

## **CHAPTER 8**

### **POSTSCRIPT : SUBCONTRACTORS REVISITED**

#### **8.1 Introduction**

These five years (1997-2001), since the fieldwork was completed for this research (1996) have seen some changes that warrant a revisit to the home-based subcontractors. The currency crisis, which took place in July 1997, has left some enduring scars on the Malaysian economy. Some policy and structural adjustments have been introduced in the Second Industrial Master Plan (IMP2) which has an impact on the textile and apparel industry. What is the impact of these changes in the industry on the home-based subcontractors?

#### **8.2 The Currency Crisis and its Impact on the Malaysian Economy**

The GDP growth of Malaysia in the five years prior to 1996 had been impressive. The 1996 GDP growth was 8.7%, inflation rate was 3.8% and unemployment rate was low at 2.5%. Many believed that the economy boom was helped by the depreciation of the Ringgit against the US Dollar and other currencies during this period. In July 1997, a financial and economic crisis, which started in Thailand spread to the rest of the region including Malaysia. The exchange rate of the Malaysian Ringgit against the US Dollar declined rapidly from RM2.5 against the US dollar in the first half of 1997 to around

RM4.5 at the end of 1997. Uncertainty and fear caused hedge fund operators to dump huge volumes of the ringgit in the foreign exchange market. Malaysian importers too tried to lock-in the declining value of the ringgit against the US dollar, resulting in the ringgit dropping to its lowest value ever against the greenback. For importers, an exchange rate of RM4.00 to US\$1 meant paying approximately 37.5 per cent more than pre-July 1997 exchange rate of RM2.50 to one USD. For exporters, the depreciation of the ringgit gave a boost to Malaysian products. In 1997, the value of exports increased by 12.4 per cent in ringgit terms. However, in USD terms, it was only a 0.5 per cent increase. Compared with the corresponding period in 1997, export growth for April 1998 was a high 44.5 per cent in ringgit terms.

No satisfactory explanation of the crisis was offered. The popular explanation in the mass media emphasized corruption, cronyism and lack of transparency. Others explained the crisis was due to the undermining of previous systems of financial and economic governance as a result of deregulation associated with financial liberalization and globalization. Prescriptions made by the International Monetary Fund to cut government spending in some countries turned the currency crisis to full blown financial crisis. The Prime Minister, Dato' Seri Dr. Mahathir Mohamed condemned currency trading and tried to check the speculative attacks. Although Bank Negara, the Central Bank, spent a significant amount to check its slide, the ringgit continued to tumble. This affected Malaysia's ability to chart its

economic destiny. It had to grapple with the severe impact of the crisis. Huge outflows of speculative funds in the international foreign exchange market further aggravated the crisis.

Audacious and unconventional measures were introduced in an attempt to check the slide. An initial move was the co-ordination of every part of the Government machinery to work towards strengthening Malaysia's domestic economy, as there were signs at the initial stages of the crisis that some segments were not moving in tandem with others. Unable to control international financial markets, the Malaysian Government focused on strengthening its domestic economy.

The domestic economy was affected by the onslaught of the cheap ringgit as import costs escalated and foreign debt holding costs increased several folds. The Kuala Lumpur Composite Index dropped from 1,300 points in the first quarter of 1997 to less than 500 points in January 1998. Many companies reported losses during the 1997/1998 financial period causing defaults in debt servicing obligations to both financial institutions and bondholders. Many companies sought Court protection against creditors. Banks froze lending and imposed higher interests on existing loans and non-performing loans increased. This started a chain reaction felt first in the employment market. To cut costs, many companies took drastic steps like retrenching many of their workers.

The fuller impact of the crisis was felt in 1998 when Malaysia's real Gross Domestic Product shrank for the first time since 1985. The GDP

contracted by 2.8 per cent in the first quarter and by 6.8 per cent in the second. In 1997, exports of goods and non-factor services accounted for 99.3% of GNP and imports was 97.7% of GNP. The real GDP in 1996 was 8.2%; it declined to 7.8% in 1997 and further to a low 1.4% in 1998. The estimated figure for 1998 was a high 7%. The manufacturing sector declined to negative 2.5% in 1998 while agriculture declined to negative 4.4%. Private consumption was also at negative 2% (Economic Reports, 1997, 1998,1999)

The exports from the manufacturing sector were largely from non-resource based industries and contributed 80 per cent of total exports. The lower ringgit gave Malaysia limited benefits on manufactured exports. Manufactured output was 12.5 % and exports increased to 13%. The ringgit depreciation enhanced competitiveness. However, because of the boom in the previous five years, many firms were already operating at full capacity and were unable to increase exports quickly to take advantage of the lower ringgit. There was a typical time lag before the beneficial effects of the currency depreciation affected the real economy. Manufacturing growth in 1998 was 2.5%.

The sectors heavily dependent on imported machinery and materials suffered most from the currency depreciation. The construction sector, highly dependent on imported materials and heavy machinery equipment often priced in US dollars for infrastructure development, felt the impact of a higher cost of repayment and twice as high interest rate with the depreciation of the ringgit. Cement prices escalated due to the higher cost of imports, such as coal, gypsum,

and other raw materials. Its production costs increased by RM180 million based on the exchange rate of RM4.00 to US\$1.

Employment growth in 1997 decreased by 1.8% from the 8.3 million in 1997 to 8.2 million in 1998. Unemployment rate increased from 2.7% in 1997 to 6.4% in 1998. Retrenchment affected Malaysians and legal foreign workers. Ninety three percent of the retrenched were Malaysians. The threat of unemployment resulted in a cut-back in both public and private spending, lowering aggregate demand in the economy and further decreasing commercial revenue.

Currency control measures, which among others pegged the local unit at RM3.80 to the US Dollar, were announced on Sept 1, 1998. Together with the currency control measures, the Government also imposed a one-year moratorium so profits made by foreigners' sale of Malaysian securities or assets could not leave the country. . This measure reduced to a certain degree the exodus of funds from the country and injected some stability to the local bourse. Danamodal Nasional Bhd was formed on Aug 10, 1998 to recapitalise the domestic banking sector and consolidated the banking sector into fewer but stronger institutions. Danaharta Nasional Bhd administered assets of non-performing loans. The Corporate Debt Restructuring Committee was formed on Aug 17, 1998 to ensure orderly management of companies defaulting in debts and also to prevent their unnecessary liquidation.

The contraction in Malaysia's real GDP moderated significantly to 1.3 per cent in the first quarter of 1999 from 10.3 per cent in the last quarter of 1998. March 1999, actually saw a positive growth rate of 1.4 per cent compared with the same period in 1998. The construction sector regarded as the engine of growth, received plenty of boost from the lower lending rate imposed by financial institutions as Bank Negara adopted a relaxed interest rate regime. It gradually lowered its intervention rate in the inter-bank money market.

The Kuala Lumpur Stock Exchange revived somewhat. The Composite Index broke the 800-point level in intra-day trade by mid August 1999. It had risen from the low region of below 400 points of early August 1999. Retail investors had returned with greater confidence due to positive economic indicators. They were also encouraged by the relaxed margin financing requirements of financial institutions. This recovery was not sustained. In early 2001, the weakening of the Bourse was evident and the index hovered around the 500 points.

Although the economic indicators pointed to Malaysia's economy returning to positive growth, the crisis had pointed out several flaws in the economic system and an economic and financial fragility. It required the strengthening of the financial system improving consumer and investor confidence, and the continuance of the inflow of foreign investments to maintain a strong trade position.

The identified structural concerns and weaknesses caused a shift of focus in formulation of The Second Industrial Master Plan (IMP2) for the period 1996-2005. While the First IMP had its objectives as rapid expansion of the economy through accelerated growth of the manufacturing sector, optimum and efficient utilization of natural resources through value-added manufacturing activities and laying the foundation for the development of indigenous technological capability; the main focus of IMP2 are in 'Manufacturing Plus-Plus' orientation and cluster-based industrial development.

The first thrust of the 'Manufacturing Plus Plus' orientation is to move along the value chain towards higher value-added activities; before and after the basic processes of production. The Plus-plus activities before basic production will be Research and Development, Design and Product Development. While after basic production activities are Services, Distribution and Marketing.

The Second thrust of the Manufacturing Plus Plus Orientation is to shift the whole value chain to a higher level through productivity-driven growth. This can be achieved by utilizing higher technology especially automation and robotization and increasing total factor productivity.

The cluster based industrial development proposed clustering of industry based on international linkage, policy and resource base to maximize advantages. The textile and apparel industry is grouped with electrical and electronics and chemical industry to be clustered with electrical and electronics, petrochemicals and pharmaceuticals.

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### **8.3 Impact on the Garment Industry**

Currency movements have varying implications on competitiveness and investment, external trade and debt. For the export-oriented garment industry, the ringgit's depreciation in 1997 - 98, enhanced Malaysia's competitiveness after taking into account the combination of the currencies of Malaysia's trading partners and correcting for inflation within these countries. This meant that Malaysian garments were relatively cheaper and more competitive than that of its trading partners. However, due to the substantial dependence on imported fabrics and other raw materials, the balance of trade was not as attractive as it should have been.

Unfortunately for the garment industry, the currency crisis hit the competitors mainly neighbouring Indonesia and Thailand, to a greater degree. Both Thailand and Indonesia became highly favored by garment importing countries. Thailand had the even greater advantage of highly skilled labour and high quality value-added services. Importers overseas were in a bargaining position to press Malaysian exporters for discounts and thus shrunk the otherwise large export advantage.

The increase in the value of external debt exposure for foreign debts was denominated in foreign currencies. At the end of April 1998, the Federal Government's external debts amounted to RM11.3 billion, compared to mid-1997 exchange rate of only RM8.6 billion. The government promoted a policy

of 'Buy Made in Malaysia Products'. The domestic demand for imported garments as a result continued to decline. By year 2000, the value of imported garments dropped to a low RM556, 000, compared to RM397.2 million in 1995.

According to MTMA, exports of apparel continued to increase despite the recession. Aside from furniture, the garment industry was the one other industry to employ a greater number of workers while others were retrenching. In 1996 garment exports were valued at RM3.3 billion. It increased marginally to RM3.6 billion in 1997. By 1998, it grew to RM4.880 billion and MR4.909 billion in 1999. In the year 2000, it reached RM5.25 billion.

#### **8.4 The Impact on Garment Makers**

The 1997-1998 currency crisis had varying impacts on the garment makers. It increased export of garments and decreased imported foreign-made garments. Locally, the worsening exchange rate led to rising consumer prices as a result of rising costs of imported intermediate goods. This caused real household incomes and real wages to fall. Higher unemployment and lower job security led to a shift in household expenditures especially for items such as garments, thus causing an overall drop in the demand for garments. However, the increase in domestic prices of imported garments made locally made garments more attractive.

During the month of November 1997, telephone calls were made to all the sixty-two garment makers interviewed during the earlier research.

November, normally, is still within the busy period for garment makers due to the preparation of orders for the festive season. It was found that eight of the medium sized factories were not in operation. Six months later, three reopened but five other small sized factories had closed down.

All reported a period of anxiety in the first six months. Their immediate reaction was to scale down their operations in the first six months. Almost all (95%) said that their businesses had been affected and they experienced a slow-down. Most were struggling to adjust to the currency changes, especially the smaller factories, struggling to understand the implications of these turbulent changes. Most relied on newspapers and industry reports to guide their planning.

In the initial period of the currency crisis, garment manufacturers were overjoyed with the depreciating ringgit as it meant a higher ringgit value. However, as the crisis aggravated, the anxiety of the garment manufacturers turned into fear. This was especially so for the export orientated factories. Most of these factories relied heavily on contract manufacturing i.e. manufacturing according to the designs and material specified by the buyers. The fabric and accessories are normally imported from different countries such as South Korea, China and Indonesia. This made costing increasingly difficult because most of these countries were also experiencing the currency exchange turmoil. While there were increasing opportunities for export, the profitability depended heavily on their ability to predict the exchange rates and accuracy of calculation of the various factors of production. As there was little market intelligence, lack of

experience and understanding of such a situation, many of the garment makers could not benefit fully from the opportunities open to them.

In the initial scaling down, the government encouraged the factories to repatriate foreign workers. Some resisted, preferring to dismiss the less efficient, older, local operators. As government policies and procedures became more and more favourable to the factories to prevent massive receivership and a domino effect on the economy, the factories took advantage of the situation to dismiss workers with little or no compensation. As the workers were not unionized, these measures did not lead to many industrial actions.

Towards the later part of 1998, random telephone calls were again made to the manufacturers. About 80% were increasing their capacity to almost pre-crisis levels. Most had realized that the industry was undergoing a shakeout that would probably leave only the fittest, the most flexible and the most adaptable to survive. They expressed caution and uncertainty. Various strategies were employed to ensure survival. Because of the labour-intensive nature of the industry, five of the manufacturers interviewed decided to relocate to neighbouring countries especially Indonesia. Cambodia was an attractive alternative but the disadvantage was that wages in Cambodia were paid in US dollars. Vietnam was not preferred as much of the policies and procedures related to the establishment of business remained bureaucratic. None have relocated to Eastern European countries. The main reason given was that the manufacturers' unfamiliarity with the restrictive European labour protection and

laws. Language was another issue. It appeared that after years of experience in labour protection lax environments, the manufacturers would find European labour laws too suffocating for them.

One manager explained, *"Instead of bringing Indonesians here to work and face the trouble of runaway workers, it is more cost-effective to relocate the factory to Indonesia. It will also reduce costs since most fabrics we use are from there. For low end products, Indonesia offers us a more competitive advantage than Malaysia. Truly, it is a matter of time, before Malaysia becomes no longer competitive for lower end export products. Malaysia has to innovate and move to high value added products."*

Only fourteen have upgraded their plants with CAD and CAM equipment. The main reason cited was the downturn, which caused uncertainty and dissuaded them from further investment. Those that have upgraded believed that their very survival depended on their ability to use automatic and robotic engineering to cut costs and improve efficiency, productivity and quality. Among the machines introduced were those related to fabric auto laying, cutting and material handling. One company has invested heavily into fashion intelligence and e-commerce to achieve flexible manufacturing and quicker response time to changing tastes and fashion. Its goal is to use its current brand name to penetrate into international markets. According to the chief executive officer of the company, the company has been able to cut quick response time from 75 days to 33 days. This meant cutting response time by one and a half

months. Since seasons are short three monthly cycles, one and a half months is a very significant period of gain to the industry.

Eighty five percent of the factories in the low-end production enjoyed an increasing demand in the domestic market. Two of the factories making school uniforms and two manufacturing infant and children's clothing strategize to purchase lower quality materials to make their products cheaper. Forty five percent of the factories reported the need to shift to lower end products. For those factories manufacturing high quality branded products, the shift to lower quality, was not as easy as brand image had to be maintained.

During 1997-98, many factories downsized operations in their premises to cut fixed costs. The number of workers was reduced. Many factories shifted operations to home-based subcontractors. This shift reduced overheads and offered flexibility response to contract work without having to re-employ or restart operations. Some of the machines were sent to the homes of subcontractors to enable this arrangement. The factories, thereby, were able to externalize the costs, lower substantive overheads as well as enjoy casualization of labour. This also enabled the factories to develop adaptability and quick response to orders.

Today, five years after, the manufacturers more than before, are keenly aware that their survival depends on their ability to move from low-end to higher value-added and quality commodity apparel and upstream integration. The shift to high value specialty apparel has become vital. The move towards

higher value chain activities, however, requires skills in fashion designing, modeling, fashion intelligence and branding. According to the MTMA, Malaysia faces the handicap of having too little consecration of efforts in this garment industry. There is only one government institution of higher learning, *Institut Teknologi MARA*, now known as *Universiti Teknologi MARA* (UiTM) and a few private institutions training human resources for the industry. MATAC set up by MTMA in 1994 with a RM1.45 million grant from the government, offers some courses in collaboration with the Hong Kong Polytechnic University. In 1996, the MATAC organized 42 courses and trained 1273 participants, a very negligible percentage of the workers of the industry. Although the cost of training can be totally reimbursed from the Human Resource Development Fund (HRDF), the cumulative total number of participants trained by MATAC from 1994-2000 is only 3461. The main reason cited by MATAC for the low rate of participation is the unwillingness of garment makers to release their staff for training. While the primary reason given by garment makers is that courses given by MATAC are mainly in English while the majority of the workers are unable to understand English. Most are Chinese or Malays speaking. Even the 51 CD ROMs produced by MATAC under the Interactive Multimedia Computer Aided Training (IMCAT) for workers to learn at home are in English. The IMCAT Project was developed with a RM300, 000 grant from the Human Resource Development Council (HRDC).

There is no university, besides UiTM with a program in textile and garment with very few research and development or engineering of production machinery programs in textile and apparel production.

Most of the managers interviewed lamented the lack of support by the government in assisting in their efforts to automate and move to high quality products. While the Second Industrial Master Plan, they pointed out, has identified the main focus as manufacturing plus plus orientation, little has been done. For the garment industry, manufacturers have to improve on design and product development as well as services and marketing. To be effective, they will need local production of new specialized textiles, better colour, printing and dying to improve their competitiveness. Similarly, better transportation especially shipping facilities, market intelligence and expansion of non-quota market will improve their response time to distribution and marketing opportunities. On their own part, better designs leading to own designs and own brands rather than relying on contract manufacturing, will increase their sales and maximize profits. Only five of the fifty-five interviewed managed to establish own brands. Malaysian manufacturers need Malaysian branded garments to penetrate foreign markets. This will ensure a market niche and strengthen and expand the industry. All these are still far from reality.

The Multi-Fiber Agreement (MFA) too presents tremendous challenges to Malaysia. Under the MFA, each importing and exporting country determines a quota within each clothing category the exporter is allowed to supply. Until

now, trading partners have been slow to co-operate and most liberalization has been in non-meaningful commercial value articles. In addition, with the eminent entry of countries like China into the World Trade Organization, the garment industry will face intense competition. Malaysia's answer will be primarily in developing focus in niche market rather than mass market, moving into less protected, higher value added categories.

### **8.5 Impact on Home-based Subcontractors**

A revisit to the thirty home-based subcontractors was made during the month of December 1997 and the Chinese New Year period of 1998. Discriminate sampling was used to contact twelve of the home-based subcontractors during the Chinese New Year of 2000. Visiting these home-based subcontractors during Chinese New Year was accepted as a natural part of the customary practice. Telephone calls were made to all the thirty to update on their status in May 2001. Four (Kiew Soh, Choy Wan, Ah Fun and Wong Ah Si) were not contactable due to change of telephone numbers or termination of telephone service (Wong Ah Si, Kiew Soh) and moving of home (Choy Wan and Ah Fun). Siew Lian mentioned that Kiew Soh periodically visits her daughters and stays with them. It was reported by the new tenant that Choy Wan and Chan *Ko* had both moved away without any forwarding addresses.

The conversations during the revisit and phone calls were basically focussed on the current work status, the extent of the impact of the economic crisis on their work and life and its resultant influence on the wellbeing of the subcontractors and their families.

#### ***8.5.1 Changes in Home-based Subcontractors 's Households***

Of course, all the respondents are older and their physical conditions correspondingly have deteriorated with age. There is no change in marital status of all the respondents except Ai Ching whose husband, Ah Seng has returned to her home. As she predicted, during the recession when his earnings decreased, Ah Seng could no longer afford to womanize and drink. He began to return home more frequently. Ai Ching's earnings support the family as before. Ah Seng sponges on her like a parasite. Even when the economy was recovering, Ah Seng spent more time home than working diligently for his business.

The number of members of all, except four, households (Phang Yin Mooi, Leong Aun, Yoke Lan and Geok Yen) of the subcontractors remains unchanged. One was an increase and three were decreased. Phang Yin Mooi delivered two more children, a boy and girl. She was thankful for a son to continue the family lineage. It pleased her in-laws tremendously. She was grateful for the bounty so she could stop having children. However, a daughter was 'accidentally' added after two years' break. With the older children to help,

she is enjoying having the little daughter. She indulges in her and dresses her up like a doll, doing her long hair in varying styles and stitching for her beautiful dresses.

Leong Aun's mother-in-law is now deceased and that has lifted a heavy burden off their expenses. Yoke Lan's mother too has passed away. Though sad, Yoke Lan was very much relieved. Similarly was the case of Geok Yen. After the passing of her mother, Geok Yen stopped subcontracting. All except four continued subcontracting. Five have changed parent companies due to the closure or re-organization of the factories. The majority continued the working relationship with the same factories.

#### **8.5.2 *Changes in Subcontracting Arrangements***

As discussed earlier sub-contracting externalizes to the home-based subcontractor many costs. These measures provide garment makers with a safety net in times of market decline as evident during the Malaysian currency turmoil. As the home-based subcontractors are not considered 'workers', there is no compensation for laying off these subcontractors. The subcontractors are simply told that business was bad and there will be no assignment for them. During the December of 1997, four of the women (Wong Ah Si, Kam Fong, Meow Chu and Kiew Soh) were told that they would not have work from January 1998.

Wong Ah Si stopped sewing as the factory complained about her quality of her work. Wong Ah Si explained :

*" All these while when the business was good, there was no complaint. Now when business is down, my sewing is suddenly no longer good enough. I was asked to compensate for small mistakes and my payment was cut since my work was not up to the mark. I know it is just an excuse to cut my pay. "*

Since 1998, Wong Ah Si stopped sewing. Her eyesight has deteriorated and her family persuaded her to terminate subcontracting. Her daughter-in-law lost her job in the factory and so there was less pressure for Wong Ah Si to baby-sit her grandchildren. Her own daughter earns enough to supplement the family income. Although she got married in 1999, she continued to provide for her mother. According to traditional norms, it is the son who should provide for the parents. However, times have changed and it is not uncommon to find daughters with economic means providing for their parents instead.

Kam Fong was notified by Susan that her boutique was not doing well as some of her customers faced retrenchment and loss of income. Other customers preferred to save for uncertain times ahead. Boutique clothes were considered too expensive for such lean times. Although Susan shifted to lower quality clothing, business was not sufficient to generate enough cash to pay rent and keep the up- market outlets afloat. Kam Fong returned to home tailoring but

clients were hard to get. Susan did not reopen her boutique but in 1999 she teamed up with another boutique owner to provide rental of bridal gowns and related services. Kam Fong continued tailoring for clients, building a small, regular clientele. Her husband, Wong, continues to work as a chief clerk in the government. He sees little prospect for his advancement. He is resigned to work till retirement. He has asked for a transfer to a small department nearer his home so that he can keep a closer watch on his son as well as assist his wife in the household chores and help her build her tailoring business.

Meow Chu being a new entrant to subcontracting accepted the notice of termination of work with little resistance. She had taken on subcontracting to utilize her time while children were at school. During this time too, the business of her husband's stationery shop declined. Her husband's lady partner withdrew from the business and Meow Chu was pressured into managing the shop. She basically works as an unpaid family worker. She has not returned to subcontracting.

As a casual helper to Siew Lian and Siew Gaik, Kiew Soh stopped assisting the sisters when the load assignment decreased. Her household income has improved with two other children entering the job market after leaving school. She also has developed an addiction to the many Cable Television (Astro Dynasty Package) programs and that has consumed most of her time. Kiew Soh remarked,

*" All these years of hard work is worth it. Now the children are big and can earn for themselves, I can have an easier life. Good filial children are more precious than anything else. Without good children, old folks like me will have to sleep on the five-foot way and beg for food. Take the advice of this old lady, look after your children well and you will not suffer in your old age. "*

Geok Yen, on her own, decided to stop subcontracting. After the passing of her mother in June 2000, her reason for working was no longer valid. She was relieved of her responsibility of caring for her aged mother. As a staunch Buddhist, she is confident of her mother's place in Nirvana and conveys a sense of peace and tranquility in her approach to life. She returns to her work in the Moral Upliftment Society and contributes her time to humanitarian services of her faith.

### **8.5.3 *Changes in Home-based Subcontractors' Income***

Out of thirty home-based subcontractors, twelve reported more work and more income since 1996 with some temporary instability of income especially in the early quarter of 1998. Five other women were unsure of the quantum of their income, not having kept track of the balance sheet over the years. They estimated that their income remained the same.

(i) *More Work But Less Income*

Siew Lian was told by Mr. Liew that there would be fewer clothes to trim and pack as the export garments demand had declined. She immediately notified Kiew Soh that she had to stop working. However after a few months, the load of clothes not only did not stop but also actually increased. She tried to get Kiew Soh back to help. Kiew Soh came intermittently but was no longer keen to continue. Siew Lian later learnt from the deliveryman that most workers in the packing section at the factory were laid off to cut down overheads. Some were encouraged to take on home-based subcontracting. The increased work was diverted to the home-based subcontractors like herself.

*" When we knew that factory workers were losing their jobs, we thought we were definitely going to lose ours too. I was becoming very worried since it was the only means of support for my daughter and I. I was trying to look for jobs but during that time, jobs were also hard to get. It was really lucky that the work did not stop. I still do not understand why the boss continued to give the work to us when there was not enough jobs for those at the factories. I thought he would give the jobs to those at the factory instead of asking them to leave. I don't understand the thinking of businessmen ?"*

Siew Lian remarked looking puzzled. She continued, sharing her future plans,

*" Things are still unstable. The boss keeps telling me that business is still not good though the assignments to me have been increasing. He is unwilling to increase the piece rate despite my appeal over these five years. My friends have introduced me to direct selling and I think I should spend more time to build up my downline for a better future. All these testimonies of successful upline are very encouraging. They assure me that if I work hard, I will be able to earn thousands of ringgit like them. There is no future in this subcontracting work, very hard work with little compensation. It is time I look for other work."*

Similar experiences were reported by twelve others. Most, especially those single mothers, experienced great anxiety and fear of loss of work. Most relied on hearsay as they did not understand the implication of the economic turmoil. The garment makers too did not venture to explain the situation to them. The normal responses of the garment makers to the queries of the subcontractors were more frightening than assuring. They continued to receive work, in fact in eight cases there were more assignments during the 1997-98 period than before. However, the factories were more stringent with them and piece rate actually decreased. Leong Aun, Ah Kiew, Yoke Yin, Ah Poh, Phang Yin Mooi, Suan Heoh and Kim Hong reported a three to five percent drop in piece rate. Considering the rising price of threads, the costs externalised by the factory to these home-based subcontractors were considerable. They were

willing to accept the lower rate as they were dependent on subcontracting for supplementary or in some cases primary income. Both economic reality and their inability to secure other work during this period of uncertainty coerced them into exploitation. Apparently, their pattern of workload reflected the situation faced by the factories. Initially the factories experienced temporary setback but re-bounced with greater vigour, securing more contracts.

(ii) *More Work and More Income*

Yi Ting's embroidery work assignment shifted emphasis, from elaborate to simple, less costly style in the initial period. However, later in early 1999, she was basically given two types of jobs; the lower end products or higher value products. The mid range products seemed not in vogue. Besides, the *baju kebaya* and *baju kurung* she still embroiders, she now took on embroidery on denim jeans, pants and T-shirts which are trendy. The piece rate is better for the higher end products, about 5% more. The low end product prices have not changed. Her total income marginally increased over the five years, dipping a little in 1998.

Ah Kiew who subcontracts from the same factory as Yi Ting too experienced an increase in work and income of about 2%. Her parents had been trying to discourage her from accepting more work. However, Ah Kiew felt

obliged to accept the increasing load. She explained, “ *When other people are losing their jobs, I should be thankful to have mine. When the boss is kind enough to continue to work hard to secure more business so we can have more work and even bonus, we should reciprocate with hard work. I am still young and should work diligently for my old age. Now my parents are still around to help me, I should save for my old age. Also I should care for my parents. Last year (1999), during Chinese New Year, my parents and I went for a tour of China. It was really exciting. Good to see the beautiful scenery and enjoy the tour. My parents are thinking of going again, maybe visiting our ancestral village as well. While they are healthy and can walk, we had better go. I must look after them. When my parents are no more, I will have to look after myself. I don't think I can rely on my brother.* ”

The income of Xiao Lan too had increased steadily. The factory from which she subcontracted, DH Garment, has since developed their own brands, for both men and women's casual wear. These are distributed to major departmental stores. The company also set up their own outlets in major shopping complexes.

“ *I am proud to tell people I sewed those beautiful clothes in those fancy shops. The company is doing well and has expanded. I heard from my friends working at the factory that the boss goes overseas often to market the clothes to other countries. My friends have been asking me to join the factory. They tell me that I will have a better deal and better prospects if I am their worker. Now I am*

*only working at home and I am not their employee. I do not get the many benefits similar to theirs at the factory. Next year when my youngest daughter goes to primary school, I will join the factory. The boss has promised me that I will be accepted. Then I can be with my friends, joining them in their social activities, rather than facing the four walls and the children at home the whole daylong. I have been trying to slow talk my husband when he is in a good mood to persuade him to allow me to work at the factory again. Now that the children are big, he should have no more excuses to stop me,"* Xiao Lan explained.

On the whole, eight home-based subcontractors reported more work and higher income over the last five years.

#### **8.5.4 Becoming Primary Earners**

During the economic crisis years of 1997-98, one of the most badly hit sectors was the construction industry. Prior to this, the construction sector had been the main thrust of the economy with mega projects like the Kuala Lumpur City Center with the Twin Towers (the tallest building in the World), Putrajaya and the Kuala Lumpur International Airport. There were also numerous housing projects. When the crisis hit and the boom deflated, the construction contractors and workers were badly hit.

Co-incidentally of the 30 subcontractors interviewed, eight of the husbands were in occupations related to the construction sector as house

renovators, bricklayers, housepainters, plumbers and electricians. Six of the husbands were so badly affected that their wives (Pik Ching, Ah Fun, Yoke Ying, Bee Li, Suan Heoh and Kim Hong) became primary earners. Lai Meng's husband, for example, had fewer contracts. During the boom he had bought a new house and renovated a room for the home theatre system. While the children and husband enjoyed watching VCD and Television, Lai Meng continued to work.

Lai Meng explained, *"During these hard times, Ah Chan doesn't have many contracts so our income is affected. Luckily he sold off his Mercedes earlier on and bought a proton instead. At least we still have a car to travel in. It is very important I continue to work to support the family. Luckily Cheng Chea still gives me lots of work. I heard that her factory has sent many of the Bangladeshi workers home and has sacked many other workers. She told me that although she has many contracts, it is not regular. She can't afford to keep the workers at the factory, idle some time. It is better to subcontract. When there is lots of jobs, she can give to more subcontractors. When there are less, she gives out less. She tells me that she is now more dependent on home-based subcontractors like me to complete jobs for her. She asks for our co-operation to help her during this difficult time. "*

Sales in other sectors were also affected. As a result, two of the subcontractors (Mei Lin and Kam Chu) assumed responsibility as primary providers for almost one to two years. Their husbands still failed to appreciate

their contributions to the household income, almost denying that it was the women who were in fact supporting the families including the husbands.

## **8.6 Reasons for Continued Home-based Subcontracting**

The most often cited reason by these thirty women for practicing home-based subcontracting has been that it permits them to integrate productive work with domestic responsibility. Although now the children of these subcontractors are no longer in their infancy or adolescence, the majority of these women continue to work from the home rather than go out to work. Most feel that the home still requires their attention. From observation, these women probably feel inadequate and incompetent to return to work in the factory. During the last five years, many of the factories had introduced automation and robotics. Computer Aided Designing and other computer related upgrading have been introduced slowly into the factories. The lower end, labour intensive jobs continue to be put-out to these women but in the factory work has been upgraded. With no re-training, the women do not have the skills to re-enter the factory. Only two of the younger women (XL, MH) contemplate returning to factory work. Others like Pik Ching are of the opinion that returning to work at this stage of their life is an unnecessary inconvenience and requires far too much re-adjustment in their habits and life-styles.

## **8.7 Conclusion**

The currency exchange turmoil and subsequent economic crisis had varying effects on the textile and apparel industry of Malaysia and subsequently the garment makers and the home-based subcontractors. The declining value of the ringgit halted the rapid growth of the economy and moderated its development. As a result the garment industry experienced a turbulent time in its efforts to adjust to the higher demand brought about by the lower ringgit and greater competition in the lower end market from neighbouring countries. Garment makers initially responded to the crisis first with a scale-down and then with a successful shift in strategy. They reduced their factory operations to decrease overheads and externalised much of the costs to home-based subcontractors while they stayed with the lower end domestic market and shifted gear to higher value added products.

The home-based subcontractors absorbed much of the effects to give the garment maker time to adjust. Some were terminated without compensation. All others initially suffered loss of income with lower piece rates and higher rejects. They diligently worked to meet targets to help the parent companies fulfill orders. The home-based subcontractors provided for their families during these hard times when their husbands suffered loss of income.

With structural weaknesses of the economy identified, the relevant adjustments were formulated into the Second Industrial Master Plan (IMP2).

The main thrust of the IMP2, the Manufacturing Plus Plus orientation resulted in the garment industry, like other industries, focusing on developing higher value added activities along the value chain. The garment makers are keenly aware of the need to innovate to develop niche markets to continue to survive. Garment exports has continued to grow from RM3.3 billion in 1996 to RM4.88 billion in 1998 and to RM5.25 billion in 2000.

But has the garment industry realised the vital role of the home-based subcontractors have played in assisting them to grow and develop? The obvious answer is no. The garment makers continue not to cost the contributions of the home-based subcontractors to the industry or to value its vital role.