



UNIVERSITI PUTRA MALAYSIA

**THE RISE AND FALL OF MALAYSIAN LABOUR ORGANISATION -
(MLO) A CASE STUDY**

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A CASE STUDY

By

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ABSTRACT

The year 1990 marked a new era in the Malaysian Industrial Relations System. A new Labour Organisation (Malaysian Labour Organisation - MLO) was registered as a new Labour centre for Private and Public sector unions. It proved a watershed because it broke the monopoly of Malaysian Trade Union Congress (MTUC) as the sole representative body for private sector unions for more than 40 years. However, barely seven years after its formation, MLO was dissolved and majority of its affiliates merged with MTUC. This study traced the processes of the formation and dissolution of MLO. This study also identified the forces that influenced the formation of MLO and later its dissolution. The differences in policies and ideologies of the two labour centres have also been compared.

This inquiry was conducted as a qualitative case study. A major portion of the inquiry examined events that have already taken place. The study used mainly recall data collected by means of semi-structured interviews. In addition to the above modes of obtaining information in this enquiry, I also did a content analysis of documents and reports of major daily newspapers.

The findings of this study revealed that the formation of MLO was mainly due to the political conflicts within MTUC and the encouragement given by the government to the initiators of the new Labour centre. Interestingly, the government also played a significant role behind the dissolution and the ultimate remerger of MLO with MTUC. Besides that, the other factors that led to MLO's downfall are employers attitude, quality of services given to affiliates of MLO, the

prevailing economic climate at that time, constant bickering for National and International representations between the two labour centres, and international pressure on the government.

It was found that the policies and ideologies practiced by the two labour centres were almost similar. However one notable difference that was evident was that MLO was apolitical. They maintained that Politics and Trade Unionism cannot mix. MTUC on the other hand maintained that Politics and Trade Unionism are intertwined and cannot be separated.

ABSTRAK

Tahun 1990 telah merupakan satu era baru dalam sistem Perhubungan Perusahaan di Malaysia. Satu pertubuhan perburuhan baru (Malaysian Labour Organisation - MLO) telah didaftarkan sebagai satu pusat perburuhan untuk kesatuan-kesatuan sekerja bagi sektor swasta dan perkhidmatan awam. Perkara ini adalah sangat penting kerana ia telah memecahkan monopoli Malaysia Trade Union Congress (MTUC) sebagai satu badan tunggal yang mewakili kesatuan kesatuan sekerja di sektor swasta selama tempoh yang melebihi 40 tahun. Bagaimanapun hanya tujuh tahun setelah penubuhannya, MLO telah dibubarkan dan kebanyakan anggotanya telah bergabung dengan MTUC.

Kajian ini menjejak proses penubuhan, pembangunan dan kemudian pembubaran MLO. Ia juga mengenalpastikan kuasa yang mempengaruhi penubuhan dan pembubaran MLO. Akhir sekali polisi dan ideologi kedua-dua pusat perburuhan telah dibandingkan untuk mencerminkan perbezaan utama diantaranya.

Siasatan ini telah dijalankan sebagai satu kajian kualitatif. Sebahagian besar kajian telah mengkaji peristiwa-peristiwa yang telah berlaku. Kajian ini telah banyak menggunakan data yang diperolehi melalui data yang diperolehi melalui temubual. Disamping temubual, cara lain yang digunakan untuk mendapatkan maklumat ialah melalui analisa keatas dokumen dokumen dan laporan laporan akhbar harian utama.

Kesimpulan kajian ini telah menunjukkan penubuhan MLO adalah disebabkan oleh konflik politik di antara MTUC dan galakan kerajaan kepada

pengasas pusat perburuhan baru. Yang menarik, kerajaan juga telah memainkan peranan penting dalam pembubaran MLO dan pencatuman semula MLO dengan MTUC. Selain daripada itu, faktor-faktor lain yang membawa kejatuhan MLO adalah sikap majikan, mutu perkhidmatan yang diberi kepada ahlinya, iklim ekonomi yang pesat, tekanan antarabangsa terhadap pihak kerajaan, persaingan diantara kedua dua pusat perburuhan untuk perwakilan kebangsaan dan antarabangsa.

Didapati polisi dan ideologi yang diamalkan oleh kedua-dua pertubuhan perburuhan adalah lebih kurang sama. Walau bagaimanapun satu perbezaan yang jelas ialah MLO tidak terlibat dalam politik. Mereka menegaskan politik dan pergerakan kesatuan sekerja tidak boleh dicampur. MTUC pula menegaskan politik dan pergerakan sekerja adalah saling berkait dan tidak boleh dipisahkan.

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ABBREVIATIONS

AEU	-	Airlines Employees Union.
AFL-CIO	-	American Federation of Labour-Congress of Industrial Organisation.
AIWC	-	All Indonesia Workers Congress
ARO	-	Asian Regional Organisation.
ATUC	-	Asian Council of Trade Unions.
CCBU	-	Co-operative Central Bank Union
CEAPM	-	Commercial Employers Association of Peninsular Malaysia.
CPM	-	Communist Party of Malaysia.
CTUC	-	Commonwealth Trade Union Council.
CUEPACS	-	Congress of Union of Employees in the Public and Civil Service.
CUPS	-	Congress of Unions in Private Sector.
DAP	-	Democratic Action Party.
EA	-	Employment Act.
EIWU	-	Electrical Industry Workers Union.
EOS	-	Export Oriented Strategy.
EPF	-	Employee Provident Fund.
GLU	-	General Labour Union.
GSP	-	Generalised System of Preferences.
ICFTU	-	International Confederation of Free Trade Unions.
ILO	-	International Labour Organisation.
IMF	-	International Metal Workers Federation.
IRA	-	Industrial Relations Act.
ITF	-	International Transport Federation
MAPA	-	Malaysian Agricultural Producers Association.

MCA	-	Malaysian Chinese Association.
MCEO	-	Malayan Council of Employers Organisation.
MEF	-	Malaysian Employers Federation.
MKTR	-	National Union For Subordinate Grade
MLO	-	Malaysian Labour Organisation.
MMEA	-	Malayan Mining Employers Association.
MTUC	-	Malaysian Trade Union Congress.
NEP	-	New Economic Policy.
NIC	-	Newly Industrialised Countries.
NJLAC	-	National Joint Labour Advisor Council.
NLAC	-	National Labour Advisory Council.
NMMPMEU	-	Non-Metallic Mineral Products Manufacturing Employees Union.
NUBE	-	National Union of Bank Employees.
NUNW	-	National Union of Newspaper Workers.
NUPCIW	-	National Union of petroleum and Chemical Industry Workers.
NUPW	-	National Union of Plantation Workers.
NUTW	-	National Union of Transport Workers.
PASU	-	Port Authority Staff Union
PMFTU	-	Pan Malayan Federation of Trade Union.
PTGWU	-	Penang Textiles and Garment Workers Union.
SOCISO	-	Social Security Organisation.
TUA	-	Trade Union Act.
UMNO	-	United Malays National Organisation.
UAB	-	United Asian Bank
WFTU	-	World Federation of Trade Union.

CHAPTER I

INTRODUCTION

Trade Unionism in Malaysia

Trade Unionism in West Malaysia is largely a post-war development. In the pre-war Malaya, the British employers were able to exert considerable pressure against moves to organise trade unions. They did that both through control of their labour recruitment machinery and their power to refuse entry of outsiders to plantations. With the end of the war, there were very significant changes in the thinking of the people. Whereas Nationalism as such was taking root, workers felt the need to unite themselves. A host of unions were springing up at that time. But Communism had reared itself in the form of Communist Party of Malaya (CPM). The CPM was recognised as a legal political party by the Colonial government. The Communist Party which had carried on a guerilla campaign against the Japanese along with allied resistance groups emerged from the jungle and attempted to consolidate its position by setting up trade unions for every type of trade and workers. They then linked the trade unions with General Labour Union (GLU) set up in Singapore in October 1945.

In 1947, the General Labour Union (GLU) was renamed Pan-Malayan Federation of Trade Unions (PMFTU). By that time, it was estimated that half of the 200,000 workers in 289 unions were under communist control through PMFTU. The existence of the Federation of a general character was put to an

end by an amendment which required the Federation to be confined to trade unions catering for workers in similar trade, occupations or industry. The restriction on General unions and on officials saw the deregistration of PMFTU among other unions. The CPM was outlawed in 1948 and they disappeared into the jungles with whatever funds they had, leaving thousands of disillusioned members of the unions and leaders bewildered.

From 1950 onwards, the Industrial Relations system in Malaya entered into a new era. At that time, the government was encouraging the formation of a new organisation for Labour Unions without political orientation but one that is strong, neutral, free and democratic. The Government's wishes were fulfilled with the birth of Malayan Trade Union Council (MTUC) in 1950 representing 111 unions. Besides the MTUC, the Congress of union of employees in the public and civil services (Cuepacs) was registered as a trade union in 1957.

By this time, however the MTUC began to consolidate its position. helped to shape consistency in Trade Unions policy by representing the Trade Union movement in National and International bodies. The Government also sought advice from the MTUC on matters affecting labour. Subsequently with the merger of Singapore, Sabah and Sarawak to the Federation of Malaya, the council changed its name to Malayisan Trade Union Congress (MTUC). The MTUC is a co-ordinating body for Trade Unions in both the private and public sector. The MTUC is not and cannot be registered as Federation of Trade Unions, unlike CUEPACS, since they embrace trade unions representing members in variety of trade, occupations and industries.

In the formative years of MTUC, the labour movement was very much dependant on the ruling government for funds, recognition and other amenities. The MTUC was experiencing many problems of administration, monetary and even manpower shortage.

Since 1950s, the Government had recognised MTUC and CUEPACS as the two labour centres in the country. There are two marked differences between the two labour centres. Firstly MTUC is registered under the Societies Act 1966 whereas CUEPACS is registered under the Trade Union Act 1959. Secondly MTUC serves as a co-ordinating body for all Trade Unions in Malaysia, both the Government and private sector unions. Cuepacs on the other hand only accommodates trade unions in the public sector. Both the Labour centres play the role of championing workers rights or individual unions.

In like fashion, the employers in Malaysia also have their own co-ordinating centre to protect their interest. The Malaysian Employers Federation (MEF) was established in 1978. Its members comprises Federation of Employers and individual companies. MEF serves as advisor to its affiliates. It functions in this capacity by dealing with the Employee Union claims, helps to prepare counter proposals and sends representative for collective bargaining negotiation with the union representative. They also represent members in the Industrial and Labour courts. As a representative body for employers, MEF, like MTUC also has representation at EPF board, SOCSO board and NLAC. These representations are seen as important to increase the employers interest. Besides MEF, there exist another representative body for employers i.e. MCEO. The membership of MCEO

is made up of MAPA, MMEA, SECA and Persatuan Pemilik-Pemilik Tongkang Penang. MCEO was registered as a society on September 8, 1984. However in September 8, 1984, MAPA and MMEA returned to MEF.

The Industrial Relations System

In order to understand the Industrial Relations system in Malaysia, it is important to understand the roles played by the labour centres, the employers organisation and the government. The government plays a significant role in the Industrial Relations system either directly or indirectly through their National Labour Policy. In the Industrial Relations system in Malaysia, the government plays 3 main roles. It acts as legislative body (through parliament), enforcement agency (through the Ministry of Human Resources) and as a member (being the largest employer in the country). (Aminuddin, 1990).

Before any laws are debated in parliament, it is first discussed by the National Labour Advisory Council (NLAC) for consensus. The NLAC is a tripartite body consisting of Government, Employees, and Employers representatives. If a dispute arose between employer and employee, the Industrial Relations Department acts as a conciliatory body to settle the matter, failing which the matter can be referred to the Industrial Court for an award. The decision of the Industrial Court is final. It can be observed that the government through the Industrial Relations Department and various other Departments under its Ministries regulates the Industrial relations through its enforcement machinery. The Industrial Court also plays an active role in regulating the Industrial

Relations system of Malaysia. Besides maintaining industrial harmony, the Ministry of Human Resources also plays an important part in :

- Restructuring the work force in line with the New Economic Policy.
- Increase and maintain the welfare of the workers.
- Ensure the safety and health of workers especially those working with machines.
- Improve the Industrial Relations between employers and employee and oversee the growth of responsible trade union. (Malaysia, 1990)

Besides the tripartite relationship between Employer, Employee and Government, the International bodies do also play a part in the Industrial Relations system in Malaysia. Many big Trade Unions in Malaysia are affiliated with International bodies like Public Services International, International Federation of Commercial Workers and others to get advise and help. MTUC is affiliated with ICFTU. However the Registrars approval is necessary for any International affiliation.

National Labour Policy

As a developing country striving to achieve developed status, the government is aware of the importance of foreign investment. To this end, many steps have been taken. The government wanted to create a conducive climate to attract foreign investment. Industrial harmony is imperative to attract foreigners. Tax holidays have been offered to industries which qualify for pioneer status for a certain period of time for companies situated at Free Trade Zone. Another attraction to foreigners would be the availability of cheap labour. To create a

conducive investment climate, the government tightened the labour laws so that industrial conflicts can be lessened, if not avoided altogether. To this end major amendments were undertaken :

The 1980 Amendments:

1. The Amendments to the Trade Unions Act, 1959 mainly increased the powers of the Registrar of Trade Unions. For example, the Registrar was empowered to require a union which has the smaller representation at a place of employment or in a particular trade, occupation or industry where two unions exist, to remove the names of their members in that work place or trade, occupation or industry from its register. Due to historical reasons, there are cases where two unions exist. In order to eliminate union rivalry which causes unnecessary disturbance and disharmony at the place of employment, the Registrar of Trade Unions could, if union 'A' has larger representation in a particular place of employment than union B, order union 'B' to remove the members from its register and allow union 'A' to represent them. Before this amendment, cancellation of the registration of union 'B' was the only course.
2. Before the Amendment, under the law, the Minister of Labour prohibited a union from certain activities if there was an intention to deregister a union or to cancel the registration of a union. Now the amendment transferred this power from the Minister to the Registrar. By transferring the power of prohibiting the activities of a union in the interim period to the Registrar, the union has got the means of appeal to the Minister if it is unhappy with the decision of the Registrar. The government claimed this move as democratic and fair.

3. The Registrar is also empowered to direct the union not to commence any proposed strike or lockout if he is satisfied that it would be illegal (S. 40(6)). This was deemed necessary to prevent unions from contravening the law. This provision was expected to help reduce the incidence of illegal industrial action which causes loss of earnings, loss of production and difficulties to all concerned.
4. Another power that has been given to the Registrar is the power to declare a secret ballot taken in contravention of the law as invalid. He already had this power under the law but by implication only. Now it has been clearly spelt out.
5. The powers conferred on the Registrar by this amendment allow him to enter at any reasonable time the offices and premises used by trade unions for the purpose of carrying out an inspection or examination as he deems necessary. Where the Registrar has reason to believe that an offence has been committed, he may enter such offices at any time after he has obtained a search warrant from the Magistrate and he may search and seize documents and so on. The government tried to justify such police powers conferred on the registrar on the ground that “these are normal provisions which are actually existing in other laws”.
6. The Registrar has also been empowered to order any person to deliver to him any accounts or documents relating to any investment made by a trade union. This power to look into the question of investment of union funds, especially the funds of large unions with substantial funds, was meant to ensure that all

union funds are being properly utilised and that they are in accordance with the rules of the union itself or in accordance with the law. This is to ensure that the profits from investments of union funds are being channeled back for the benefit of the members. The Registrar could also require a company in which the union has invested funds to submit certain records and documents and information to him. These sweeping regulatory and supervisory powers, it was claimed, were reserved powers and are designed to meet contingencies where the current law is inadequate. Undoubtedly these powers of the Registrar virtually makes him the guardian to protect the interests of union members, they give a handle to him to twist the arms of a recalcitrant union or its leaders.

7. The next group of amendments relate to the requirements to be complied with before a trade union may call a strike :

- a. It is stipulated that the consent by secret ballot of at least two-thirds of its members who are affected and entitled to vote must be obtained before a strike is launched. This provision was meant to curb irresponsible union leaders calling for strike without the consent of the rank and file.
- b. Even before the amendment, there was a requirement that the union should submit a resolution of a strike to the Registrar before workers go on strike, but it did not stipulate in what form resolution should be. Now it is required that the trade union must inform the Registrar, within 14 days after taking of the ballot, of the results of the secret ballot and the secret ballot should contain a resolution stating quite

clearly the issue at stake so that the members would know what they are voting for.

- c. Furthermore, this group of amendments stipulate that there is to be no strike before the expiry of seven days after filing the results of ballot with the Registrar. An additional new provision limits the validity of a secret ballot for the proposed strike to a period of 90 days. Previously when no such limitation existed, the union could take a strike ballot and the mandate was kept indefinitely to be used as and when the union wished to use it. Now after the validity of the mandate expires after 90 days, the union has to seek a fresh mandate.
8. The amendment relating to the affiliation of trade unions to consultative bodies stipulated that a trade union is permitted to affiliate with or be a member of a consultative body within Malaysia or outside with the prior permission of the Registrar. However, the Registrar may not give such permission where the consultative body concerned pursues or intends to pursue any of the objects of the trade union as specified under Section 2 of the Trade Union Act, 1959. The intention was to prevent any trade union to circumvent control procedures concerning federation of unions.
9. Under the Amendments two additional categories of government officers, namely, those who are engaged in confidential and security work as well as officers holding posts in managerial and professional groups are prohibited from joining the trade unions. However, the Chief Secretary has been empowered to exempt some of the managerial and professional personnel from

the prohibition. The idea is to prevent the senior officers from becoming union officials and develop divided loyalty.

10. Another amendment actually relaxed the existing restriction and allowed the trade unions in statutory bodies to form or create, with the approval of the Minister, a federation of trade unions.
11. A very controversial amendment empowers the Minister of Labour, in his absolute discretion but with the concurrence of the Minister of Home Affairs, to suspend a trade union for a period not exceeding six months where in his opinion such a trade union has acted or being used for purposes prejudicial to or incompatible with security or public order. This order of suspension by the Minister may be varied or revoked by him at any time. The intent and purpose of this new reserved emergency power of the Minister is to freeze a situation which might escalate beyond the original bounds of a trade dispute and threaten to become a crisis for security and public order (as in the case of MAS-AEU dispute). The idea is to allow tempers to cool, sense to prevail and for the Ministry officials to come in to help parties to patch up things. This power given to the Minister to temporarily suspend the union overcomes the necessity to deregister a union under such special circumstances. Deregistration is a serious decision and also takes a long time.

Trade unions understandably alleged that the regulatory and supervisory provisions of the amendments to the Trade Union Ordinance put into the hands of the Minister and the Registrar sweeping and near total powers.

Furthermore, it was believed that consequent on the MAS-AEU confrontation, the dormant hostile attitude of the government toward trade union movement surfaced once again resulting in these 1980 Amendments to the labour laws.

However, in providing a rationale for this set of restrictive labour legislation, the Minister of Labour and Manpower, Richard Ho observed much of what we have achieved in the field of national development has been made possible because we have peace, stability and security in Malaysia, not least of which is a great measure of industrial peace As most of our enterprises are labour intensive, the concern for industrial peace is of great importance. The legislative enactment's should be designed not only to protect the interest of the workers in Malaysia but also to ensure that the Malaysian work force plays a responsible role in contributing towards capital formation and economic development. (Chew Kim Seng, 1980) The 1980 amendments should be viewed in this context.

1989 Amendments

The initiative to revamp the labour laws in the late 80s came from the government. The government claimed that these amendments to all the three labour laws were to meet the latest challenges such as the need to lower costs, improve efficiency and competitiveness in the economy as well as to protect labour. For example, the 1989 Amendments to the Trade Unions Act 1959 mainly focused on encouraging and facilitating in-house union formation in enterprises. In view of the Supreme Court's ruling nullifying the registration of an in-house