry linkage for survival, securing workplaces and a base for trade unionism, if Daimler-Chrysler perceives Proton and Malaysia as a production platform within their global and regional strategies. Such an alliance or eventual merger would open new possibilities for labour organisation and organisational innovation, which might even invite the formation of a new network unionism, integrating Malaysian enterprise unions and national unions in an international union movement.

But such a scenario requires that the economic ethno-nationalism of the Mahathir regime is turned into some kind of cross-ethnic economic internationalism, at least for the auto industry. Such a break would jeopardise the very foundation of Malaysian politics, constituted on ethnic political parties and loyalties. And for the time being the Malaysian government has another option, which it seems to pursue. The Proton strategy for the new Malaysian designed car is to co-operate with transnational technology and component suppliers with global reputation (brands). This strategy might save the national car project for the time being, but probably it will sooner or later leave the indigenous supplier industry behind.

This scenario comprises a paradox, because the national car project was initiated in response to the resistance against increased localisation of component production in Malaysia. Moreover, the implication could be disastrous for the industrial union, if the domestic auto supplier industry is declining and ousted, because the workforce here has constituted the new membership base of the national union. However, the global principle of “follow sourcing” among the auto TNCs may be applied to Malaysia too, providing for an expanding TNC-subsidiary supplier industry. This scenario might even

provide a better platform for a revival of the industrial auto workers union than the present industry, because ethnic loyalties might disappear in relation to transnational employers, and the level of technology and scale production might be raised significantly enlarging the scope for improved wages, working conditions and eventually also unionisation.

The decentralisation of the Malaysian industrial relations is not fated, but a process of social construction and reconstruction under changing social conditions and junctures. While the present conditions do not leave much room for manoeuvre for a return to centralised collective bargaining, they do form a context for the co-existence of centralised and decentralised union organisation, which again opens up for new ways of co-operation in terms of network unionism. Such a type of unionism may even provide a better way to cope with business networking, the prevailing competitive form of inter-business organisation in Southeast Asia and beyond. But that is another story.

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Glossary

- KPKK: Kelang Pembina Kereta-Kereta Sdn. Bhd.
- UMW: United Motor Works Bhd.
- HICOM: Heavy Industries Corporation of Malaysia.
- DRB: Diversified Resources Bhd.
- UMNO: United Malays National Organization.
- MVAA: Motor Vehicle Assemblers Association, West Malaysia.
- ASSB; Assembly Services Sdn. Bhd.
- AISB: Automotive Industries Sdn. Bhd.
- AMI: Associated Motor Industries (M) Sdn. Bhd.
- MASSU: Motor Assemblers Supervisory Staff Union, Peninsular Malaysia.
- RTU: Registry of Trade Unions.
- WSC: Work site committee.
- NPC: National Productivity Corporation, Malaysia.

