

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

This study has utilised data on the food manufacturing industry for the years 1990 to 1994 and 1996, concentrating on only directly employed workers to analyse the impact of trade unions on wages, productivity and wage differential and how the capital intensity of a firm affects wages. The spillover effect of union negotiated wages to the non-union workers have also been overcome as we based our wages and number of workers on the union status of a firm (a firm is considered to be unionized as long as one or some of its employees are union members).

The study implies that the second school of thought, namely the one which “depicts unions as a source of “dynamic efficiency” obliging enterprises to pay efficiency wages rather than “market clearing” wages and forcing management to raise productivity by inducing technological change and cost-saving practices rather than reliance on low cost labour” is relevant in the Malaysian food manufacturing industry.

We find that national union workers generally attain higher wages as compared to both in-house union and non-union workers. This confirm the views of the various scholars who have researched on the same subject and found that trade unions seek to better the welfare of its members and negotiate for higher wages for its members. On a total level, national union workers in the Malaysian food manufacturing industry do obtain higher wages compared to in-house union workers. This is consistent with our knowledge that national union officials are

independent from the management of any firms and therefore, they could negotiate for higher wages for their members.

On capital intensity, the study found that firms which are more capital intensive tend to pay their workers less. This is because in capital intensive firms, most tasks have already been automated and labour is only engaged to operate the machines, which may or may not require very high skill level. Firms which are labour intensive have more to lose should workers dispute on wages and go on strike, and therefore they are willing to pay higher wages to their workers. From various issues of the National Productivity Reports in the 1990s, we also know for a fact that the food manufacturing industry in Malaysia is labour intensive.

Theoretically, trade unions should narrow the wage differential between skilled and unskilled worker. This study, however, noted that for skilled workers irrespective of gender, the management of firms with in-house unions are willing to pay higher wages as compared to their national union counterparts mainly due to the argument that they wanted to deter their skilled workers from forming or joining national unions. Also, the higher wages may reduce labour quit rates, which in turn reduce training costs for new replacement entrants of a firm.

Female workers in the food manufacturing industry earn less than their male counterpart and unionization should reduce this differential. Our study however, does not find this difference to narrow in firms with national or in-house unions. This may be due to the Asian upbringing which still emphasise on the importance of a woman taking care of the family, therefore they

work less overtime or shift work, which consequently reduced their earnings. Further, employers may have factored the maternity benefits into wages of a female worker. The wage differential between unionized female workers and non-union female workers is found to be smaller than that of the male workers, signifying that more advantage could be gained by a male worker joining a trade union than a female worker. Perhaps female in the Malaysian food manufacturing industry have still not taken an active role in trade unions yet.

This study have utilised both the value added per worker basis and gross value of output per worker to evaluate worker productivity. Our findings suggest that workers affiliated to national unions and in-house unions are more productive than non-union workers for all the years being studied. Between national union and in-house union workers, the value added per worker basis which is more superior indicate that in-house union workers are more productive than their national union counterpart for all the years under study. The second basis, that is the gross value of output per worker shows that in-house union workers are only more productive during 1990 and 1996.

This study has focused only on the food manufacturing industry directly employed workers and the findings may not hold if the same research is performed on other manufacturing industries in Malaysia. Non-wage benefits for example paid leave, pension, retirement benefits or loan benefits have not been considered in this study, which if taken into account may skew our results. The two weaknesses highlighted above may warrant further studies be extended to other manufacturing industries, and to take into account non-wage benefits as part of wages. Further

studies also need to be carried out to determine the actual wage differential, which have controlled for skills, experience, education and size of the establishment to fully understand the actual union impact on wages.

The total factor productivity does come into play to determine wages which commensurate with the contribution of a worker to the production of a firm and therefore, it is a wise move by the Malaysian Government to come out with the Guideline on Wage Reform in 1997 to move towards a productivity-linked wage system to increase competitiveness, promote industrial harmony and ensure that employees are adequately rewarded.

We now attempt to answer the question of whether the government should adopt the Patronage or Obstructionist stand on matters relating to trade unions. Should free unions be encouraged or discouraged to benefit a country's growth? The Patronage stance practised by India and Peru have merely transferred economic rents to unionized employees. Other researchers who disagreed with this view, for example Landell-Mils and Serageldin (1992) have shown that freedom of association which does not restrict union participation is necessary for development. Fields (1994) and Freeman (1993) have argued further that labour repression is unnecessary and undesirable for development. The follow-up study by Benerji (1995) have arrived at a similar conclusion. On the other hand, the Obstructionist stand taken by Korea, Singapore and Turkey in the 1970s and early 1980s did not affect their growth, rather, there was "spectacular" growth in the manufacturing sector which consequently increased labour demand (Benerji, 1995).

The author is of the opinion that a combination of both should be practised. Whilst there should be no repression on union formation, the right to strike which disrupts production should be contained. Various conditions need to be fulfilled before a strike can be carried out, for example if there is evidence that productivity have far exceeded wage growth, or other explicit evidence that workers have been mistreated. It is also proposed that the setting of minimum wages be linked to the unemployment rate, that is, minimum wages set at a time of high unemployment rate may be removed when the country operates at full employment. Legislation should be eased to enable these changes to take place as soon as they occur with reference to official publications, which need to be more transparent.