

Workers, Employment Relations, and Labour Standards in Industrialising Southeast Asia

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In the last three decades of the twentieth century, the ‘new globalisers’ in Southeast Asia: Singapore, Malaysia, Thailand, and Indonesia, used their comparative advantage in labour-intensive manufacturing production to break into global markets. For many, globalisation offered the following promises: economic growth and poverty reduction; a rise in living standards; and improved labour and employment conditions. Subsequently, the question of ‘core’ labour standards became the focus of a lively debate among policymakers, non-governmental organisations (NGOs), and labour rights activists. Some observers have argued that poverty has been reduced, and point to rising life expectancy and increased school enrolments. Others, however, have concentrated on labour exploitation and widening income differentials between developed and developing countries. They, and especially labour rights activists in the West, have proposed that pressure be put on the World Trade Organisation (WTO) for the insertion of social clauses into multilateral trade agreements that would allow trade sanctions against countries that do not observe internationally accepted labour standards.

This paper analyses the long-run performance of the four globalisers in the context of economic growth and social welfare. It also contrasts their economic transformation from the following perspectives: labour legislation and the role of the state in structuring labour use; wages and working conditions; and the labour movement.

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INTRODUCTION: SETTING THE SCENE

By the 1970s, following the various problems of decolonisation and post-war readjustment in the late 1940s and 1950s, there had emerged two broad groups of countries in Southeast Asia. There were those which, under Communist or Socialist regimes, withdrew from the international economy to a large extent. These included Vietnam, Cambodia, and Laos, whose trading relations were concentrated on Eastern-Bloc countries, and Burma, which remained politically neutral and became economically isolated. This group of countries experienced economic stagnation and continued to have per capita incomes among the lowest in the world.

The other countries, Thailand, Malaysia, Singapore and the Philippines (and later Indonesia) maintained open economies under various regimes. These experienced significant, though uneven, economic development. Most impressive was Singapore, which was the first Southeast Asian country to become a newly-industrialising country (NIC), alongside the other East Asian countries, Taiwan, South Korea, and Hong Kong. Here the four countries that broke into global markets, namely, Singapore, Malaysia, Indonesia and Thailand, are the focus of this study.

By the 1970s and 1980s these countries had embraced trade liberalisation, turned towards policies that involved more open trade regimes, and gave export trade and foreign investment a central place in their development strategy. Associated with this was the *making* of comparative advantage through specific trade policy initiatives. These policies were not dependent on natural resource endowment, but rather on the *creation* of low-cost manufacturing advantage. They were consistent also with the establishment of manufacturing enclaves for global production in the form of free trade zones, particularly in Singapore, Malaysia, the Philippines, and later Thailand. These global production enclaves facilitated cross-country relocation of manufacturing, assisted by continuing technical progress in transport and communications.

A number of general points also need to be made on the international economic environment during this period. First, after World War Two, the earlier retreat into protectionism was replaced by ideas of greater cooperation between the United States, Britain, and other Western European countries to reduce the trade barriers they had previously erected. This led to the establishment of a set of rules to 'manage' the international economy, including the creation of a monetary system (the International Monetary Fund or IMF); and reviving international spending through the World Bank. There were two pressing concerns: the first was to aid the war-ravaged countries; and the second was to assist the economic development of the many less-developed countries. Both these aims were viewed as complementary.

To achieve them and to foster greater economic integration, trade and tariff agreements were negotiated under the General Agreement on Tariffs and Trade (GATT) with the objective of reducing tariffs, and creating an international environment conducive to trade expansion. Moreover, under preferential trade arrangements such as the Generalised System of Preferences (GSP), products from developing countries that were not given preferential treatment under other agreements were provided duty-free access to most developed nations. This arrangement advantaged the late industrialisers.

Nevertheless, it must be stated at the outset that while trade in manufactured goods between developed countries had been freed of barriers, the barriers that existed between developing and developed countries were only removed for those primary products that did not compete with agriculture in developed countries. Moreover, while GATT explicitly excluded developing countries from the need to dismantle their trade barriers, exports of textiles and clothing from developing countries were put under a system of quotas that discriminated by country. Originating from the short-term Cotton Textile Arrangement in 1961, the Multi-Fibre Arrangement (MFA) of 1974 incorporated several separate agreements restricting world trade in textiles and clothing. Thus developing countries had to make trade concessions of their own at successive multilateral trade negotiations. More significantly, the old pattern of trade between Western countries and the new globalisers was restored.

Second, from around 1950 most developed economies commenced a period of sustained economic growth that continued until the first oil shock of 1973. Following the growth of domestic economies and dismantling of protectionist barriers, the international economy also expanded. Between 1948 and 1960, the value of exports by non-communist countries grew by six per cent a year, accelerating to eight per cent between 1960 and 1973. International lending also expanded rapidly. An increasing proportion of this was private investment in both industrial and resource-related projects.

Third, as trade volumes expanded, very high rates of real growth were achieved, particularly in Western Europe. In the public sector institutional arrangements facilitated government-negotiated financial and commercial arrangements and the activities of international functional agencies. In the private sector, national business spawned international business through the operations of multinational corporations. As the world economy expanded, it gave a further impetus to global capital markets. This was achieved through the globalisation process, and characterised by high mobility of industrial capital seeking out locations where physical and human capital were relatively cheap and where governments offered reasonable political stability along with attractive inducements. The leaders in this globalisation process were the multinational corporations (MNCs) which had their headquarters in the developed countries but had worldwide operations. These MNCs became in effect global factories searching for investment and manufacturing opportunities anywhere in the world.

Fourth, Japan's ascendancy to industrial superpower status and the rise of the East Asian newly-industrialising countries (NICs) – Taiwan, South Korea, Hong Kong and Singapore – also resulted in manufacturing and trade becoming regionalised. This change was driven by substantial increases in foreign direct investment (FDI) from Japan and the NICs to the second-tier NICs in Southeast Asia.

THE NEW GLOBALISERS AND LABOUR-INTENSIVE MANUFACTURING PRODUCTION

The four Southeast Asian countries – Singapore, Malaysia, Thailand and Indonesia – recorded strong economic growth during the last four decades of the twentieth century up to 1997, consistent with trade liberalisation strategies and labour-intensive manufacturing production. The factors that contributed to this growth were labour, physical capital, human capital, and the efficiency with which labour and physical and human capital were combined. In all these countries the state was seen as necessary for promoting agricultural transformation; bringing together the resources necessary for industrialisation; providing protection for infant industry; and investing in mass education as a prerequisite to the creation of human capital.

For the most part, the first moves into industrialisation in Southeast Asia were the result of government initiatives rather than arising out of the dynamics within the small existing manufacturing base in the domestic economies. Until around 1970, government strategies for development (with the exception of Singapore) usually centred on import substitution as a way of promoting industrialisation. This was achieved through various means, such as tariffs, quota restrictions to cut down on imports, and other measures to encourage indigenous enterprise.

Three major factors led to changes in government policies, so that in the 1970s export-led growth became an alternative, and more successful, policy. First, the import-substitution phase of development did not achieve the results expected. This was partly because most Southeast Asian countries did not have sufficiently large domestic markets to sustain the industries (either small populations or very poor populations). Hence government subsidies, deficits, and inflation tended to occur. In Indonesia, for example, there was rampant inflation in the 1960s, while industries remained small and uncompetitive. Also, as elsewhere, some of the benefits of protection passed to domestic subsidiaries of foreign companies. Second, for economic and social reasons, it was realised that agriculture as well as manufacturing could provide a spur to development, if agriculture could grow on the basis of appropriate technologies. Third, there was the very obvious example of Japan, and other East Asian countries, growing rapidly through exports. Thus by 1970 these

Southeast Asian states initiated policies to break into global markets. Pressure for accelerated growth through the development of export markets also came from international agencies.

Economic transformation in these countries and the decline in the relative importance of agriculture in their economies is shown in Table 1 below.

Table 1 Structural Change in the New Globalisers compared to other Southeast Asian countries by Percentage Share of Gross Domestic Product (GDP), 1965-86

	<i>Agriculture</i>		<i>Industry</i>		<i>Services</i>	
	<i>1965</i>	<i>1986</i>	<i>1965</i>	<i>1986</i>	<i>1965</i>	<i>1986</i>
Indonesia	56	26	13	32	31	42
Malaysia	28	20	25	35	47	45
Singapore	3	1	24	38	73	62
Thailand	35	17	23	30	42	53
The Philippines	26	26	28	32	46	42
Burma	35	48	13	13	52	39
Vietnam	n.a.	45	26	n.a.	n.a.	n.a.

Source: Chris Dixon, *South East Asia in the World-Economy* (Cambridge: Cambridge University Press, 1991), p. 25.

As shown above, Indonesia and Thailand saw the greatest decline in the share of agriculture in GDP during the period 1965-86, from 56 per cent to 26 per cent and 35 per cent to 17 per cent respectively. Indonesia, Malaysia and Singapore recorded the greatest increase in industry with the Philippines and Thailand following closely behind.

The new industrialisation strategy, to manufacture for export rather than for domestic consumption, was first adopted by Singapore in the mid-1960s. In 1965 Singapore was expelled from the Malaysian Federation and the size of its internal market was enormously reduced. The foundations of the government's export-driven industrial expansion rested upon a free trade policy, reliance on direct foreign investment, the creation of a tightly disciplined and skilled labour force and strong government intervention and direction. Apart from heavy industry – the construction of drilling rigs and ancillary vessels for off-shore petroleum extraction and tanker construction and repair – other industries included the production of textiles and

apparel, electrical and electronic goods, notably semi-conductors, integrated circuits and later, disk drives. Value added in manufacturing rose from S\$348.4 million in 1965 to S\$8521.9 million in 1980. Employment in the manufacturing sector rose from 47 334 in 1965 to 285 250, while the value of manufactured exports rose from S\$933.3 million in 1965 to S\$12 368 million in 1979 (in 1985 market prices). Consequently, Singapore's GDP grew, in real terms, at an average annual rate of 13.6 per cent between 1966 and 1969, and at 8.3 per cent between 1970 and 1979 (Dixon 1991, ch.5; Hill 1993).

As a first-tier newly-industrialising country (NIC), Singapore's export-oriented industrialisation strategy (EOI) provided a model for the second-tier Southeast Asian countries. In seeking to grow and industrialise on a similar basis, the other Southeast Asian countries were also dependent on international economic conditions and policies, and domestic policies and power (Hamilton 1982). More specifically, timing mattered. The change in policy coincided with the declining international competitiveness of Japan and the first-tier NICs as their currencies appreciated and wage and production costs rose. This industrial relocation or the regionalisation of industry was also driven by both home and host country developments and industrial policies.

In Malaysia and Thailand EOI was adopted towards the end of the 1960s and the early 1970s. Indonesia adopted EOI much later. The oil boom enabled the state to 'shape the pattern of industrial development' by investing directly in priority areas and undertaking large-scale, capital-intensive industrial projects, that in turn generated rapid growth in the domestic economy and an increase in employment in construction and in services. The oil boom thus led to the implementation of an import-substitution industrialisation (ISI) strategy. The 1986 petroleum price collapse coincided with foreign investor interest, the introduction of reform packages, and the switch to EOI (Hill 1994: 68-69).

Moreover, during the period 1981-90, growth rates in the four Southeast Asian economies were as much as two to four times greater than the OECD average. Growth in Malaysia averaged around 5.5 per cent per annum during the decade, while in Indonesia it averaged 5.5 to six per cent per annum, and in Singapore and Thailand it averaged six per cent and eight per cent per annum respectively. Throughout this

period the OECD average for growth was less than two per cent per annum (*The Economist* 1991:4).

The GDP annual average percentage growth rates for the four countries and the Philippines for the last three decades of the twentieth century, are provided below in Table 2.

Table 2 GDP Annual Average Percentage Growth Rates, 1970–96

	<i>1979–79</i>	<i>1980–89</i>	<i>1990–96</i>
Singapore	9.4	7.2	8.3
Malaysia	8.0	5.7	8.8
Thailand	7.3	7.2	8.6
Indonesia	7.8	5.7	7.2
The Philippines	6.1	1.8	2.8

Source: Economist, 1 March 1997, p. 23.

As shown above, between 1990-96 GDP annual average growth rates for the four countries ranged between 7.2 to 8.8 per cent per annum.

A more detailed breakdown by sector is presented in Table 3, which also shows the comparative performance of the focus countries in relation to other Southeast Asian countries. The transition to industrialisation contributed to agriculture's declining share in GDP between the mid-1960s and the mid-1980s (see Table 1). At the same time the contribution of agriculture to employment also fell (Kaur 2004a:2).

Table 3 Southeast Asia: Growth of the Economy, 1980–99 (average annual % growth)

	<i>Gross</i>		<i>Agriculture</i>		<i>Industry</i>		<i>Services</i>	
	<i>Domestic Product</i>		<i>Value Added</i>		<i>Value Added</i>		<i>Value Added</i>	
	<i>1980–90</i>	<i>1990–99</i>	<i>1980–90</i>	<i>1990–99</i>	<i>1980–90</i>	<i>1990–99</i>	<i>1980–90</i>	<i>1990–99</i>
Cambodia		4.8		2.1		9.6		6.9
Indonesia	6.1	4.7	3.4	2.6	6.9	7.8	7.0	5.4
Lao PDR	3.7	6.4	3.5	4.6	6.1	11.8	3.3	7.4
Malaysia	5.3	6.3	3.8	1.1	7.2	9.4	4.2	7.6
Myanmar (Burma)	0.6	6.3	0.5	4.9	0.5	10.1	0.8	6.6
The Philippines	1.0	3.2	1.0	1.5	–0.9	3.4	2.8	3.9
Singapore	6.7	8.0	–6.2	0.4	5.3	7.9	7.6	8.0
Thailand	7.6	4.7	3.9	2.7	9.8	6.7	7.3	5.5

Source: World Development Report 2000/2001, Selected Development Indicators, pp. 294–5.

Briefly therefore, as the four countries integrated with the global market, they experienced rising growth and economic transformation. Second, labour became more closely associated with industrial work. Third, export-oriented industrialisation was consistent with the greater concentration and centralisation of capital by MNCs and the growth of cross-border production networks. In the process, both governments and workers became dependent on the MNCs for job creation, especially in free trade zones. These in turn functioned as global manufacturing enclaves where the MNCs benefited from the suspension of numerous domestic labour laws.

THE STATE, LABOUR AND EMPLOYMENT RELATIONS

Four distinctive trends characterised employment creation in the labour-intensive manufacturing sector. First, since companies operated at the lower levels of global commodity chains, which were either producer-driven, as in the case of the electronics industry, or buyer-driven, as in much of the apparel industry, there was lack of job security. Second, since the forms of work arrangements associated with the global commodity chains comprised factory production, sub-contracting production arrangements and home-based work, casualisation and labour flexibility were rife. Third, since these forms of work arrangements coincided with the increased entry of women in the paid workforce and the feminisation of labour, women workers had to bear the brunt of structural adjustment (Kaur 2004a:ch.8; Kaur 2004b). Fourth, while governments introduced labour legislation aimed at securing a modicum of welfare and security for workers, they also used their public commitment to trade liberalisation and growth to increase their arbitrary powers and retain their countries' competitiveness.

Turning to employment relations, three patterns are dominant. First, none of the four countries had a strong tradition of democratic rights or civil liberties. Second, the state also managed to engineer union compliance with its development, security, and stability objectives through a mixture of tripartism and legal control. Additionally, paternalism and personal patronage, rooted in the status-based relationships in all four societies, and traditions of political authoritarianism sanctioned by socio-cultural and historical practices, created difficulties for the legitimacy of sectional interest groups, such as trade unions, in these societies. Third, the consensual outcome was generally preferable to confrontation, especially when

couched in terms of trade preference withdrawal by developed countries and the resultant unemployment, thus making for industrial harmony on the whole (Deery and Mitchell, 1993; Manning 1998a:ch. 8).

Consequently, although individual country experiences differed in some areas, on the whole, the low wages policy meant that improvements in labour conditions and labour rights lagged considerably behind real wage growth. Nevertheless, it can be argued that even if real wages did not keep pace with growth, increased employment opportunities and welfare were seen as preferable to the alternatives.

Labour Legislation

The first comprehensive labour laws enacted in Singapore, Indonesia and Malaysia were adapted from colonial laws, and remain the basis for the employment relationship in these countries. In Indonesia the first comprehensive labour law was passed in 1948. It prescribed working conditions; banned the employment of children below the age of 15; restricted night work for women; made provision for maternity leave; and included a miscellany of other provisions. This legislation emphasised job security, and included procedures to regulate dismissal and separation payments. The regulations were reaffirmed in subsequent labour legislation which also guaranteed the right of workers to join unions and conclude labour agreements; and provided for basic labour standards.

When the Suharto government assumed power in Indonesia in the mid-1960s, the political structure was transformed and new economic policies were introduced that favoured private enterprise. Economic growth and job creation policies assumed priority and determined the particular characteristics of labour systems. Economic stability was also emphasised, further impacting on labour relations and resulting in tighter labour controls. There was a reaffirmation of earlier labour protection legislation; a framework was established for setting minimum wages on a provincial basis; and collective labour agreements were encouraged. The government's objective was to control the trade union movement in order to maintain industrial peace.

During this period the industrial relations process was shaped by several new developments. These included the destruction of the Communist Party and the rise of the military; the banning of the leftist union and the removal of its leaders from industrial relations; and the cutting of ties between unions and political parties (with

the exception of the Golkar party). Government control and military intervention thus ensured that labour rights were reduced. Subsequently, a conciliatory-based system of labour relations (referred to as *pancasila* labour relations) was agreed upon. This broad framework rested on cooperation and common goals and Indonesia thus followed the international and Southeast Asian trend towards bipartite and tripartite industrial relations systems. Employer and union cooperation became a key feature of the industrial relations system (Manning 1998a: ch.8; Vedi Hadiz 1997: chs 4–5).

In Singapore, a Trades Union Ordinance, consistent with British labour policy elsewhere, and that required trade union registration, was on the books prior to the outbreak of World War Two. It was amended in 1948 to regulate trade union constitutions and rules. Between 1959 and 1977 legislation was also amended to prevent the growth of multi-unionism; to introduce the strike ballot; and to curb unconstitutional industrial action. Further amendments were made in 1982 to ensure trade union compliance with state interests. Industrial relations were also regulated through the *Industrial Relations Ordinance 1960* that established Industrial Arbitration Courts; and further amendments to the *Trade Disputes Ordinance* regulated industrial action, emphasising the importance of authoritative industrial arbitration.

The adoption of EOI subsequently impacted on industrial relations processes in the city-state. Four developments are noteworthy: the legal regulation of industrial relations through legislation; the curtailment of collective bargaining; the establishment of a tripartite National Wages Council (NWC) in 1972; and the introduction of legislation providing for control over foreign workers. The establishment of the NWC marked the growing trend towards a tripartite industrial relations system and union co-operation. Unions were allowed to participate actively in the formulation of national policies, particularly those impacting on workers' lives. They were represented on bodies such as the NWC, the Central Provident Fund, the Housing and Development Board, and other key institutions impacting on economic and social policies. The state also sought both to determine and influence wage increases through annual wage growth targets set by the NWC.

Migrant workers, who were employed on short-term contracts, were excluded from collective representation and procedures concerning termination of their services. But they were not disallowed from using the Ministry of Labour's non-

unionised dispute procedures. Notwithstanding this, migrant contract workers came under even tighter regulation by government, facing fines, gaol sentences and even corporal punishment if they overstayed in the country (Leggett 1994:100).

Employment relations were thus controlled by the Government and in 1980 the state effected the merger of the two largest employers in Singapore – the Singapore Employers’ Federation and the National Employers’ Council to form the Singapore National Employers’ Federation (SNEF). Two years later, consensus and productivity improvement became the objectives of trade unions. Trade unions in Singapore thus served ‘to legitimise the economic and social imperatives set for Singapore by its ruling elite’ (Leggett 1993:223).

In Malaysia, labour unrest in the late 1930s and a shift in colonial labour policy had laid the basis for labour relations and acknowledged a legitimate role for trade unions. In 1940 and 1941 three ordinances were passed – the *Industrial Courts Ordinance*, the *Trade Union Act*, and the *Trade Disputes Ordinance*. When the British returned to Malaya in 1945, following the Japanese Occupation period, a former British trade union official, John Brazier, was sent from London to mediate in relations between wage labour, capital and the state, and to alleviate conflict and weaken militant unions. Brazier’s legislative package was aimed at regulating trade unions, their constitutions and rules, and made registration conditional for the enjoyment of any rights by labour. The package was based on the *British Trade Disputes and Trade Unions Act 1927* (Gamba 1957:chs. 7 and 8).

Subsequently, in 1948 a State of Emergency was declared when the Communist Party of Malaya decided on an armed struggle to achieve its political objectives. The British introduced legislation to outlaw omnibus unions and broke the communist hold on the trade union movement. A major change arising from this policy was the passing of the trade union leadership to Indians since the Chinese, who had earlier comprised the majority of the trade unionists in the urban areas and led labour’s struggle, refused to cooperate with the British.

In 1957 Malaya achieved independence and the national government introduced new legislation to regulate industrial relations and trade unions. The *Trade Unions Act 1959* legitimised trade unions, giving them legal protection. The *Industrial Relations Act 1967* formalised collective bargaining and also made provision for arbitration machinery. Both pieces of legislation were amended

subsequently in ways that restricted labour's freedoms by weakening trade union power. The 1967 act also consolidated several earlier measures that had banned industrial action on the part of government employees (civil servants). Compulsory arbitration was also imposed across a wide range of essential public services.

Following the 13 May 1969 race riots, when violent inter-communal riots rocked Malaysia in the wake of the 1969 general elections, labour's fortunes suffered further reversals. Parliament was suspended and the Malaysian government undertook a refashioning of political life and economic structures to restore long-term national stability. Where labour was concerned, issues such as transfers, job changes, promotions, hirings and most causes of dismissal, became non-negotiable and, therefore, non-strikeable. These regulations provided for the availability of government conciliation services and binding arbitration by the Industrial Court. The tripartite nature of the Court marked a significant trend towards greater government control over labour and the conduct of industrial relations. The reconvening of Parliament in 1971 coincided with the implementation of the New Economic Policy.

The New Economic Policy (NEP) (1971-90) marked a watershed in Malaysian economic life. It had two principal objectives – the reduction and eventual eradication of poverty irrespective of race; and the elimination of the identification of race with economic function. The second objective implied reducing the concentration of Malays in subsistence agriculture and increasing their employment in the modern rural and urban sectors of the economy. Subsequently there was a rapid rise in Malay wage labour, especially in the bureaucracy and the manufacturing sector. This policy, which coincided with the adoption of the export-oriented industrialisation strategy, had major implications for labour.

First, the state-authorised ethnic restructuring of employment meant that firms had at least three forms of labour control strategies. These were: divide-and-rule strategies based on race and gender, that were incorporated into the production process and the reward system; recruitment strategies; and corporate paternalism to nurture workers' identification with the firm (Halim 1983).

Second, companies designated as Pioneer Industries – as part of the government's drive to stimulate foreign investment with the overarching aim of achieving NIC status – were granted special union and related exemptions. These export-oriented firms were given the option of rejecting unionism and not concluding

collective agreements that improved upon the minimum conditions of employment set out in the *Employment Act 1955*. Night work for women workers in the manufacturing sector was also allowed.

Third, in late 1981 the then Prime Minister, Dr Mahathir Mohamad, launched a Look East Policy to put Malaysia's economy on the road to rapid industrial growth, following the East Asian NIC model. This Look East Policy promoted Japanese- (and Korean-style) work ethics and in-house or enterprise unions, which received explicit legislative sanction in 1989. These unions tended to identify strongly with the interests of the company, since they were enterprise-based rather than industry-wide. For example, if unions were convinced a high wage increase would hurt the company's competitiveness, they tended not to ask for a pay rise. This policy further increased the state's control over unions.

Turning to the individual employment relationship, as well as conditions of employment, these were covered by the *Employment Act 1955*. In principle, the Act provided for all employees – both local and foreign, and whether unionised or not, although there was much debate in the local Malaysian press on its lack of coverage for domestic workers. The *Employment Act 1955* set down basic labour standards regarding terms and conditions of employment. Among the employment conditions covered were the protection of wages; the limitation of the working week to 48 hours and the payment of overtime rates; the taking of rest days and rest periods; paid sick leave and holidays; and maternity leave. Further amendments included the payment of specified minimum termination and redundancy benefits. There was also legislation pertaining to health and safety regulations (Ayadurai 1993:65–8). The Act did not stipulate a minimum wage, nor did it protect workers from unfair dismissal without notice on the grounds of misconduct.

Thailand presents an interesting contrast to the other countries. First, its post-World War Two labour history may usefully be viewed in terms of changes in the political leadership and its economic strategy. The continued central role of the military in the Thai elite, arising from such factors as the advantages of military organisation, aided the maintenance of strong hierarchical relationships in the country. Political processes were by no means smooth. There were long periods of military dictatorships, frequent military coups and a troubled parliamentary and electoral system that resulted in a weak labour movement. Second, the agricultural sector

continued to dominate the economy, and its share in GDP in 1960 amounted to 38 per cent. Even in the 1970s village-based rice production dominated in the economy. Beyond agriculture, there were only a small number of manufacturing enterprises in Bangkok and other urban centres. Urban wage-workers were thus a minority in the country.

Third, since there were large reserves of under-utilised labour in the countryside, there was a steady flow of migrants to the urban areas during the slack season in search of work in the informal sector, or in small-scale production, and the service sector. The urban workforce thus comprised a large percentage of semi-peasant/semi-proletariat people. More significantly, urban labour was deprived of the opportunity to develop organisational strength and bargaining power because of the existence of this reserve, which was constantly augmented by new arrivals.

Finally, there was no real concentration of wage earners in Thailand since the bulk of workers were employed in small-scale enterprises (1–99 employees). This limited labour organisation and union expansion among wage workers in the manufacturing sector.

The first comprehensive legislation covering both labour protection and labour relations was the *Labour Relations Act 1956*. An allied legislation was the *Industrial Disputes Settlement Act 1956* that allowed workers to choose their representatives for collective bargaining purposes. However, these regulations covered workers in paid employment only and who were hired under an employment contract. Employees who were hired on an informal basis, that is, without written contracts, were not provided for by this Act. Thereafter, the history of labour relations may be viewed in terms of the political situation, and the state's economic strategies and labour legislation and may be divided into six periods, from 1958–92.

During the first period, 1958–73, the military government imposed martial law and extended direct control over workers. The economic strategy adopted was import-substitution industrialisation and the government abolished the 1956 *Labour Relations Act*. All strikes and trade union activities were banned and union leaders arrested. The Interior Ministry was empowered to issue ministerial decrees regarding labour administration. Labour protection measures were limited, and the length of the working day was prescribed as 10 to 12 hours. In 1972 the situation changed with the revocation of the previous decree affecting labour. The *Announcement on Labour*

Relations 1972 was passed, covering ways of establishing workers' associations, collective bargaining, dispute settlement and strike action. A minimum wage was also established in Thailand and a Workers' Compensation Fund created. These measures paved the way for further legislation to improve workers' rights.

During the second period, 1973 to mid-1975, labour became stronger, following the people's uprising of October 1973. This period was also marked by the *Labour Relations Act 1975* (which replaced the 1972 act), guaranteeing the protection of workers and the right of association. Subsequently, the minimum wage of 16–20 baht established in July 1974 was raised to 25 baht in January 1975.

The 1975 Act resulted in the state creating a legal framework for industrial relations that fostered fragmented unionism. Unions with a registered membership of 10 members were recognised under this act. Moreover, a group of 15 unions, irrespective of total membership, were allowed to set up a national labour congress. This led to the fragmentation of the workforce.

During the third period, 1976–81, authoritarianism triumphed once again, following the October 1976 military coup. Although workers were not prohibited from organising unions, strikes were outlawed. Normal labour congresses were controlled by the state. This authoritarian rule coincided with the EOI strategy that was consistent with low wages, economic peace and pliant unions. Nevertheless, the state established a Labour Court in 1979 that provided an avenue for workers to seek redress in the event of a breach of employment contract and abuse of labour laws. Tripartism was also promoted by the state in keeping with the export promotion strategy. Among the tripartite bodies set up were the Wage Committee, the Labour Relations Committee (to act on complaints and arbitrate in state versus enterprise disputes), and the Labour Court.

During the fourth period, 1982–92, state enterprise workers received a major setback and tripartism was extensively used in industrial relations in the private sector to deal with labour disputes and collective bargaining. Following the 1992 February Coup, the National-Peace-Keeping Council (NPKC) mounted a major attack against the trade union movement. Three pieces of legislation were enacted shortly after the coup. These included amendments to the 1975 *Labour Relations Act*, which removed state enterprise workers from coverage by the law. This meant that the formation of trade unions was effectively banned within state enterprises. The new *State Enterprise*

Employees Relations Act 1991 was implemented to govern labour relations in state enterprises. This act allowed state enterprise employees to form ‘associations’, not unions. Subsequently, NPKC Announcement 54 further amended some provisions of the 1975 *Labour Relations Act*. These latter changes impacted largely on private sector workers (Brown 1997:175).

The fifth period, from 1992 onwards, was marked by improved conditions for labour organisation, following the restoration of parliamentary rule in 1992. In 1993 a Ministry of Labour and Social Welfare was created, and the subsequent *Labour Protection Act 1998* provided workers, who had been employed for three years or more, with statutory rights to severance pay. Briefly, therefore, Thailand had no effective factory act, trade disputes act or union law until the mid 1990s. Thailand’s greater emphasis on textile production also saw a more pronounced casualisation of labour. Working hours in the manufacturing sector were set at 48 hours per week compared to 54 hours for commercial enterprises, but with the casualisation of the workforce, there were more breaches of labour regulations. Sub-contracting production (especially in the food and beverage industry, oil production and the garment and handicraft industries) also meant lower wages and limited benefits for workers.

In summary, although the four countries had many progressive labour laws governing hours of work, rest periods and restrictions on the use of child labour on the books, some of these laws were not implemented widely. Indeed, there is continuing criticism levelled at governments and employers for the failure to enforce legislated health and safety standards. More significantly, the bulk of the laws rarely apply to the following categories: self-employed workers; those engaged in sub-contracting production; domestic workers; and other informal sector employees, the majority of whom are women.

THE LABOUR RECORD

Are Southeast Asian workers worse off compared to workers in developed countries? To answer this question, two key dimensions of labour standards will be examined here. The first focuses on wages and conditions of employment, including security of work and earnings, equality of opportunity and treatment, safety, and

health conditions. The second concentrates on labour rights – freedom of association, the right to organise, and collective bargaining.

Wages and Conditions of Employment

Although it is tempting to lump the four economies together, Indonesia's size and relative poverty requires that it deserves special attention, because indicators like wage rates are governed by the greater incidence of poverty. In 1970 three-fifths of Indonesia's population lived below the absolute poverty line – having fewer than 2150 calories a day. The proportion was down to 29 per cent in 1980 and fell to 15 per cent in 1990. Thailand, which also has a large population and a big proportion in the agricultural sector, had the following equivalent figures – the percentage of people below the poverty line fell from 26 per cent in 1970 to 17 per cent in 1980 and 16 per cent in 1990. This levelling-off reflected the persistent inequality between Bangkok and the rest of Thailand (*Economist*, 20 March 1993). In central Thailand, for example, where employment in manufacturing and services was concentrated, the incidence of poverty actually increased during the same period! (Phongpaichit and Itoga 1992:2).

Turning to Malaysia, the issue of inequality between, and within, the various ethnic groups heightened the dimension of income distribution and poverty reduction. It is not the place here to go into inter-ethnic income inequality. Suffice it to say that by 1990 the incidence of poverty still remained overwhelmingly rural. According to official Malaysian figures, the New Economic Policy target for poverty eradication (16.7 per cent in Peninsular Malaysia) by 1990 had been surpassed at 15 per cent (Drabble 2000:282). Nevertheless, poverty consistently remained high among the South Indian urban casual wage workers (many of whom were previously employed on the rubber plantations). This group, which forms part of the urban slum dwellers, remains one of the most socially disadvantaged groups in Malaysia (*Aliran*, various issues 2000). In Singapore, abject poverty is no longer an issue.

Wages

The dimensions of inter-country contrasts were reflected in wage rates and third country relocations. By the late 1970s in Singapore, for example, real wage rates began to rise until the surplus labour had been exhausted. After this point, market

forces and the states' high-wage policy implemented between 1979-81 pushed up wages, as had happened in Japan in the 1960s. This led to the relocation of some Japanese companies to Malaysia. Wage rates in Indonesia were much lower than wage rates in the other three countries. Wage costs in the textile industry (which was Indonesia's fastest growing export industry) suggested that Indonesian workers were paid about one-third of what their counterparts in Malaysia and Thailand were paid. This wage differential endured over the last decade, with Indonesian workers earning substantially less than their Southeast Asian and other Asian counterparts

The consistently low rewards to unskilled labour in Indonesia, compared to some other Asian countries, is captured in Table 4.

Table 4 Monthly Wages and Per Capita Incomes: Selected East Asian Economies, 1990

	<i>Index Monthly wages (general workers)</i>	<i>(Indonesia = 1.0) GDP/capita^a</i>
Singapore	11.4	19.6
Hong Kong	14.2	20.2
South Korea	9.5	9.5
Malaysia	3.9	4.1
Thailand	3.0	2.5
The Philippines	2.3	1.3
Indonesia	<u>1.0</u>	<u>1.0</u>
China	1.0 ^b	0.7

Notes: ^a Converted from *national currencies* according to the prevailing nominal exchange rate. GDP data calculated on a PPP basis to give a much higher relative GDP figure for Indonesia.

^b Southeast regions.

Source: Chris Manning, *Indonesian Labour in Transition: An East Asian Success Story* (Cambridge: Cambridge University Press, 1998a), Table 8.10, p. 229.

Wages were about one-tenth that of Singapore, which achieved developed country status in 1995. Wages in Indonesia generally reflected the low average incomes and standard of living in the country.

Turning to minimum wages, minimum wage rates has been in force in Thailand since the 1970s. In Indonesia, minimum wage legislation was passed in the mid-1970s, when provincial and provincial-sectoral minimum wages were initiated. By 1992 the Indonesian government had made minimum wages a central plank of labour policy (Manning 1998a:206-7). Many workers, of course, earned less than the official minimum wage, especially in Indonesia. The minimum wage

in Indonesia in 1996 was between US\$2-3 per day (Manning 1998). In Thailand, the minimum daily wage in 1995 was set at 145 baht per day in Bangkok and varied between 118 baht and 126 baht in the other provinces (Ogena *et al.* 1997:47).

Malaysia does not have government-legislated minimum wage rates although, as shown above, wage rates were higher than in Indonesia. In the plantation sector (but only in the oil palm industry) it took about 70 years (achieved in 2000) for workers to get monthly rather than daily wages, despite the fact that the big plantations are now owned by wholly-owned subsidiaries of the largest component of the Barisan Nasional ruling party, the United Malays National Organisation. Wages in the plantation sector are still linked to the market prices for oil palm and rubber. It is doubtful whether Malaysia will implement a minimum wage policy in the near future. The ready availability of a continuous supply of cheap migrant labour means that real wage rates will not keep pace with growth, because the supply of surplus labour will continue to be replenished by foreign workers.

Data on wage trends in selected Asian countries for the period 1960s to 1990 are provided in Table 5.

Table 5 Index of Average Real Wages in Manufacturing in Selected Asian Countries (mid/late 1970s = 100)^a

	<i>Early- to Mid-1960s</i>	<i>Early- to Mid-1970s</i>	<i>Mid-1980s</i>	<i>1990</i>
Singapore	100	100	176	216
Hong Kong	81	100	155	209
Taiwan	26	63 ¹	130	203
Korea	33	53 ¹	138	157
Malaysia	60	100	138	189
Thailand	84	100	135	129
Indonesia	102	100	125	158

Note: ^a Data for 1960, 1970 and 1979 in Taiwan; 1966/67, 1971/72, 1980/81 in Korea; starts in 1971 for other countries. Index for 1979/80 = 100 in the case of Korea and Taiwan and 1975 = 100 for other countries.

Source: OECD (1995), *Trade and Labour Standards*, Paris, p.18; World Bank, World Development Indicators (various years), cited in Chris Manning, 'Does Globalisation Undermine Labour Standards? Lessons from East Asia', *Australian Journal of International Affairs* 52, 2 (1998b), p. 139.

As shown, of the four Southeast Asian countries, there was a rapid growth in real wages in Singapore, followed by Malaysia. Growth was slower in Thailand (there

was a decline in 1990) and Indonesia. It is relevant to note here that the determination of private sector wages was left largely to the market, with the exception of Singapore. Both in wages and working conditions, workers in foreign transnational firms tended to do better than workers in smaller foreign firms; or domestic suppliers to international purchasing firms; or small workshops producing for the domestic market (Lim 1977; Manning 1998a).

One important point needs to be made. In all four countries, wage differentials persisted, and continue to persist, based on sector, location (urban/rural, with the exception of Singapore which is a city-state), enterprise and gender. Public sector employees were better paid than private sector employees. In Thailand, urban workers in enterprises enjoyed higher average wages than their counterparts in enterprises located in rural areas. (See, for example, Piriyarangsan and Poonpanich, 1994: Table 16, 237). But gender wage differentials continued, and continue to persist, and women's earnings failed to keep up with men's, particularly in the private sector. This gender-based wage differential is also associated with unstable incomes and the vulnerability of women workers employed in export-oriented manufacturing industries. The inability of these workers to organise collectively is discussed under labour organisation below.

Working Conditions

A comparison of hours of work of Southeast Asian workers during this period shows that working hours per week were frequently long (50-60 hours), although most countries in the region prescribed between 44-48 hours. In Indonesia the *Basic Law* prescribed a 40-hour and six-day working week, with a maximum of seven hours of normal work per day. Nevertheless, a maximum of nine hours per day was permitted (54 hours per week) and firms were permitted to apply for a special license for working hours exceeding the maximum. The firms also had no problem getting permission for overtime (Manning 1998:202). In Malaysia the specified hours were eight hours per day (or 48 hours per week, extending to 60 hours). But these limits could be exceeded in specified circumstances (Ayadurai 1993:67). Similar conditions existed in Singapore and Thailand (Leggett 1993; Manusphaibool 1993). Rest periods were set at one hour for each eight-hour shift. Workers were entitled to one day off per week and annual leave varied between six to ten days, in addition to national holidays.

Women workers in Southeast Asia are generally worse off than their Western sisters. In Thailand, maternity leave for women workers is 30 days while in Malaysia it is 42 days for government sector employees and 60 days for employees in the private sector. Moreover, although in most countries the law has restricted or banned night work for women, the existing legislation against night work for women in electronics factories in Malaysia was waived to allow the transnational corporations to introduce rotating shift work and permanent night shifts. Production targets dominate workers' lives and there are several anecdotal studies of failing eyesight, stress and fatigue. Occupational health laws are meagre or absent (Lin 1992; Grossman 1978; Fuentes and Ehrenreich 1983).

Workers in Southeast Asia and Asia experience much greater incidences of industrial accidents, health risks, and deaths in the workplace related to inadequate safety precautions. Much criticism has also been levelled at employers and government for the failure to enforce legislated health and safety standards in the wake of tragic occurrences related to safety. Other aspects of working conditions, such as social security benefits, are usually provided for public sector employees by the state. Private sector employees have to rely on employer and employee-funded schemes for these benefits.

Generally, although there exists quite progressive legislation governing working conditions and the employment of women and child workers, governments have increasingly been criticised for the failure to either conform to, or enforce these laws. More significantly, the self-employed and informal sector workers appear to be left out of the equation.

TRADE UNIONS AND THE STATE

Basic labour rights in Southeast Asia: freedom of association, the right to organise, and collective bargaining compare unfavourably with the rights enjoyed by workers in developed industrial countries. Employers in Southeast Asia have preferred to present their labour relations as harmonious and familial, and they have been able to rely on the state to act in their interests. Moreover, unlike many European countries where labour unions are usually identified with political parties and socialist ideology associated with a sense of worker identity, in Southeast Asia, by contrast, unions are more pragmatic than political, and are concerned with the immediate needs of workers.

Politicised unions are outlawed and the provisions governing collective action may be regarded as restricting, rather than protecting, the rights of workers. Thus there are restrictions on the right to form trade unions, collective bargaining and industrial action. Moreover, the paternalistic style of labour management practised by multinational enterprises has resulted in the establishment of company- or enterprise-based unions, and collective bargaining remains at the enterprise level. Industry wide unions are discouraged. This in turn has led to the institutionalisation of labour management relations.

State moves towards authoritarianism started in the 1950s and 1960s and were consistent with attempts made by fledging governments to contain political oppositions and/or communism. As noted, the adoption of EOI strategies also coincided with increased state measures to curtail the activities of trade unions. Consequently, in comparison to the period prior to the adoption of these strategies, state controls on labour increased in all four countries. The notion of a causal link between more repressive state labour management policies and export-oriented industrialisation is a contentious one and will not be touched on here (see, for example, Haggard 1989; Kuravilla and Arudsothy 1995). Suffice it to say that authoritarianism has contributed to labour's exclusion from political life.

Although some concessions have been made to labour (usually in response to external pressures), generally labour has not been brought into the new political accommodation. The rise of non-governmental organisations (NGOs) and a host of citizen-activist groups also led to improved working conditions for certain sections of the labouring population. Indeed, both the NGOs and activist-activist groups are now viewed as vehicles for mobilising the marginalised sections of the working population and thus providing an alternative for organising workers beyond the workplace in the communities.

Unions and Memberships

There are many similarities in the ways in which Southeast Asian governments have controlled and managed labour activism. These include the elimination of the Communist threat; the strengthening of political power at the expense of workers' rights; and the adoption of a range of policies and practices designed to ensure that worker organisation, militancy and opposition remain subordinated to state interests.

After World War Two, communist control over the labour movement in Malaya and Singapore was destroyed by the declaration of a State of Emergency in 1948. In the 1950s and 1960s, Labour Party leaders (who had roots in trade unions) were detained under the Internal Security Act on the grounds that they were Communists. The New Order Government in Indonesia also destroyed the Communist Party, while the military in Thailand passed the *Anti-Communist Act 1952* which enabled the military to fight domestic threats to national security. Workers' rights were moreover heavily curtailed through the enactment of legislation that effectively removed a broad range of personnel matters from collective bargaining. These included promotions, transfers, recruitment and dismissal. Next, tripartite bodies were set up in these countries which established wage guidelines and removed wage negotiation between firm and employees. Henceforth the state assumed a greater role in wage and working conditions negotiations in accordance with state policies. Moreover, unions could not demand, nor management offer, benefits greater than those stipulated under law. In some countries union representatives were appointed by government.

In Indonesia the most important piece of legislation passed to regulate trade union activity was the *Collective Agreements Act 1954*. This Act provided an avenue for managing relations between employers and trade unions on issues such as wages and conditions of employment. In 1956 Indonesia ratified the International Labour Organisation's (ILO) *Convention 98* on the right to organise and gave unions the legal status previously denied them under colonialism. Subsequently, the *Labour Disputes Act 1957* included further provision for collective bargaining by direct negotiation. Little progress was made, however, and there was labour unrest arising from dissatisfaction with wages, terminations and special allowances (Hawkins 1963). The government also provided machinery for settlement through tripartite committees to control industrial conflict. The main union in the country was the *Serikat Organisasi Buruh Seluruh Indonesia* (SOBSI, All-Indonesian Workers Organisation) and labour relations became increasingly adversarial.

Following the destruction of the Indonesian Communist Party (PKI) by the New Order government in the mid 1960s, the industrial relations system in the country changed from being adversarial to cooperative and conciliatory. The principal developments affecting this change were the banning of the SOBSI; the removal of its leaders from industrial relations; and the severing of ties between unions and political

parties (Manning 1998a:209). As noted previously, industrial relations were strictly controlled by the strong authoritarian government, which was supported by the military, and followed the international trend towards tripartism and bipartism. The government opted for a government-controlled, national trade union organisation, the *Federasi Buruh Seluruh Indonesia* (FBSI, the All-Indonesia Labour Federation). The FBSI became the *Serikat Pekerja Seluruh Indonesia* (SPSI) in 1973.

In 1985 the Suharto government compelled all labour unions to join the SPSI, and it thus became the only officially sanctioned labour union in the country. The SPSI received much of its funding from government, with military personnel appointed to many of its official positions. The SPSI was modelled on national unions in other countries: provincial and district branches were formed, and it had industrial branches to represent the workforce in specific economic sectors. The national body was 'entrusted with a coordination role, determination of policy and support for the establishment of enterprise unions and the completion of collective labour agreements' (Manning 1998:209-10). As a result, there was mutuality of interests and of mutual respect and consultation between workers, employers and government as Indonesian employment relations were linked to the state-sponsored doctrine of *Pancasila*.

In the early 1990s, the SPSI had approximately one million workers and there were unions in approximately one third of all larger enterprises. However, only around three to five per cent of all employees, and five to 10 per cent of manufacturing employees were nominal members of a union in the early 1990s, a much lower level than during the Sukarno period (Manning 1998a:210). Industrial peace reigned until the early 1990s. Nevertheless, the SPSI's perceived lack of effectiveness in representing worker interests meant that its credibility was undermined. There was also dissatisfaction with low wages and this, combined with a move towards greater political openness and tolerance of dissent, saw the growth of independent unions that were not recognised by the state. The largest of these was the SBSI or the Indonesian Prosperity Trade Union. The SBSI attracted international attention and support from agencies such as the ILO but its leaders were subjected to harassment and imprisonment.

Subsequently, the Asian financial and economic crisis undercut labour's bargaining power, while indiscipline and politicking also led to the fragmentation of the labour movement. At the beginning of the third millennium there were 43 registered union federations and hundreds of small splinter groups. Most union members do not

pay dues either, and the SBSI depends heavily on funding from international donors (*Far Eastern Economic Review*, 15 March 2001:22–5). NGOs, a number of which are specifically women’s NGOs, are involved in advocacy and help inform workers of their rights. Nevertheless, Hadiz states that it is ‘unclear whether local-based organising vehicles will serve ... as the basis for the development of a more effective, national-level labour movement ...’ (Hadiz 2001:123).

THE LABOUR MOVEMENT

Deyo has categorised state-union relations in the Asia-Pacific as state corporatist, state exclusionary, and state collaborative. He regards Singapore as an example of the first category. Here the state is strong, unions are strictly controlled, but nevertheless are included in decision-making bodies at the macro and/or micro level. The imposition of restrictive controls over trade unionism was prompted by Chinese communalism, when a confrontation with Anglicised moderates in the ruling People’s Action Party (PAP) led to political consolidation by Lee Kuan Yew and the destruction of the Chinese Left. Subsequently, the state instituted strong controls over the National Trades Union Congress (NTUC) and integrated it into the ruling party structure (Deyo 1989). In 1968 the character of industrial relations was altered irrevocably when a broad range of personnel matters and union organisations were removed from collective bargaining, ensuring the NTUC’s ascendancy. The NTUC and the PAP thus chartered a course for labour ‘that involved the setting up of commercial co-operatives, the provision of welfare services, and ... a role in worker socialisation to raise productivity’ (Leggett 1993:226). The entire labour force was also controlled through the implementation of compulsory savings schemes and access to housing. The Singapore government consequently incorporated and moulded unions into agencies of public policy, and in the process eliminated confrontational unionism.

Union density in Singapore in 1990 was 20 per cent, the highest in the region (see Table 6).

Table 6 Union Density in Selected Southeast Asian Countries, 1990
(% unionised)^a

<i>Country</i>	<i>All employees</i>	<i>Non-agricultural employees^b</i>
Singapore	20	20
Malaysia	15	14
Thailand	3	5
Indonesia	4	5

Notes: ^a Percentages of unionised employees to all wage employees. Measured as a share of the total non-agricultural workforce. Since a high proportion of agricultural and non-agricultural workers are self-employed and family workers, union density is more appropriately measured as a share of wage employees.

^b Unionised agricultural workers excluded in the case of Malaysia and Indonesia.

Source: Chris Manning, *Indonesian Labour in Transition: An East Asian Success Study* (Cambridge: Cambridge University Press, 1998), Table 8.3, p. 210.

As shown, union density was lowest in Thailand and Indonesia.

Using Deyo's state-union relations framework, Malaysia, Thailand and Indonesia fall in the category of the state-exclusionary model where state repression is present and unions excluded from decision-making in the industrial relations process. In Malaysia, following legislation restricting labour freedoms, the state enacted the *Industrial Relations Act 1967*, which set out grievance procedures and rules for collective bargaining. The Act stipulated that unions could not take the initiative in the collective bargaining process by making proposals in the following areas: promotions, transfers, dismissals, appointments and the allocation of specific work duties. Unions therefore were only allowed to lay out promotion procedures and negotiate over wages and leave. Additionally, the Act empowered the Government to impose compulsory arbitration on labour disputes and thus rendered strikes illegal and punishable by imprisonment or the obligation to work. The Act also prohibited union officials from holding key positions in political parties

Controls on labour were also tightened following the shift to the export-oriented industrialisation strategy. As noted previously, the *Industrial Relations Act 1967* provided guarantees to pioneer industries against unreasonable demands from trade unions. Although some textile unions began organising workers from 1978, electronics workers – primarily those in the export processing zones – were denied the right to form or join unions until late 1988. Even then, they were only permitted to form enterprise-based unions rather than an industry-wide union. Union membership

was also restricted to workers who had been employed for three consecutive years. Union density in Malaysia was even lower than in Singapore, as shown in Table 6.

Although unions were tamed by the state, some unionists have challenged the state through political channels, but their impact is largely negligible. Interestingly, in the wake of the political crisis of 1998 ('the Anwar affair'), the Malaysian government sought to involve the Malaysian Trades Union Congress (MTUC) in a number of its councils. The MTUC's (unlike the NTUC's) membership consists of registered trade unions that voluntarily affiliate themselves. The MTUC is thus in effect a forum in which the affiliated unions work out common policy affecting labour generally. It is not involved in resolving individual trade or industrial disputes, and consequently has not been incorporated into the state labour relations machinery.

Politics in Thailand after the World War Two was dominated by military governments, factionalism and abortive coups that impacted adversely on the labour movement. According to Hewison and Brown, poor working conditions among industrial workers led to labour unrest, and there were renewed attempts to organise workers, a process that had begun in the early 1940s. These attempts among industrial workers employed at factories, the docks, railway workshops, water transport and rice and saw mills, culminated in the formation of a national labour federation generally known as the Central Labour Union or CLU in 1947. It had a membership of 75 000 (Hewison and Brown 1993:12). The CLU's activities were facilitated by an open political environment and its membership grew.

When the military returned to power in 1947, it was intent on destroying the CLU's power and influence and controlling labour. It thus established the Thai National Trade Union Council or the Thai Labour Union (TLU) in 1948. The TLU's main objective was to ensure cooperation between labour and management, and recruitment was carried out among workers employed in the state enterprises, such as railway workshops, rice mills, port and transport departments. Workers were enticed to join the union through welfare payments, but membership was confined to Thai nationals. The government accused the CLU of being dominated by Chinese workers and activists and of introducing Communist ideas into the country. In mid 1948, 53 labour organisers were deported for Communist activities (Phongpaichit and Baker 1997:184-5). In 1954, another government-sponsored labour

organisation, known as the Free Labour Association of Thailand (FLAT), was established. These labour organisations were not only indicative of the need to control labour, but also to found bases of support among rival factions.

Subsequently, in 1955 Phibun Songkhram sought to mobilise labour support for his leadership by granting concessions to labour. He not only formed a Labour Party but in 1957 enacted a labour law which 'combined a trade union act, a factory act and a trade disputes act' (Phongpaichit and Baker 1997:185). The labour law laid down basic labour rights, provided the machinery for arbitration and legalised strikes. Subsequently, 136 unions and two labour federations were registered. Several unions also negotiated with government to enforce the basic labour standards laid down by the labour law. However, before any headway was made, Phibun was deposed in 1957 and his successor, General Sarit, did away with the labour law, outlawed unionism and arrested labour leaders and activists, among others. The military thus reaffirmed the former policy of corporatist control of unionism to pursue the economic development of the country (Brown 1990:128).

In the 1960s and early 1970s, although employment in the manufacturing sector expanded, the urban labour market continued to be dominated by state enterprises. Low-level labour unrest, nevertheless, did result in some gains for labour. In 1972 a new labour law was enacted which legalised labour associations. This law was passed partly in response to criticism from the ILO following the Thai government's ban on labour organisations. Nevertheless, labour activity was circumscribed. The legislation allowed the creation of enterprise unions or occupational unions covering a single province only. Industry-wide unions were outlawed. Strike action was considered legal only if workers gave notification of the action 50 days in advance. More significantly, the state set up a tripartite system of industrial relations. However, this relaxation in labour rules, which was followed by a flurry of activism and organisation among workers, coincided with an economic downturn.

Subsequently, following widespread student unrest in 1973, the military yielded power to a civilian government and Thailand experienced a short phase of organised labour activity. The government passed a new labour law to contain the rising protests in the country. This 1975 labour law granted legal recognition to trade unions and removed the restrictions on the formation of union federations. The

period of notification of a strike action was reduced from 50 to eight days. A more elaborate tripartite system of dispute settlement was also established. During this period, state enterprise labour leaders asserted their leadership of the labour movement in the country.

Between 1973 and 1976, more than a thousand strikes were officially recorded and by late 1976, 185 unions had been formed. Two large and influential peak labour councils were also established. State-labour relations were restructured, and changed from a reliance on coercion to a more accommodative style with an emphasis on consultation and mediation within institutionalised tripartite arrangements. However, this period was short-lived, owing to the 1973 oil crisis and its impact on economic growth.

As neighbouring Vietnam, Cambodia and Laos came under Communist rule, attempts were made in Thailand to forge coalitions to manage Thailand's economic problems. Student demonstrations in 1976 led to much violence and in October 1977, the Thai military once again assumed power in the country. The military's objective was to ensure stability and provide a stable climate for foreign investment. It thus made attempts to control wage rates and maintain a docile labour force so as not to frighten away foreign firms. This resulted once again in a curtailment of the rights of labour unions. Subsequently, following the February 1992 Coup, a major attack was launched against the labour movement. The *Labour Relations Act 1975* was amended, and state enterprise workers were removed from coverage under this law. Following this, state enterprise workers were allowed to form associations, but not unions. Private sector workers also were affected by additional new regulations.

The labour movement in Thailand remained relatively weak because the specific form of capitalist industrialisation created new classes of workers and groups and new divisions in the workforce, resulting in the fragmentation of the workforce. This in turn hindered the emergence of a strong, independent and organised labour force and served to shore up the effectiveness of employer and state systems of labour control (Deyo 1989:194-6).

Strategies of employers, which aimed at keeping labour costs flexible and low, also contributed to labour's inability to organise. Employment was offered on short-term conditions, and sub-contracting production arrangements, especially in the food and beverage industries, garments and handicrafts, also ensured that labour

was in a weak position. In the 1980s the new urban workers helped strengthen a series of institutions and organisations outside the structures of the bureaucratic state, and created an NGO movement to achieve a more just society by looking after the interests of marginalised groups, particularly labour in Thai society. Andrew Brown suggests that the NGOs thus fill 'an institutional gap' by their involvement in organising labour outside the workplace which has become commonplace in Southeast Asia (Brown 2001).

Turning to women workers in the four countries, women were, and continue to be, under-represented in unions in all countries, even though they comprise a substantial percentage of the manufacturing labour force. A large percentage are employed in pioneer industries in the EPZs and most are hired on a daily wage or piece-rate basis in the apparel and footwear industries. Most of them have lower educational qualifications compared to men and they have allowed the men to assume leadership positions in unions. A large number of women also leave the paid workforce when they became pregnant and view their employment as temporary. One other reason suggested for the low unionisation trend among women is that under the industrial relations systems in these countries, workers' issues are kept within the narrow confines of employment relations, rather than encompassing wider social and political issues, and consequently women feel that their interests are not represented.

Has the new industrial relations framework in the four countries been successful in achieving and maintaining industrial peace? Until 1970, the number of recorded strikes was generally low, and was highest in Malaysia among the four countries, as shown in Table 7.

Table 7 Strikes in Selected Countries in Southeast Asia, 1961–93 (average per annum)

	<i>Indonesia</i>	<i>Thailand</i>	<i>The Philippines</i>	<i>Malaysia</i>
<i>No. of strikes</i>				
1961–65	40	8	89	71
1966–70	2	15	108	55
1971–75	5	232	45	65
1976–80	66	49	54	40
1981–85	112	25	245	24
1986–90	46	9	333	13
1991–93	183	15	147	16
<i>No. of strikes per 1000 non-agricultural workers</i>				
1966–70	0.0	0.5	9.8	10.3
1976–80	0.6	3.6	4.8	3.8
1986–90	0.2	0.3	9.3	0.7
<i>Percentage of strikes in manufacturing</i>				
1966–70	1	26	40	12
1976–80	89	79	33	61
1986–90	82 ^a	99	55	28
<i>Total non-agricultural workforce (million)^b</i>				
1986–90	32	9	11	4

Notes: ^a Percentage of strikes (not strikers).

^b Annual average for period.

Source: ILO, *International Yearbook of Labour Statistics*, various years, cited in Chris Manning, *Indonesian Labour in Transition: An East Asian Success Study* (Cambridge: Cambridge University Press, 1998), Table 8.5, p. 213.

In the mid 1970s the incidence of strikes rose sharply in Thailand as discussed above. In Indonesia, strike action also increased in the 1981-85 period. Since the 1990s increased strike activity was recorded both in Indonesia and Thailand, but it is doubtful whether much has been achieved in labour conditions and rights.

Summary

It has been suggested that most features of Southeast Asian labour relations were, and continue to be, culturally determined. Southeast Asians prefer industrial harmony and consensual outcomes because they wish to avoid confrontation, and the state and the group are accorded a higher importance in society than the individual. Tripartite and bipartite industrial relations systems, which coincided with a shift to export-oriented industrialisation, were thus seen as a natural outgrowth of these cultural determinants.

These resulted in a further diminution of labour's role and influence, consistent with a shift from industry-wide based unions to enterprise-based unions. The rationale for the in-house union policy was that it facilitated company loyalty on the part of the workers, paternalism on the part of managers, management-labour collaboration, and industrial harmony at enterprise level. While labour viewed in-house unions as company unions that facilitated labour control, employers associated them with profitability and the state saw them as valuable tools in national economic development strategies.

Additionally, women workers, the predominant workforce in the niche industries, have therefore borne the brunt of structural adjustment policies while being the least organised. Moreover, in-house unions, to which most belong, have made it difficult to compare wages and conditions offered by different employers within an industry. Thus the unionisation rate among women has been consistently lower compared to men. Additionally, women in the textiles, garments, and footwear industries are not regularly or directly employed, and are therefore ineligible for union membership. The size of the informal sector and the growing number of small- and medium-sized units have also made it difficult for unions to become established among sub-contracting and small batch production workers. Female labour force organisation has thus lagged behind female participation in the paid workforce and women have been, and continue to be, more vulnerable to exploitative working conditions.

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