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Wage Labour in Southeast Asia since 1840

Globalisation, the International Division of Labour and Labour Transformations

Amarjit Kaur

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In memory of my parents, K. Pritam Singh and R. Balbir Kaur, who left the Punjab to cross the Kala Pani to Malaya in the 1930s

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Currency, Weights, Measures

Monetary references for Malaysia and Singapore are in Straits dollars (later the Malayan/Malaysian dollar/*ringgit*) except where otherwise designated.

Weights and measures are expressed in the metric system except where the historical figure is more appropriate.

Geographical Note

Contemporary and current names have been used as the sense of the discussion dictated. In particular, Thailand and Burma have been used throughout the book.

The nomenclature for Malaysia employed follows historical usage. Prior to 1963 'Malaysia' denotes the region comprising the territories of the current Federation. For that period also the terms 'Malay Peninsula' (or more briefly 'Peninsula') and 'Malaya' are used interchangeably. Within that unit the 'Straits Settlements' (SS) refers to Penang, Melaka and Singapore; the 'Federated Malay States' (FMS) to Perak, Selangor, Negeri Sembilan and Pahang; and the 'Unfederated Malay States' (UMS) to Perlis, Kedah, Kelantan, Terengganu and Johor. Post-Federation the terms 'Peninsula' and 'Peninsular Malaysia' are again used interchangeably.

Abbreviations

APEC	Asia Pacific Economic Co-operation
ASEAN	Association of Southeast Asian Nations
DPV	Deli Planters' Association (Sumatra)
EOI	Export-Oriented Industrialisation
EPZ	Export-Processing Zone
ESCAP	(UN) Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	Foreign Direct Investment
FMS	Federated Malay States
FTZ	Free Trade Zone
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GLU	General Labour Union
GNP	Gross National Product
GSP	Generalised System of Preferences
IIC	Indian Immigration Committee
ILM	International Labour Migration
ILO	International Labour Organisation
IMF	International Monetary Fund
ISI	Import-Substitution Industrialisation
MNCs	Multinational Corporations
NEI	Netherlands East Indies
NEP	New Economic Policy
NGO	Non-Governmental Organisation
NIC	Newly Industrialising Country
NUPW	National Union of Plantation Workers (Malaya)
OCW	Overseas Contract Worker
OECD	Organisation for Economic Cooperation and Development
PAM	Planters' Association of Malaya
SS	Straits Settlements
UMS	Unfederated Malay States
VOC	Dutch East India Company
WTO	World Trade Organisation

Glossary

cai	recruiting agent
chin-chia	chain pump
Chettiar	Indian moneylending caste
coolie	labourer
dulang	washer-panner
hui	triad or secret society
hun	share
kampung	village/local settlement
kangani	overseer
Kapitan Cina	Chinese community leader
kepala	headman
kerah	compulsory labour services
kheh-tau (*ketou*)	headman/returned emigrant
ladang	shifting (dry) cultivation
lombong	open cast mine
kongsi	Chinese work and social cooperative
maistry	crew boss
padi	unhusked rice
sawah	irrigated rice cultivation
sinkeh (*xinke*)	new labour migrant
tauke	Chinese labour contractor/Chinese businessman
tekong/taikong	labour broker

Preface

Southeast Asian economies and societies are of interest to policymakers, international development institutions and social scientists for a number of reasons. First, they exhibit great diversity in their development patterns. Four of the economies – Singapore, Malaysia, Thailand and Indonesia – achieved rapid economic growth in the 1970s associated with the growth and spread of investment, trade and production, and the introduction of new technologies. A fifth, the Philippines, has consistently underperformed compared to its potential although it also embraced globalisation and open market policies attendant with export-processing zones and labour-intensive export manufactures. Second, while these five economies supported economic globalisation and have consistently been proponents of trade liberalisation, some of the others are only now emerging from long periods of commercial isolation. Third, the labour market in particular has been one of the main channels through which globalisation has impacted on these economies and societies. And, since the Asian economic crisis of 1997–98, the assumed certainties of economic growth associated with globalisation have given way to economic contraction and a less assured development path, particularly for labour. Concurrently, there is universal concern that 'cheap' labour, labour oppression, and dismal labour standards are some of the major negative effects of economic globalisation on the labour market in these economies.

Studies of labour history have largely focused on export-oriented policies, the role of the state, the reorganisation of production, industrial relations and the labour market. Often the historical and cultural contexts of the nature of wage labour and changing labour relations have been relegated to the background. The start of the third millennium is thus an opportune time to reassess the nature of wage labour and changing labour relations in Southeast Asia in the longer time perspective. Since the globalisation of production (agricultural and manufacturing) and whether promoted by the state, private enterprise or transnational corporations, ultimately rests on labour, labour costs have constituted, and continue to constitute, the foundations of international competitiveness.

When wage labour became the norm in the mining and plantation sectors in Southeast Asia in the late nineteenth century, wage workers were bound to their employers by enforceable labour agreements. Employers used these agreements, whenever available, to manage their labour costs and supply. Modern free wage labour only really came into being in the early twentieth century as a result of reform legislation. In the 1990s the threat of sanctions by the international community and the work of (mainly) Western consumer groups against the exploitation of Third-World labour has not only restricted methods employers can legally use but also promises greater worker participation in labour market policies in the context of globalisation.

This book examines the emergence and nature of wage labour and changing labour relations in Southeast Asia since 1840. The discussion of some labour processes begins even earlier. Rather than bracketing change within precise periods, no rigid dating system is used to indicate major milestones in Southeast Asian labour history. It also describes and presents empirical data essential for understanding Southeast Asian labour institutions, that is, labour regimes or systems, wage systems and labour organisation. Labour institutions are central to both production and distribution and directly affect the overall level of growth. Moreover, the type of labour systems that emerged in particular sectors in Southeast Asia originated in the strategies and capacities of firms, states, workers and other actors as they socially constructed such systems.

Not all these groups determined the nature and diverse outcomes of this social process, namely, the way in which both the benefits of success and the burdens of failure were shared. As such, changes in labour processes were a result of the dynamic interplay between global capital, the type of products/services produced for the international economy, and the availability of labour. The book uses an historical, narrative approach to answer these questions. What does a study of Southeast Asia's economic past tell us about the larger question of the impact of globalisation on labour relations and labour markets in the region? How did globalisation affect workers employed under different labour systems and sectoral categories? What were the consequences for different groups of workers depending on their location, occupation, ethnicity and gender? It thus contributes to important debates about the nature of globalisation and its relationship to changing labour relations in Southeast Asia.

The focus is on wage workers who shared something of the proletarian experiences of workers elsewhere. A crucial issue here is the definition of work. The generation of paid income traditionally forms the dividing line between wage work and non-wage work, certainly in statistical data. How distinct are wage workers from other categories of people, and how much moving back and forth, to and from wage work, occurs and why? It is proposed not to cloud the issue of wage labour but to clarify it by referring to workers as those who are employed in occupations for which they are paid wages. Other components of the labour force – the self-employed, employers and family workers, though largely excluded from the study, are included in the general discussion on labour problems in the region.

Some may argue that by using this definition, unpaid work in subsistence forms of production, which has significant economic value in most Southeast Asian countries, is ignored. Nevertheless, this definition of workers as those in paid employment is also justified by the fact that they are bound by wage structures and systems and waged work is central to labour organisation. Furthermore, economic growth led to shifts in the occupational distribution of labour, from subsistence to commercial production, and from primary to secondary and tertiary employment. The proportion of the labour force working as employees thus rose, consistent with structural change in the region over time.

Six strongly overlapping general themes are examined – labour processes and migrant labour; wage labour systems; labour circulation or mobility; the gendered nature of labour relations; class consciousness and worker organisation; and labour standards.

The emphasis throughout is on comparative historical processes. The virtue of this approach is twofold. First, an historical orientation will supply a necessary corrective both to the thrust of recent studies, which tend to concentrate on the postwar period (especially after the 1970s), and to the impression they leave that Southeast's remarkable economic growth, and, by implication labour's critical contribution, represents a sharp departure from the past. Moreover, the historical focus is essential in understanding what is new about contemporary globalisation. Second, a comparative regional investigation of wage labour can highlight patterns of development and experience that are not easily discernible in single country studies. Since economic development intrinsically encompasses change over time, this book provides a comparative and historical perspective of labour dynamics and changing labour relations in Southeast Asia since 1840.

Acknowledgements

This book has been more than eight years in the making. I was invited to join the Economic History of Southeast Asia (ECHOSEA) Project in the second half of 1993 and held a Research Fellowship at the Research School of Pacific and Asian Studies (RSPAS) at the Australian National University (ANU) in the second half of 1994. Much of the research for the book was carried out in the United Kingdom (Public Records Office, SOAS Library and Cambridge University Library), the Netherlands, France, the United Nations Library, New York, and the Menzies Library, ANU and in various countries in Southeast Asia.

Financial support for the project was initially provided by the Australian National University; the Australian Research Council; the University of New England (UNE); and the Academy of the Social Sciences in Australia under its Australia/Netherlands Travel Exchange Scheme. I am also deeply grateful to the Wellcome Trust (UK) for giving me a grant (055706/Z/98/Z) to carry out research that allowed me to build a comprehensive picture of manufacturing labour systems and women workers in industrialising Asia.

I am indebted to a number of colleagues and experts for assisting me in my understanding of Southeast Asian labour history. I am especially grateful to Tony Reid, the Director of the ECHOSEA Project for his help and support. A workshop on the book held in Armidale in December 1998 was of enormous value and I am very grateful for comments from Malcolm Falkus, Anthony Reid, John Drabble, Michael Hess, Roger Knight, Michael Pinches, Kevin Hewison, Andrew Brown, Ian Metcalfe and Howard Brasted. I am also grateful to Chris Manning for helpful suggestions. I have also benefited greatly from interaction with many colleagues with interests in Asian labour history at international meetings. These include Marcel van der Linden, Ratna Saptari, Rebecca Elmhirst, Samita Sen, Jan Bremen, Ben Tipton, Pierre Brocheux, Vincent Houben and Jan Elliott.

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Amarjit Kaur
2003

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Part 1

Formation of a Southeast Asian Economy, c.1800

'Toil not to gain wealth,
cease to be concerned about it.'

Proverbs 23:4

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1
Introduction

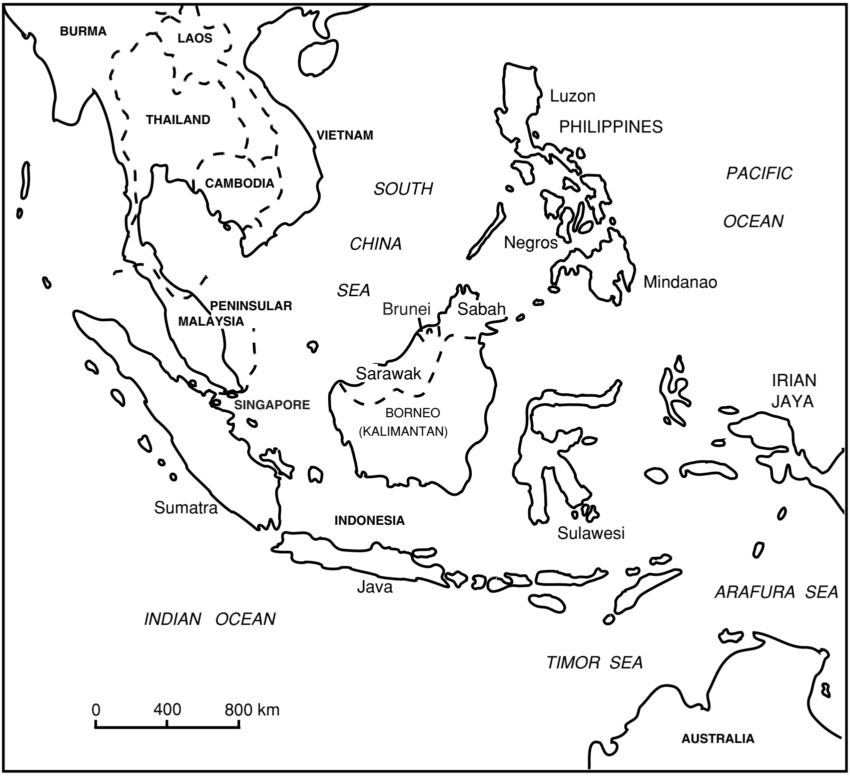
Setting the scene

For most individuals, the term globalisation means the integration of separate national markets into a single global marketplace with cross-border flows of goods, capital and people. Some social analysts argue that this process is a recent phenomenon, from the viewpoint of seeing the world as a single place inhabited by a single humanity, sharing common conceptions of rights and identities, and global economic integration. But is globalisation new? If we take the central features of globalisation: the expansion of trade; the growth and spread of investment and capital; the relocation and reorganisation of production; the diffusion of new technologies; and the cross-border migration of people, globalisation is not new.

According to Lindert and Williamson, '[g]lobalisation has evolved in fits and starts since Columbus and de Gama sailed from Europe more than 500 years ago' (Lindert and Williamson 2001:1). It has also assumed different forms, depending on the interactions between states, and the economic imperatives of major powers.

For Southeast Asia (See Map 1.1), the period from about 1840 to the outbreak of World War One saw a radical departure from the period preceding it. A handful of colonial powers – Britain, the Netherlands, France, and later, the United States – gradually integrated the peripheral economies of the region into their empires.

During this globalisation period, there were major changes in the international economy associated with the globalisation of production, the dismantling of mercantilism and the diffusion of new technologies, such as the steamship, which resulted in rapidly declining transportation costs. Moreover, moves against slavery in Europe, that had been articulated at the 1840 Anti-Slavery Convention, and the anti-slavery movement had important consequences for the labour market in Southeast Asia. The increased demand for labour also came at a time of labour scarcity and low population growth in



Map 1.1 Southeast Asia

most of the region and was resolved by migration into and within the region. This led to equally dramatic labour transformations and the emergence of a permanent wage labour force which comprised mainly migrant workers from China and India (and, to a lesser extent, Java) and indigenous peasants drawn into the international economy, either through state-directed coercion or in response to increased market opportunities.

Inter-imperial rivalry led in 1914 to the outbreak of World War One and the globally integrated world shrank, and was not rebuilt during the inter-war decades. Although labour migration continued, transport subsidies for migrant workers were reduced. Protectionism, the implementation of international commodity restriction schemes, and the impact of the anti-trade backlash in the 1920s and 1930s further saw a reaction against immigration, followed by the repatriation of large numbers of foreign workers, and a greater involvement of local labour from the 1930s. The imposition of new policy barriers thus restricted labour migration from China and India into the region.

Globalisation after World War Two, and especially after the 1970s, was characterised by trade liberalisation and greater economic co-operation among nations. A global political institution, the United Nations, and three global economic institutions – World Bank, International Monetary Fund and the World Trade Organisation – figure prominently in contemporary globalisation. Concurrently, the restructuring of manufacturing and its relocation from developed to developing countries, the reorganisation of firms, and the promotion of industrialisation in developing countries by multinational corporations shows a continuity with the previous globalisation period. The developed countries are once again contributing capital, financial and entrepreneurial services, and technology, while developing countries are contributing mainly labour. The labour market therefore continues to be one of the main channels through which contemporary globalisation is impacting on Southeast Asian economies and societies.

Between two worlds: economic change and wage labour in Southeast Asia, 1840–1940

To understand the evolution and place of wage labour in Southeast Asia in the nineteenth and early twentieth centuries – whether in capitalist agriculture, mining, public undertakings/administration or in manufacturing – one must examine three major determinants of economic and political change in the region. These are: political and economic developments prior to the 1870s; high colonialism and the growth of export production; and demography.

Southeast Asia was integrated into the world trade system between the fifteenth and seventeenth centuries and came to play an increasingly important role in intra-Asian trade. A dominant feature of the period was the existence of European maritime or seaborne empires based on the control of sea routes. European power on land was relatively limited and centred on fortified trading centres such as Melaka and Batavia. Trade was organised through chartered companies, the most prominent being the English East India Company (EIC) and the Dutch East India Company (VOC). These Companies were largely independent of home governments, had the power to conclude treaties with local rulers, and possessed military forces to defend themselves. Competition between the Europeans was strong and the intention was to dominate trade networks through monopolies and cut out Asian middlemen who had traditionally controlled the spice trade. Despite their naval superiority, Europeans were really only one group of traders among many commercial interests, and Southeast Asia was little more than a profitable field for trade. In the late nineteenth century the situation changed dramatically and the balance began to shift decisively in Europe's favour. The Industrial Revolution engendered a more aggressive approach to Southeast Asia by the Europeans, especially the

British, who sought to achieve the imperial dominance on land that they had been unable to achieve in earlier centuries. The process was facilitated by the progressive weakening of Asian states unable to compete with Western military superiority.

The most distinctive feature of the period 1870–1940 was conquest by the West, followed by economic domination. Apart from Thailand (which, nevertheless, remained under the British sphere of influence), the rest of Southeast Asia was colonised by Western powers and strong colonial states emerged, which remained in power until 1940. The colonial powers also laid the foundations for modern nations in the region. This new phase in Southeast Asian economic history was marked by the creation of new political and economic frameworks and the introduction of modern bureaucratic systems. Political and economic integration also resulted in increased flows of capital and commodities and by 1940 most states had export-dominated economies. The region's role in the International Division of Labour was thus assured with the conversion of Southeast Asian countries into export-oriented economies specialising in primary commodities destined for the industrialised West. Significantly, by 1940 Southeast Asia had become the largest producer of a number of industrial raw materials including tin, rubber, palm oil and other tropical products.

The transformation of the region involved not only the utilisation of millions of hectares of land, but also the employment of millions of people. A central question related to these developments was how did the colonial powers cope with the great demand for labour? Available estimates of the region's population prior to 1900 are often inconsistent or incomplete. Around 1870 population was estimated at about 55 million. By 1940 it had almost tripled to 148 million. While declines in death rates and stable (or slight increases in) birth rates had played an important part in population growth and an expanded labour supply, external migration into the region was also responsible for the growth of the labour market. After World War Two, labour migration from outside the region was drastically curtailed, and substantial internal migration took place within the region.

The expansion of the export economy thus serves as a unifying thread to study labour transformations in Southeast Asia prior to World War Two. Indeed, the particular way in which the export industries developed was determined by conditions in the region itself: the availability of vast tracts of land; sparse and unevenly populated regions; and the responses of various indigenous groups to the possibilities of export production. However, there were limits to the willingness or ability of the peasants to respond to the opportunities presented by the growing market for tropical export commodities. This in turn opened up opportunities for migrant labour, both from within and outside the region, to take up this role. The export industries, which consisted principally of agricultural raw materials and minerals, required varying amounts of capital, technology and labour.

Thus specific labour systems, that relied on the use of sanctions to enforce wage labour agreements, or coercion through intermediaries, were developed, resulting in the emergence of a permanent wage labour force in the region. An assessment of the growth of wage labour prior to 1940 is therefore best understood within the context of specific export sectors (mining and agricultural commodity production) and in urban occupations, including government wage employment.

Some idea of the growth of the wage labour force in two major export sectors, tin mining and the rubber plantation industry, may be gauged from Table 1.1.

Table 1.1 Mining and Plantation Wage Workers in Malaya, Indonesia and Indochina, 1911–1929 (selected years)

		Tin mining	
Year	*Malaya*	*Indonesia (Bangka and Belitung)*	
1911	196 520	35 205	
		Rubber	
Year	*Malaya*	*Indonesia (Sumatra)*[1]	*Indochina*
1911	166 015	176 316[2]	9143[3]
1929	258 780	534 700	10 828

Notes: 1. Total for all plantation labour
2. 1913
3. 1919-22

Sources: Tables 3.5, 3.6, 4.2, 4.5, 4.6.

As shown in the table, there was a substantial increase in the labour force in these industries, which is examined in Chapters 3 and 4. Nevertheless, some caution needs to be exercised when comparing the size of the wage labour force in the larger Western enterprises relative to other components of the labour force. Workers employed on Chinese rubber smallholdings in Malaya, for example, were not included under the plantation worker category. Moreover, the collection of labour force statistics on the basis of the gainful worker approach, which was widely used prior to World War Two, also adds to the difficulty of obtaining accurate estimates for the period.

Economic change and labour in the post-World War Two period

After World War Two, colonies became independent, and the newly independent states were determined to transform their old colonial economies into national ones, under national government control. They differed, however, in the methods employed to effect this change. Essentially, two broad economic groups emerged. The first comprised Singapore, Malaysia, Thailand, the Philippines and Indonesia; while the second consisted of Burma, the former Indochinese states (and Brunei). Countries in the first group were regarded as 'outward-looking' while those in the second group were considered as 'inward-looking'. The former embarked on a programme of modernisation, which led to rapid economic growth, though not at the same time or pace, and relatively high levels of per capita GDP growth. The outstanding characteristic after the 1980s was structural growth, consistent with a declining share for the primary sector, and a corresponding increase in the secondary sector (especially manufacturing). Despite initial promise, the Philippines soon fell behind the other four outward-looking countries. Changes in the structure of output between 1980–98 are indicated in Table 1.2. As shown in the table, agriculture's share declined fastest in Thailand, Malaysia and Indonesia during this period. Industry's share grew rapidly in Thailand and Malaysia between 1990–98 while in the Philippines its share declined during the same period.

This period of economic growth was accompanied by workforce expansion in the region as a whole (see Chapter 8). Crucially, the major demographic trend in the region has been the fertility transition since the 1960s. This trend is associated with a range of factors including: government policies to limit the growth of their populations; increased female participation in the paid workforce; the availability of contraception; educational policies; and higher standards of living. There are various subtleties in this fertility transition, which need not detain us here. While labour markets in Singapore and Malaysia subsequently began to tighten, Thailand initially exhibited features of a labour surplus country which changed in the 1990s. What factors contributed to labour force growth in the post-World War Two period?

Labour supply and wage labour

This book is concerned primarily with the development of wage labour in Southeast Asia. The emphasis is on the following: the factors that impacted on the evolution of wage labour in (predominantly) foreign-owned enterprises prior to 1940; how the labour force was formed and recruited; wages and conditions of labour; the characteristics of the labour force, and the social consequences which resulted. Whilst the core of the book is concerned with detailed studies of particular sectors – mining, plantation and, later, industrial – and with the particular regions where they were situated, it is useful to reflect on the overall role of labour in the economic development of the region.

We should not expect to find any single 'model' of the growth of the Southeast Asian wage labour force that would be applicable to all the diverse regions involved over an extensive period of time. But it is important, when

Table 1.2 Structure of Output for Selected Southeast Asian Countries, 1980–98

	Gross Domestic Product $ million		*Value added as % of GDP*							
			Agriculture		*Industry*		*Manufacturing*		*Services*	
	1980	*1998*	*1980*	*1998*	*1980*	*1998*	*1980*	*1998*	*1980*	*1998*
Indonesia	78 013	96 265	24	16	42	43	13	26	34	41
Malaysia	24 488	71 302	22	12	38	48	21	34	40	40
The Philippines	32 500	65 096	25	17	39	32	26	22	36	52
Singapore	11 718	85 425	1	0	38	35	29	24	61	65
Thailand	32 354	153 909	23	11	29	40	22	29	48	49
Cambodia		3089		51		15		6		34
Laos		1753		52		21		16		27
Myanmar			47	59	13	10	10	7	41	31

Source: The World Bank: *World Development Report 1999–2000*, pp. 250–3.

following the particular sectors and regions with which we deal later, to bear in mind some basic concepts that shed light on the process and character of labour force development.

First, the 'Lewis' model. In the early 1950s, at a time when most economists were pessimistic about the prospects for economic growth in then underdeveloped nations, Arthur Lewis (1954) postulated a two-sector model in which he suggested that sustained growth through industrialisation could take place in circumstances where there was an 'unlimited' supply of labour. Briefly, he argued that if there was surplus labour in the large rural subsistence sector, (by definition with a zero or negative marginal productivity), then labour would flow to the small capitalist sector where, again by definition, marginal productivity was positive. Wages in the capitalist sector would equal the earnings in the subsistence sector (plus the sum necessary to cover the costs of upheaval, social inertia, and so on). This wage would not rise as long as supplies of labour remained unlimited, and agricultural supplies would not diminish. Greater profits and capital investment would take place in the capitalist sector, and so the process of drawing labour from the subsistence sector would continue. Eventually, of course, surplus labour would be drawn off, marginal productivity in the rural sector would rise, and wage rates in the capitalist sector would also rise. But, through continued improved productivity in the capitalist sector arising from investment, labour could continue to be drawn from the rural sector as long as there was a sufficient gap in marginal productivity between the sectors.

This is not the place to discuss the Lewis model in detail, nor deal with the many criticisms and refinements to the model that have been made. Rather, we should emphasise three crucial points that are helpful in understanding the dynamics of wage labour growth in Southeast Asia. The first is the existence or otherwise of a pool of 'surplus' labour with low marginal productivity. Here we may note that in many countries in the region, especially before the general population explosions of the 1950s and 1960s, populations were sparse and there was certainly no large pool of available surplus labour. There were often social constraints, too, to labour mobility from rural areas. Under these circumstances, many colonial states and particular industries turned to migrant labour recruitment from abroad, or, in the case of Indonesia and Indochina, the organised recruiting of labour from large population reservoirs of the colonial territory to provide the wage labour force. We should, therefore, consider countries like China and India (and the island of Java), which provided most of the migrants, as constituting the 'unlimited' labour postulated by Lewis. However, by the 1960s various factors, including population growth, had resulted in the appearance of large supplies of indigenous labour in a number of countries, and a continuous flow of labour from country to town was characteristic of the process of industrialisation. We may add that differential wage rates have by no means been the only factor to attract the rural migrant. The 'lure of the city' is a constant theme throughout the region.

The second point we may draw from the Lewis model is the importance of low wages in the modern sector, ensured by the continued flow of labour from rural areas (or from immigration). Crucial also is the way in which cheap foodstuffs keep down the cost of living for wage workers, and thus help keep industrial wages low. International competitiveness and consequent export-led growth are constant themes in the recent economic history of all the region's economically successful countries such as Thailand, Malaysia, Singapore, and Indonesia. We may add that changing labour market conditions have led historically to a sequence of increasingly sophisticated industries making their appearance, typically beginning with cheap low-quality garments and progressing to products with a greater value added, such as higher quality garments and footwear, assembly of electronic components, computer parts, and so on.

The third point is the significance of capital investment in raising productivity and job opportunities in the capitalist sector. Lewis saw this as crucial in the industrialisation of poor nations, and, under his model, the proportion of investment to national income rises as development takes place. Here we may note that in all the industrialising countries of Southeast Asia investment has been vital to the process, and rates of investment have been very high. Foreign investment has also spurred industrial development, and often brought new industries and technologies.

A second concept of use in understanding the growth of the wage labour force in Southeast Asia is the international division of labour. Prior to 1940 geography and natural resource location (mineral and agricultural), rather than low-cost labour determined investment flows and specialisation. The colonial states overcame labour shortages through government regulations and, as noted above, the mobilisation of labour from abroad or from congested regions. In the late 1960s and 1970s, low labour costs and the new international division of labour have largely determined the location of industries in Southeast Asian countries, coinciding with the trade liberalisation strategies of these countries. It is well known that labour costs have risen sharply in all the advanced industrial countries, and where labour costs are a significant proportion of total costs there will be an incentive to relocate in areas of abundant and low-cost labour. We may find large companies in industrial countries relocating particular processes and components – or entire production lines – elsewhere, when labour costs and available skills and infrastructure make such a move appropriate. Also, we may find major international brands, especially among garment and sportswear firms, placing orders in a number of cheap-labour countries, and placing new orders successively in different countries as market conditions dictate. Light, rather than heavy industries, have generally led the way, and usually the first industries to be developed have been the most labour-intensive. Generally, the state has contributed an indirect and supporting role rather than a direct and entrepreneurial one.

We may thus focus on three aspects of Southeast Asian industrial development. The first is that the available labour force, whether provided by immigration or from indigenous sources, was often by no means unskilled and unproductive. Indeed, some of the necessary skills and attitudes to factory discipline were acquired with facility. Second, in considering the market demand for the products of industry and the sources of capital investment and entrepreneurship, we must emphasise an extraordinary conjunction of circumstances in the late twentieth century. These produced foreign demand for a range of goods which could be produced using labour-intensive processes; relative free trade; availability of foreign capital; and an existing entrepreneurial class (often from among former migrants). Finally, prevailing economic philosophy in most of the non-Communist world (and certainly in Southeast Asia) has been inimical to state intervention and direct involvement in industrialisation. Generally speaking, market forces have determined the timing and pace of industrialisation, and have impacted therefore on the changing labour relations in the region.

Themes in Southeast Asian labour history

To study wage labour and changing labour relations in a region as large and diverse as Southeast Asia over a period of over one hundred and sixty years presents the economic historian with many problems. If such a study is not to become simply a country-by-country analysis then one must seek unifying themes for analysis. A labour systems approach is therefore useful for this study because it serves as a field of enquiry around which one can evaluate the particular characteristics of each system and draw comparisons between them, whilst also situating them in the context of globalisation and the international division of labour. Moreover, for every country in the region a large part of modern history has been dominated by economic globalisation and the growth of the international economy and there are many elements of continuity and intra-Asian developments that have influenced economic progress in the region.

In order to make sense of Southeast Asian labour history, and to bring into focus elements both of comparison and contrast, this volume covers the following themes:

(1) The consequences of sparse populations and large areas of unsettled regions (compared to China and India) for labour markets in Southeast Asia. For most of the period before the mid-nineteenth century populations nearly everywhere were small and scattered. One consequence of this was that labour, rather than land, was the principal source of value in the country. This in turn determined a whole

variety of social and economic features – authority patterns; patron-client relationships; the existence and types of slavery; and types of landholding. As a broad general theme, one can look at contrasts between the more populated regions (Java, Tonkin) and the sparsely populated areas.

(2) Another theme is the difference between mainland and archipelago regions – between the great monsoon rice-producing lands of Burma, Thailand, and Indochina (Vietnam, Cambodia, and Laos) and the Malaysian and Indonesian region. In this respect, there are many contrasts between settled rice Buddhist societies in Burma, Thailand, and Indochina on the one hand, and the small trading Muslim states, based often on control of rivers, on the other. This in turn contributed to the peculiarities of labour migration and labour relations in these localities.

(3) A related theme is the distinction between internal agrarian economic systems and coastal trading settlements. Within agrarian societies, the importance of settled wet-rice societies cannot be overestimated in terms of social structure and as a base for the development of rice exports (in mainland Southeast Asia) or other export crops (for example, sugar in Java).

(4) Another theme of general significance relates to interpersonal relationships in terms of ethnicity and race. The diversity in labour arrangements and labour segmentation was shaped, and continues to be shaped, by these interpersonal relationships and various forms of authority in different states.

(5) A major theme is the mobilisation of the labour force and the role of migrants in Southeast Asian economies and societies. The two major groups of migrants were the Chinese and Indians. Chinese migrants were predominantly labourers in gold and tin mining enterprises, plantation workers, urban workers, shopkeepers and middlemen in the export-trades, and merchants and entrepreneurs. They went all over the region. Indian migrants, who arrived in large numbers during the colonial period, were mainly labourers, financiers and civil servants and clerks. They went almost entirely to Malaya and Burma, places that had imperial connections with British India. The Indian migrants were also divided on the basis of ethnicity, occupation and economic role. There were three main groups, each of which was associated with specific economic roles. The first group comprised mainly Tamils and Telegus who worked as plantation workers in Malaya; labourers on the Burmese rice fields; and workers on public works in both countries. The second group was the Chettiars from South India who financed the rice farmers in Burma and the rubber smallholders in Malaya. The third group consisted of North Indians who served in the police force and mainly Malayalees and Jaffna Tamils who were employed as clerks and civil servants. The main characteristics of the

Chinese and Indian diasporas in Southeast Asia were that the migrants were considered sojourners and they formed minority communities that exemplified some of the problems of plural societies.

The diversity of labour relations needs to be understood also with respect to the role of intermediaries in the labour market – labour contractors and the like – who often had an important role in mobilising specific sorts of labour and thereby promoting the development of particular labour systems.

(6) Colonial and state labour policies form a key theme in labour history. An evaluation of labour policy requires analysis at different levels. What, for example, was the role of government in wage-setting mechanisms? How were workers protected and labour migration regulated? In what ways did training and educational systems impact on employment and labour productivity? These are important concerns since institutional change can only be interpreted in specific historical and social contexts.

(7) An analysis of industrial relations is also fundamental to the study. The dynamics of worker organisation and collective bargaining in ensuring labour welfare in the context of low wage costs both in the historical and contemporary perspectives throws light on the interaction between the state, firms and workers.

(8) After World War Two, a key theme is how the politics and policies of the newly independent countries of Southeast Asia were shaped by post-colonial anxieties and the Cold War. Diversity in the ways and the pace whereby different states were integrated into global markets, vis-á-vis their relationship with global and local firms, not only determined their economic strategies, but also shaped and continue to shape labour systems and labour relations. Southeast Asian nations were either divided into socialist states (Vietnam, Laos and Cambodia [Kampuchea]) or pro-Western states – Malaysia, Singapore, Thailand, the Philippines and Indonesia (Burma [Myanmar] pursued non-alignment in 1962). The pro-Western states that embraced the global market became the location sites of labour-intensive manufacturing industries producing for the world market. One critical element of the global reorganisation of production systems was a corresponding reorganisation of labour or the New International Division of Labour.

(9) The gendered division of labour is a significant theme in Southeast Asian labour history. Patriarchal control within the family, cultural and religious values, population policies, education, and labour policies not only determined the nature of employment relations but also had a bearing on the pace and mobilisation of women into the paid workforce.

(10) The unprecedented rise in international labour migration in Southeast Asia, which is a major dimension of globalisation and structural

change in the region, is also an important theme to examine labour policies and demographic and structural transformations in the labour market.

This volume thus aims to contribute to theoretical debates on the labour history of the region. At the empirical level it presents data essential for understanding the nature of wage labour and changing labour relations in the region. It does this not only in the context of globalisation and continuity and change within the region, but also with the objective of placing both commonality and diversity at the forefront of the analysis. It is virtually impossible for any scholar, however comprehensive and diligent her field and library research, to be equally authoritative in each political entity, and any overall survey will therefore not only necessarily reflect the author's own interests and fieldwork, but will also rely largely on secondary sources since not all official documents are available in English. Given that my main concern is the changing labour relations that are central to the transformations that took place, and are currently taking place, emphasis is consequently placed on those states, sectors, and strategies that illustrate the process most clearly.

2
Economy and Society in Southeast Asia, c.1800

The Southeast Asian world prior to 1800

If we survey in a broad fashion the economic bases of traditional Southeast Asia, two broad types of economies may be distinguished: those based on agriculture and those based on coastal or river trade. The agrarian economies tended to be found in large, highly structured states or empires and normally comprised a powerful inland centre that controlled, with varying degrees of tribute relations, the more remote provinces. The recognisable first Buddhist kingdoms of Burma, Siam (Thailand) and Vietnam had emerged on the mainland long before 1800, while at various times other agrarian empires had also appeared in Java and Sumatra. By contrast, the trading centres or entrepôts, strongly influenced by the Muslim traders, often controlled particular river or coastal locations that held some particular advantage. Few communities were wholly self-sufficient and exchange through trade was an important activity from the earliest times on local, regional and international levels. Trade routes extended to China, India and West Asia to the Mediterranean. The main commodities involved in international trade included gold, tin, spices, seafood and forest products.

Anthony Reid has called the fifteenth to the seventeenth centuries in Southeast Asia (specifically 1450–1680) an 'age of commerce' (Reid 1988, 1990a, 1990b, 1992, 1993a, 1993b). During this period, there was export growth, which facilitated the acquisition of territory and resources and the establishment of power bases. But the power bases were inherently vulnerable to challenge and were consequently shifting and loosely structured.

European traders arrived in the sixteenth century to establish direct contacts with the region, particularly to obtain spices. The pioneers were the Portuguese and the Spanish in the sixteenth century, followed by the Dutch and the British in the seventeenth and eighteenth centuries. The Portuguese established a chain of fortified ports stretching from East Africa to India to Southeast and East Asia. This involved the acquisition of important ports (for example, Melaka in 1511). The Spanish based themselves in Manila to concentrate on the silver trade between the Americas and China. The Dutch captured Melaka in 1641 and established their headquarters at Batavia. The British were only able to establish a base at Penang in 1786.

Unlike the Portuguese, whose expeditions were financed by the Portuguese monarch, the Dutch and British had formed mercantile companies incorporated under charters that gave them the powers of government. Both the British and Dutch attempted to build a general monopoly over trade in the Asian region. Initially, production and trade grew (Reid 1992:464–6) but subsequently, Dutch monopolistic policies led to the decline of many ports. The Dutch introduced new products including coffee, tea and sugar, for which there was a growing demand in Europe. As trade prospered, European trade with China also grew and Chinese traders, who had traded in the region well before the Europeans, began to play an increasingly important role in intra-Asian trade (Warren 1981). Southeast Asia's role in the international economy changed from being mainly a supplier of condiments (pepper, spices) to a supplier of stimulants (coffee, tea, tobacco) as well.

Over the period 1840 to 1914 world trade underwent major changes in both qualitative and quantitative terms. The principal driving force was industrialisation in the West, coupled with Western political and economic advances. This had a number of consequences for the Southeast Asian states. First, Europe began to turn to Asian producers as sources of raw materials and as markets for its manufactured goods. Southeast Asian producers were thus integrated more fully into the world economy by being obliged to open up their markets and resources to Western enterprise. Economic integration also resulted in flows of capital and labour into the region. Second, and partly as a consequence, Southeast Asian states became colonies, protectorates or part of the informal empire of European powers (Thailand). The imperial thrust was also driven by an agenda of competitive state-building overseas. This process, which began around 1850, climaxed between 1870 and 1914. Britain annexed Lower Burma in 1852 and by the 1880s had taken over all of Burma. In the Malayan region, Britain, which had acquired the Straits Settlements (Penang, Melaka and Singapore) between 1786 and 1824, brought the Malay States under formal protectorate status between 1874 and 1914. Though termed protectorates and still nominally under their own rulers, these states were effectively administered as colonies. France took over Indochina in a piecemeal fashion. The French established protectorates in Tonkin and Annam, made Cochin-China a colony and retained the monarchies in Cambodia and Laos. Nevertheless, as in the Malay States, colonial policy replaced local policies. The Dutch embarked on a programme of consolidation over the Indonesian archipelago starting from about 1824. The United States annexed the Philippines, which had been under Spanish rule, at the beginning of the twentieth century, following the Spanish-American War at the close of the nineteenth century.

The imperial drive was thus part of a state-building enterprise, accompanied by new technologies – railroads, steampower, and communications. The colonial states in Southeast Asia functioned as sources of primary commodities and investment sites to boost the fiscal resources of the mother countries. The most interesting feature of the colonial enterprise was its element of commonality. Administrations differed in policy and practice; varied according to local traditions; but the differences were variations on a common theme. All the states were subsidiaries of empires and orientated towards export production. Although Thailand remained outside formal colonial rule, it acceded to trade demands from Britain and other Western countries. Thus a new order was created in Southeast Asia which resulted in new economic structures and the emergence of new raw material production centres.

Population, settlement and production structures

Some knowledge of the features of traditional economic structures and the demographic background is essential for an understanding of the labour processes and labour transformations associated with economic integration. In contrast to India and China, one of the most important characteristics of Southeast Asian demographic history before 1750 was a low population density. According to Anthony Reid, annual population growth in the seventeenth and eighteenth centuries did not exceed 0.2 per cent (Reid 1987:35). This was primarily due to the effects of war as a check on fertility rather than direct loss of life. War campaign losses were relatively small due to the type of weapons used, but principally because the aim of warfare was to capture populations (mainly male) as slaves and captives. Additionally, a consequence of warfare was the destruction of food crops and irrigated areas, creating disruption and uncertainty, and weakening the enemy who depended on tribute.

By the early nineteenth century, as a result of increasing Western encroachment, states in Southeast Asia were 'informal, impermanent, personal … and prey to contestation …' (Elson 1992:131–2). Political and social organisation was diffused and decentralised and the bulk of Southeast Asians lived in subsistence-oriented rural communities or fishing villages. Until quite recently most studies assumed that the core unit of rural life in the region was the village and that it represented a basic unit of identity and organisation. However, the general view now is that villages were clusters of population and not 'closed' communities.

The household and the division of labour

The household was the basic unit of labour with all members assisting in the various tasks of cultivation. Each member of the family, from the small child to the grandparent, laboured to contribute to the family's wealth and family production tasks were generally age or gender-specific. In swidden cultivation, which was extremely arduous, felling, slashing, and burning was usually carried out by men while the women cleared the brushwood, assisted by the older children. Swiddening required no heavy tools since there was no ploughing or harrowing, and there was less differentiation of tasks on the basis of gender. Both men and women shared the planting chores. The men poked the seed holes with dibble sticks while the women followed behind, placing seeds in the holes. They also covered the seeding sites with earth or were assisted by their children. Weeding, which was done periodically, was normally done by women. The whole household usually did the harvesting although it appears to have been principally the woman's work. Apart from rice, the typical household also planted vegetables, yams, maize and fruit trees, again sharing the chores, and all crops were the property of the entire household.

In *sawah* or wet-rice (sedentary) cultivation, where tools such as the plough were used, the division of labour was much more defined on the basis of gender. The men ploughed and harrowed and were also responsible for bunding. Transplanting was women's work. Women inserted the rice plant, in some places with a simple hand tool, into the rice fields. Women also weeded the crop and harvested it. Threshing the grain was a man's chore while winnowing and pounding the grain was a woman's task. Children often assisted their mothers in weeding and helping out with collecting firewood or fetching water.

Generally, the division of labour under both types of cultivation was not rigid, with both men and women performing most of the tasks of cultivation as a family unit. Since different phases of the agricultural production cycle required the application of large amounts of labour within a short time span, it was the general practice for different households within a settlement area to pool labour resources. This labour sharing was on a reciprocal basis. In fishing communities, women tended to play a more supplementary role. Tradition decreed that only men could be fishermen who brought home the daily catch. Nevertheless, women mended the nets, and sorted and processed the fish landed by the men. They also wove nets and shared the task of selling the fish in local markets.

Apart from agricultural production, cottage industry was also an important feature of the peasant household and village society. Basic carpentry, the spinning and weaving of cloth, and mat and basket production were also common household activities where the allocation of tasks by gender was evident. Larger peasant communities usually included artisans and craftsmen and some villages specialised in one craft or trade. These activities were normally carried out in the dry season.

Most societies acknowledged the woman's twin roles of production and reproduction for the survival of the community. Nevertheless, it must be noted that this did not denote a higher status for women relative to men since the cultural values attached to women's role and women's work invariably accorded these activities a lower status than those attached to men's activities.

The village economy, though largely self-sufficient, did not produce all it needed or consume all it produced. Fishing communities, for example, bartered fish in exchange for rice from rice-producing communities. Commerce was thus a necessary feature of peasant life and had local, regional, inter-regional and international dimensions. At the local level, it involved informal, simple barter transactions. There were also local periodic and rotating markets where trade was nearly always conducted by women, and serviced by peripatetic petty traders. At the regional level, there were more developed and permanent markets, centred on larger settlements and port towns. Traders at these markets offered a wide range of commodities including food, basket ware and cloth and there was evidence of the use of money or money substitutes.

External trade was restricted and largely controlled and taxed by the rulers. It represented their main source of wealth, which also included taxation on internal commerce. In areas where there were mineral resources, for example, tin on the Malayan west coast states, these resources formed important sources of wealth for the ruler. Revenue from trade was seen as a way of attracting and maintaining followers.

Essentially, in the first half of the nineteenth century, with the exception of Java under the Cultivation System, most of the economies of Southeast Asia could be characterised as largely external to the world market, selling luxury, forest and marine products within a protectionist policy. Traditional networks of collection and marketing channelled these products to port towns that focused on the China market and Chinese traders conducted this trade.

Since populations were small in relation to land area, control of people rather than control of land was the main indicator of power, and the state's prosperity depended upon the ruler's ability to extract produce and taxes from the peasantry. Society was vertically organised through reciprocal patron-client relationships. Patrons offered protection to their clients, who in turn owed labour or service to their patrons, the ultimate patron being the ruler of the state. Ideological sanction for this arrangement was provided by concepts of rulerless chaos, deriving from early Hindu influences. Obligations to provide labour or service could be defined by craft or other abilities so that such industry or manufacturing as existed was tied into the hierarchical structure of society. The legal codes of the period also indicate the monetary value of human beings who could be bought outright as slaves or be bonded through debt. The institution of debt-bondage was especially well developed where labour was in short supply. Thus several types of economic institutions and servitude existed in various combinations that enabled the ruler to acquire wealth and distribute it among his followers.

Production and labour supply, 1800–1900

Three main features determined the character of production relations during this period. First, the relatively low population density meant that control of people was more important than control of land. Second, as noted previously, society was organised along vertically-shaped personal relationships with inherent superior and inferior roles. Third, wage labour, whether semi-permanent or on a permanent basis, played an insignificant role in the economy. It occurred on an irregular basis in some larger centres in Java where, for instance, people did not have any association with land and sold their labour power. In most societies, whether Muslim, Christian or animist (for example, the Dayaks of Borneo), manual labour was synonymous with servility and people were reluctant to carry out manual tasks for people other than their legitimate patrons or lords. The principal sources of wage labour were Chinese settlers or Indian sailors serving on Western-owned ships.

Systems of supra-village labour supply

The main pressures underlying state formation – the process of capital accumulation, economic rationalisation and political centralisation – necessitated centrally controlled human resources. A resource and labour pool that expanded the capacities of the state was thus a key component in social organisation. This labour pool had its basis in servitude. Essentially, there were three main forms of servitude – slavery, bondage or peonage and labour obligations. In contrast to the first two, the third was flexible and negotiable, and in view of the fact that people were an index of power, exactions on peasants were normally constrained. Moreover, labour obligations or corvée was used more for public purposes, while slavery and bondage were for private purposes.

Slavery was inevitably a consequence of war, which made available a group of prisoners for the labour pool. Since it originated in an act of violence its continuance required coercion. The slave was seen as an outsider, as property that had saleability value. In the archipelago both Christian and Muslim law forbade the enslavement of believers. According to Reid, slavery was one of the 'most important means of interaction between ethnolinguistic groups' in Southeast Asia. He further adds that it had a mild character in comparison to other slave-owning societies (Reid 1993:64–9). In Burma, Cambodia and Thailand, there were monastery slaves who lived in villages as ordinary peasants. They gave the produce of their assigned lands for the upkeep of Buddhist religious establishments.

The second common form of servitude was conceived in relation to debt and was known as debt slavery or debt bondage. While debt bondage could be hereditary, in most cases the bonded person or his/her family worked for the creditor until the debt was repaid. The main difference between this form of servitude and slavery was that the bonded person was part of a community and had kinship ties with the inhabitants. Bondage was also a consequence of the vertical obligations in society. The wealth of the rich lay in the dependent man (or woman) power they could gather around them. The socio-economic relationships inherent in the state, which prevented the accumulation of savings, further fostered the creation of bondage. For the poor, security and opportunity were acquired through bondage that had a monetary value. Men and women were vulnerable to becoming indebted especially in circumstances such as requiring money for the payment of bride price and other ritual needs. Bondage was also transferable and even saleable, and in practice the right to redemption was little more than nominal (Reid 1983:8–11).

Slaves and bondsmen performed at least three main activities: they made up the retinue of their masters in order to produce goods and services in response to specific commissions or for sale; they performed domestic, agricultural or mining tasks; or they were hired out by their masters to others in order to contribute to the subsistence of the larger household of which they were a part. In comparison to corvée, slavery and forms of bondage were the preferred categories of labour control and labour relations.

Corvée was an obligation of the subject or peasant class to the ruling elite. In many areas, people had an obligation to labour for the state or its representatives that could last up to six months at a time. Although it was not slavery it has been described as a form of property rights in man. In Thailand only free subjects performed this service (Feeny 1993:83–111). The forced levy of men was organised though headmen of villages or district chiefs and was generally utilised to raise armies, or for irregular tasks of co-operation on a large scale such as public works construction (for example, in Cambodia, Java and parts of Vietnam) and tin mining (as in Malaya). The arbitrary nature of corvée was disruptive to peasant agricultural production since corvée was generally required of men and farm labour required all members of the household. Nevertheless, the state did not have the resources to enforce unreasonable demands on a regular basis, nor did it want to encourage flight to neighbouring territories and the transference of allegiance to rival states.

From the 1870s, conquest, and subsequent political domination by the West and the growing demand for unskilled labour led to the transformation of existing labour relations. Although the formal abolition of slavery ('slavery' forms continued after abolition because they were unchecked or because they did not fall within the legal definition of the term) had its origins in European consciousness, slavery also declined as a consequence of demographic changes in Southeast Asian society. Population growth in the nineteenth century and migration resulted in an increasing supply of labour and increased opportunities for wage labour. Other changes that facilitated the decline included impoverishment and the inability of elites to maintain slave retinues. The advance of Christianity and Islam in the region also tended to 'restrict the scope of slavery' as did the 'rise in power of the absolutist states' (Reid 1993:69–71). Britain banned the traffic in slaves in 1807, a ban that was imposed at the Congress of Vienna in 1815. In 1818 the Netherlands also prohibited the trade in slaves throughout its colonies. Nevertheless, the Dutch did not prohibit slave-owning (among the Dutch and Chinese) until 1860 and they continued to make exceptions for indigenous slave ownership in the Outer Islands. The French, who had banned slave trading in 1815, only abolished slavery in Cambodia, for example, in 1897. (Earlier, treaties signed with the Cambodian rulers in 1877 and 1884 had anti-slavery clauses). In Malaya, the abolition of slavery and debt bondage was a long drawn-out process and was not completed until 1915. In Burma, the process was similarly slow and piecemeal well into the third decade of the twentieth century. In Thailand, the practice began to be phased out after 1874. In all regions, slavery's demise 'was as much a result of legislation … than of changing social and political realities …' (Elson 1992:175).

The persistence of unpaid labour under Western enterprise

As slave trading and varieties of forced labour were gradually eliminated, some forms of corvée or unpaid labour were still prevalent, particularly in Java. The *cultuurstelsel* (Cultivation System) introduced by the Dutch colonial government simply built on and continued the prerogative of indigenous rulers to use corvée labour. As one of those rulers, the colonial government therefore claimed the labour of the Javanese as a sovereign right. During the period 1830–60, Javanese peasants were required to devote up to two-fifths of their time on export crops designated by the Dutch. These crops included coffee, sugar cane and indigo, which were delivered to the Dutch officials and enabled the Javanese sugar industry to compete with slave-labour produced sugar from the West Indies (Ricklefs 1981; Van Niel 1992; Elson 1984).

Forced labour was also utilised by the colonial state for a myriad of public works, including the construction and maintenance of roads, bridges, irrigation and drainage works and the construction of houses. In Java, as the Cultivation System was dismantled in stages beginning with the least profitable crops, cultivation obligations were reduced but corvée obligations continued until their gradual replacement with taxes in money. The demise of the Cultivation System was just as much due to the emergence of wage labour as it was due to moral outrage in the Netherlands. In other territories, for example, Sabah under the British North Borneo Company, and Sarawak under the Brooke Administration, corvée labour played a critical role in the early stages of expansion of territory, the pacification of tribes and public works construction and maintenance (Kaur 1993, 1994).

Alongside obligated labour or corvée, colonial governments also relied on convict labour. For example, the Straits Settlements government used Indian convict labour from India to carry out public works in these territories. This practice was stopped as wage labour became available and also due to opposition from British traders. The Dutch too made use of Javanese convicts to work in coal mines in southern Borneo in the 1860s and at Ombilin in Western Sumatra in the 1890s. Dutch expeditionary forces also relied on convict labour to build fortifications and railways (Reid 1993:75–6).

In summary, the underlying issue in the labour process was the need to convert the inhabitants' potential to work to benefit those in charge, both economically and politically, whether European, Chinese or Native. The colonial regimes initially overcame this problem by resorting to a variety of relationships based on servitude. Subsequently, in the transition to a permanent free wage labour force, a variation of bonded labour in the form of indentured labour was also developed and maintained until the second decade of the twentieth century (Malaya) and the end of the third decade (Indonesia).

Part 2

Globalisation in Historical Perspective: Southeast Asia and the International Division of Labour, 1870–1940

'The labourer's appetite labours for him,
for his mouth urges him on.'

Proverbs 16:26

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3
Diasporas and Labour Systems: The Mining Sector

Globalisation and the international division of labour

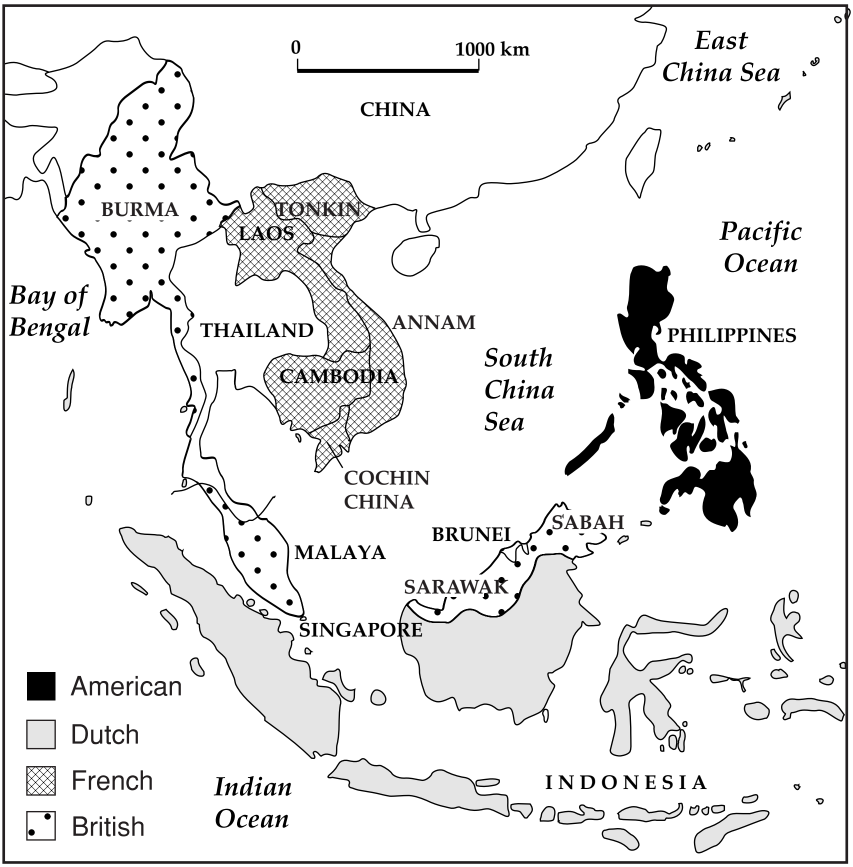
World trade underwent a profound change in the century prior to World War One. The volume of trade grew on average at between four and five per cent a year compared to one per cent over the preceding hundred years (O'Brien 1997:81–2). This was concomitant with two unprecedented changes within the Atlantic economy. The first was the liberal dismantling of mercantilism after the Napoleonic Wars and the second was declining transport costs associated with the transport revolution. Together they produced the global integration of world commodity markets and the expansion of trade in both qualitative and quantitative terms (See O'Rourke and Williamson 1999).

These changes coincided with the Industrial Revolution which began in northwest Europe and spread to the Atlantic economies. These countries constituted an industrialised core in the world economy and produced ever-increasing quantities of relatively cheap standardised goods for the home market, using new methods of production (for example, the factory system, power-driven machinery). The availability of export markets also enabled production to be expanded beyond the limits of domestic demand.

As noted in Chapter 2, imperial ambitions in the 1870s resulted in the European nations becoming land powers in Southeast Asia and dividing up the region among themselves. Imperial interests also meant that each colony became closely tied to the metropolitan mother country and its liberal trade policy, and experienced the distributional consequences associated with the interchange. Colonial governments vigorously promoted the expansion of the mining and plantation sectors while industrial development received a low priority. Moreover, tariff structures ruled out protection against manufactured imports and limited the possibilities for the development of a viable manufacturing sector. A pattern of trade was thus established whereby the Southeast Asian countries produced primary commodities in exchange for manufactured goods from the industrialised centres. This interchange has since been known as the International Division of Labour, now labelled as the 'old' International Division of Labour.

New states and economic transformations

The creation of new states in Southeast Asia (see Map 3.1) represented new departures within the region. These new states had precisely delineated boundaries; an internal dynamic which possessed a 'permanency' that indigenous states had lacked; a new style of administration and institutional structures to oversee the various aspects of government; and an intensity in governance not hitherto experienced in these states. Their integration in world commodity and capital markets engendered an accelerated demand for their products, particularly those associated with industrial processing and



Map 3.1 Southeast Asia under Colonial Rule

manufacturing, and coincided with the rapid expansion of agricultural and mineral production in the region.

Economic growth in Southeast Asia during this period was consistent with international capital mobility and foreign direct investment (FDI) into the region. While most theories of growth emphasise domestic savings as a key determinant of economic growth, in Southeast Asia, whether in the late nineteenth and early twentieth centuries, or in the late twentieth century (see Chapter 8), international capital mobility and FDI broke the link between domestic savings and domestic investment. Foreign investment therefore was a far more important determinant of economic growth than domestic savings. FDI enabled the Southeast Asian countries to grow more rapidly as a consequence of the shifts in the international location of primary commodities, and stimulated trade in the region. This had profound implications for the growth of wage labour in the region. Labour shortages were resolved through government regulations and control of immigrant labour recruitment from overseas (Malaya, Burma, Sumatra) or in the case of Indonesia and Indochina, by the organised recruiting of labour from the more densely populated regions of these countries. Moreover, just as labour migration from Europe to the New World had an enormous impact on the economies of the New World, so too did migrant labour impact on labour relations and wage labour in Southeast Asia.

Colonialism and FDI flows into Southeast Asia in the early twentieth century

The interconnections between global economic integration arising out of colonialism, and FDI flows into Southeast Asia during this period are shown in Table 3.1 below.

Table 3.1 FDI in Southeast Asia, 1914 and 1937 (Total FDI [million US$ and %])

	1914		*1937*	
Indonesia	675	61	1261	52
Malaya	150	14	372	14
The Philippines	100	9	315	12
Indochina	75	7	302	11
Burma	75	7	228	8
Thailand	25	2	90	3
Total	1100	100	2568	100

Note: Another estimate for Thailand cities total FDI at 144 million baht or $54 million (Manarungsan 1989:184). Chinese investment excluded. This was estimated at $150 million in colonial Indonesia, $200 million in Malaya, $100 million in the Philippines, $80 million in Indochina, $10–15 million in Burma and $100 million in Thailand. Conversion into US$ at the following rates: $1 = *f* 2.50 = £0.21 = 2.00 pesos = 25 French francs.
Source: H.G. Callis, *Foreign Capital in Southeast Asia* (New York: Institute of Pacific Relations, 1942), cited in J.T. Linblad, *Foreign Investment in Southeast Asia in the Twentieth Century* (Basingstoke: Macmillan, 1998), p. 14.

As shown in the table, the two leading recipient countries were Indonesia and Malaya, and together they accounted for 75 per cent of the aggregate FDI in 1914 and 66 per cent in 1937. Indonesia's percentage share dropped in 1937, while that of Malaya remained unchanged and those of the other countries rose during the period 1914–37.

Production and exchange on a greatly expanded scale in the region thus coincided with a corresponding increase in capital investment in physical assets (long-term fixed capital) and the financing of day-to-day operations (short-term working or circulating capital). Generally, there were two main phases in the growth of private capital investment in the region. During the first phase, from about 1800 to the mid 1890s the main providers of capital were European and migrant Asian mercantile interests, notably Chinese, whose funds were accumulated largely from local trading operations. Outside Java, and in Malaya in particular, there was some 'complementarity and even co-operation in investment' between the different ethnic groups, with the Asians playing a leading role in export-crop production (Drabble 2000:54). The Chinese initially acquired produce from indigenous farmers for sale to European merchants and as the market expanded, engaged in production themselves. One of the main reasons for Chinese ascendance was the Europeans' lack of knowledge of tropical soils, the processes of plant growth and their insistence on traditional European farming practices. In the second phase, from about 1895 to 1920, as European investment became increasingly embodied in public joint-stock companies, European dominance grew. These joint-stock companies were floated and registered in the metropolitan countries, with funds coming from investors domiciled in the metropolitan countries. Capital came from many sources, with investment from the administering metropolitan power predominating in each dependent territory or colony. British investment thus dominated in Malaya, Burma, Thailand and also went to Indonesia. Dutch capital went to Indonesia and Malaya, while French capital was mainly invested in Indochina and Thailand. American investment predominated in the Philippines, but also went to the Netherlands and Malaya. Foreign direct investment by investor in 1937 is shown in Figure 3.1.

Foreign direct investment from other countries came principally from Belgium, Denmark, Switzerland, Sweden, Italy and Japan. Variations in European FDI flows between the different countries may also be explained by colonial administration policies. While most countries followed liberal policies, the French virtually prohibited the entry of non-French capital through a series of regulations (Murray 1980:198–200). British policy either generally favoured British investment (Drabble 2000) or included restrictions on investment in the oil industry in Burma (Lindblad 1998:19). Chinese investment also played an important role in the region. According to Lindblad, overseas Chinese investment corresponded to 40 per cent of accumulated FDI in Southeast Asia and differed by host country. However,

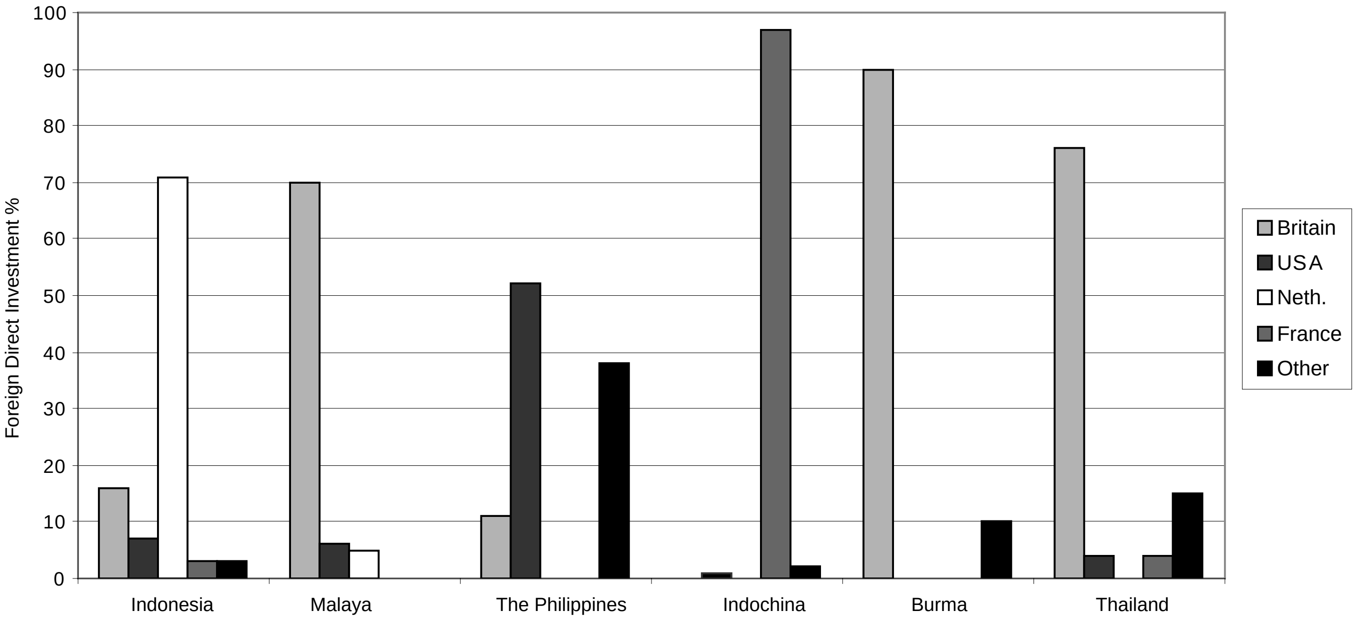


Figure 3.1 Foreign Direct Investment in Southeast Asia by Investor, 1937

Source: Based on Lindblad 1998, p. 14.

not only did Chinese investors merge 'into the local business elite', their investment also largely flowed into commerce (Lindblad 1998:22).

FDI in Southeast Asia by sector is shown in Figure 3.2. Not surprisingly, agriculture and mining predominated. The main export crops were rubber and sugar (oil palm only became important in the late 1930s). In the mining industry, tin mining and petroleum extraction dominated. Nevertheless, it is important to stress that much investment in Malaya and elsewhere came from reinvested profits.

In sum, the joint-stock companies' ability to tap the resources of the world's capital markets; meet the expense of introducing new technologies; and withstand the lengthy gestation period of tree crop production enabled European enterprise to become directly involved in export production. European success was also facilitated by liberal colonial administrations that provided land on extremely favourable terms, encouraged research on agricultural and mining technologies (in part financed from public funds), built modern infrastructure, and resolved the labour shortage.

Nevertheless, in the case of industrial crop production, not all parts of Southeast Asia were equally attractive to investors or satisfied the condition of vast tracts of vacant land. In Thailand, for example, rice production continued to be the dominant agricultural activity and remained in the hands of indigenous cultivators. The relative importance of mineral and agricultural production in the Southeast Asian economies is shown in Table 3.2. As shown in the table, by 1937–40, Southeast Asia was the most important producer of abaca, cinchona, copra/coconut products, *kapok*, pepper, rice, rubber, teak and tin.

Two points are worth noting. First, capital went to countries where there were natural resources to be exploited, not necessarily where labour was cheap. Indeed, the full economic potential of some tropical products was only realised when the new technologies in industrialising Europe created demand for them. Moreover, labour scarcity in some regions, for example Malaya, was resolved through the use of migrant labour from outside the region. Second, in the case of British capital, despite the importance of India, China and Malaya, capital flows into Asia in the late nineteenth century did not exceed those that went to Africa (Latham 1978:54). This was principally due to diamond and gold discoveries in the latter continent in the 1870s and 1880s. Latham also states that there was no marked difference in the patterns of British investment between India and Ceylon on the one hand and the Straits Settlements and the Malay States on the other, apart from the volumes involved.

A comparison of British investment flows to three major Asian destinations in 1910 indicates that India and Ceylon received about £365 million (approximately 88.2 per cent); while China received about £27 million (6.5 per cent) and Malaya received about £22 million (5.3 per cent). In 1914 Indonesia received £41 million (Latham 1978:56). According to O'Rourke, 'Asia' was

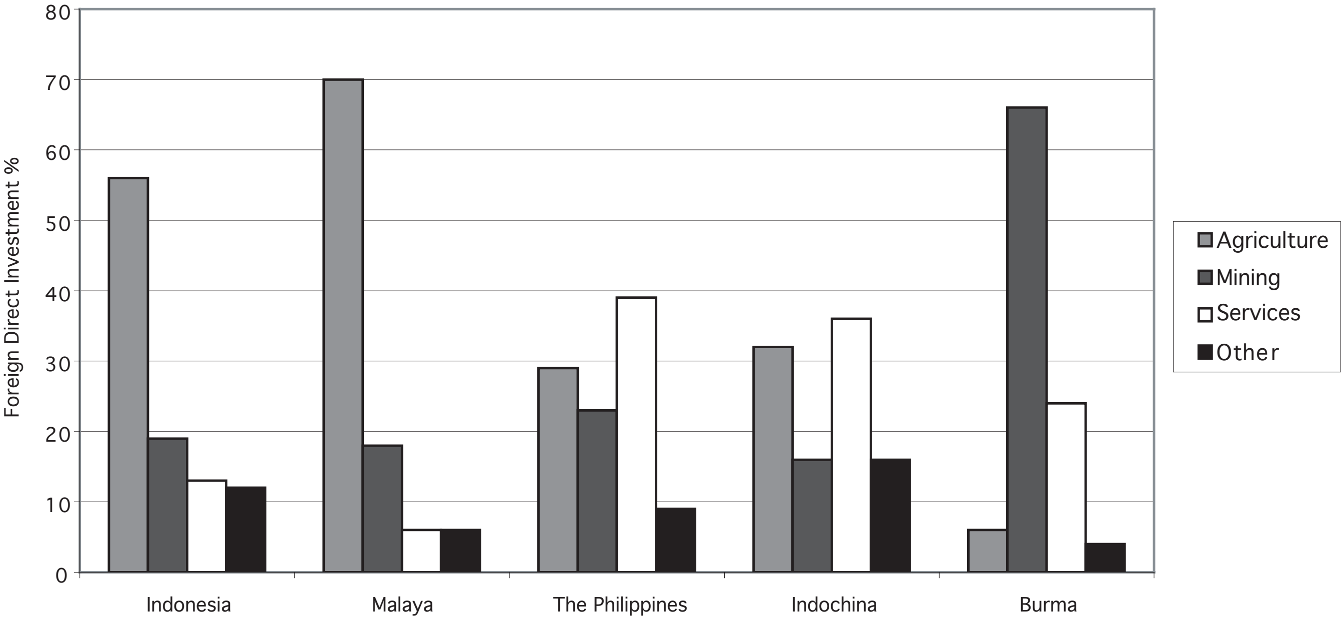


Figure 3.2 Foreign Direct Investment in Southeast Asia by Sector, 1937*

Note: The composition by sector refers to Dutch investment in colonial Indonesia in 1937, British investment in Malaya in 1936, American investment in the Philippines in 1935, French investment in Indochina as accumulated over the years 1924–38 and British investment in Burma c.1937.
Source: Based on Lindblad 1998, p. 14.

Table 3.2 Primary Commodity Production in Southeast Asia, 1937–40 (in metric tons and % of world production)

	British Malaya and Borneo	*Burma*	*Indochina*	*Indonesia*	*The Philippines*	*Thailand*	*Total*	*% of world production*
Abaca	1.2	–	–	–	183	–	184.2	95.6
Cinchona	–	–	–	10.4	–	–	10.4	80
Coffee	–	–	1.5	62.4	3	–	66.9	7
Copra/ Coconut products	116	–	10	506	54	–	686	73
Kapok	–	–	–	20	–	–	20	70*
Maize	–	–	565	2037	427	7	3036	80
Palm oil	46	–	–	238	–	–	238	47.6
Pepper	–	–	–	20	–	–	20	70*
Petroleum	1000	1000	–	7400	–	–	9400	4.5
Rice	324	4940	3945	4007	2179	1771	17 165	98*
Rubber	501	8	61	432	–	34	1036	85.2
Sugar	–	39	43	547	1076	19	1724	21
Cassava	–	–	–	7759	–	–	7759	80
Tea	–	–	0.7	67	–	–	67.7	17*
Teak**	–	475	–	400	–	189	1064	95
Tin	77	2	1.6	40	–	13.4	134	65

Notes: *Percentage of world exports **Cubic metres
Source: Adapted from D.J.M. Tate, *The Making of Modern Southeast Asia*, Vol. 2, *Economic and Social Change* (Kuala Lumpur: Oxford University Press, 1979), p. 25.

receiving about 21 per cent of world investment in 1914 and about half of this went to countries other than India, China and Japan, which presumably meant Southeast Asia. By 1938, Southeast Asia was getting about 15 per cent of world FDI (O'Rourke 2001). It is clear from the above figures that FDI was extremely important in the pre-World War Two period in creating wage labour opportunities in Southeast Asia.

Demography and labour supply

A useful starting point for understanding changes in the diverse labour processes associated with export production in Southeast Asia is to examine the region's demographic structure and to identify some of the most important production niches which gave rise to distinct labour systems. This will enable us to see the interconnections between the origins and initiation of these labour systems and the strategies and capacities of Asian and Western firms, colonial administrators and workers.

As noted previously, Southeast Asia had a markedly low population growth relative to the extent of its cultivable area. Around 1870, population was estimated at about 55 million and rose to about 69 million in 1900. It is estimated that the region had an average annual growth rate of approximately 1.3 per cent between 1870 and 1930. The population was also distributed very unevenly and population densities were relatively low. Population growth in Southeast Asia for the period 1890–1990 is shown in Table 3.3. The region's demographic structure therefore had significant implications for the location of colonial economic activity. After 1870 the great expansion in plantation production took place in the lightly settled areas of Malaya and Sumatra, while rice expansion occurred in the frontier areas of Burma, Thailand and Cochin-China.

Moreover, as subsistence production gave way to new production processes, various forms of commodification of indigenous labour and new patterns of labour specialisation emerged. With the exception of Java and North Vietnam, the colonial powers had to rely on a paid workforce to carry out the myriad tasks associated with export production. Consequently, the development of a permanent wage labour force was consistent with Southeast Asia's greater integration into the world economy and the international division of labour. This wage labour force comprised migrants principally from China and India (but also from Java). They worked on a contract basis in the mines, plantations and in urban occupations. The vast majority of these migrants were regarded as guest workers and sojourners and were not expected to remain on completion of their contracts. Additionally, the design of an ethnic division of labour, maintained by the use of political and economic mechanisms, ensured labour differentiation along ethnic, gender and occupational lines.

Table 3.3 Population Growth in Southeast Asia, 1890–1990 ('000)

Country	*1890*	*1900*	*1910*	*1920*	*1930*	*1940*	*1950*	*1960*	*1970*	*1980*	*1990*
Brunei	14	18	30.0	26.0	32	39	48	82	130	193	257
Cambodia	815	1103	1487.9	2402.6	2806	n.a.	4346	5433	6938	6613	9630
Indonesia	35 081	40 209	46 086.0	52 823.0	60 727	70 476	79 538	95 955	120 086	150 341	182 474
Laos	364	473	614.0	799.0	944	1350	1755	2177	2713	3205	4132
Malaysia	684	985	1419.0	2044.0	2945	4242	6110	8140	10 853	13 763	17 845
Myanmar	3738	4850	6293.0	8165.0	10 593	13 744	17 832	21 600	26 852	33 706	40 517
The Philippines	5572	7158	8876.0	11 007.0	13 649	16 356	19 996	27 055	36 553	48 035	61 040
Singapore	406	419	303.0	398.0	715	755	1022	1634	2075	2414	3016
Thailand	n.a.	6320	8951.0	9308.0	13 383	15 717	19 626	26 603	36 145	46 015	54 736
Vietnam	11 914	12 276	14 674.0	17 540.0	20 965	25 060	27 367	33 648	42 898	53 005	66 074
TOTAL	58 588	69 446	8733.9	104 512.6	126 759	147 739	175 904	222 327	285 243	323 584	439 721

Sources: (1890–1940) http://www.library.uu.nl/wesp/populstat/populframe.html; (1950–90) ILO Laborsta database (http://laborsta.ilo.org).

Empire, migration and labour diasporas

It has been noted earlier that foreign investment went to regions where natural resources could be exploited, and where labour was scarce migrants entered in large numbers, both from within and outside the region. Prior to the sixteenth century, migratory movements both within the region and Asia were relatively small scale in nature and limited in geographic scope. There was significant mercantile or religious travel involving Chinese and Indians in the region, which predated the arrival of European commercial interests. Chinese and Indian traders were also prominent in Southeast Asia's leading regional entrepôts such as Melaka. The Chinese came in search of Southeast Asian commodities including tin, precious metals, pepper, spices and sea and forest products. China long had a complex economy characterised by the general use of money and credit, and its manufacturing sector produced many basic and luxury goods that were exchanged for Southeast Asian goods. The Chinese goods included pottery, ceramics, jade items, jewellery, and silks. Tribute also played a role in traditional trade. For example, kings and chiefs in Southeast Asia would send tribute to the Chinese emperors and they in turn would receive tribute from other tributary states. There was thus a considerable trade between China and Southeast Asia carried mainly in Chinese junks, though some local ships participated in this trade. Since foreign trade was generally a royal monopoly, this was an important source of wealth in traditional states. And although trade was small in volume, it was a source for the transmission of ideas, new products and technologies, and migrants.

In the seventeenth and eighteenth centuries, as Southeast Asia's trade continued to grow, Chinese had begun to settle in Southeast Asia in sizeable numbers, especially in places where there were good economic opportunities. They introduced various handicraft and mining technologies as well as influencing agriculture, navigation, and local culture in a variety of ways. To take just a few isolated examples, Chinese were active in tin mining in Banka and Belitung during the seventeenth and eighteenth centuries, and in gold mining in Kalimantan in the eighteenth century. As far as shipping was concerned, foreign trade was very much in the hands of Chinese traders: for example, prior to 1800 Thailand and Cambodia (Kampuchea) collaborated with Chinese traders in royal trading enterprises.

The Indians, like the Chinese, came from a country with a long history of manufacturing, a monetised economy, and sophisticated commerce. India had a well-developed cotton textile industry and was the world's leading supplier until the nineteenth century. Gujerati and Chulia merchants had been trading with Southeast Asia, exchanging Indian-made textiles for Southeast Asian spices, in a trading network that linked the ports of the Indian subcontinent with others on the eastern shore of the Bay of Bengal, in Burma, Thailand, and the Malay states. Indian political institutions, specifically Hindu-Buddhist traditions of kingship, were introduced into Southeast Asia by the seventh century AD, and Indian culture was the dominant external influence in the region in the form of Hindu-Buddhist religious-cultural systems.

Nineteenth-century Chinese and Indian migration, consistent with globalisation and the international division of labour, laid the framework for migrant labour diasporas in the region. The pattern of international labour migration between 1840 and 1940 differed from earlier migration patterns. It involved mass migrations, long-distance movements; organisation of travel arrangements and employment opportunities in the receiving countries; and an empire-wide sourcing of labour. It also involved two other groups in the migration process apart from the migrants. These were the private labour brokers and other intermediaries who organised travel arrangements and employment, and state officials. Moreover, in the receiving countries, the process involved the establishment of labour depots, the creation of Labour Departments and Chinese Protectorates and, in the case of Indian workers, the earmarking of funds by the state for migration.

The recruitment of workers from China and India was also consistent with a rather elastic use of migrant labour. The workers had many characteristics in common. They were young, predominantly unskilled adult males who emigrated as individuals and thus had no dependents. They also primarily comprised illiterate peasants who had spent hardly any time away from their villages. Colonial authorities viewed them as sojourners, to be repatriated when the demand for their services no longer existed. Additionally, the diversified recruitment policy generally adopted by most colonial regimes meant that migrant labour could be manipulated easily. Colonial policies also ensured that workers from outside the region were not easily assimilated nor readily accepted by the local inhabitants. The workers were transported into alien surroundings where their language, religion and cultural norms kept them apart from indigenous populations, a process that was driven by the colonial authorities in pursuit of a divide and rule policy. The Chinese and Indian communities thus exemplified some of the problems faced by plural societies in the region. This also helps explain the legacy of ethnic divisions and the fragmented visions of different communities in the post-colonial era.

The majority of migrants from both countries were impoverished, and pushed into migration by factors such as agrarian overpopulation, natural calamities; landlord exploitation; and in China, disruption arising from major rebellions in the nineteenth century. Pull factors in Southeast Asia included the growing economic opportunities in the region, the opening up of hinterlands, and the expansion of export production. The migrants were in no position to meet their travel and related costs, which were either met by labour recruiters or future employers.

Chinese emigration was not supported by the Chinese government and this opposition made it impossible to utilise open, regulated recruitment arrangements. It was not until 1893 that the imperial Chinese government lifted its ban on Chinese emigration. Consequently, until the late nineteenth century Chinese migration comprised two main networks: the kinship-based migration network and the credit-ticket system network. The kinship-based migration network involved recruiter-couriers who recruited migrants from their own villages/regions whilst the passage money and travel expenses were commonly guaranteed by relatives or friends from the migrants' home town. The credit-ticket (steerage) system, which the bulk of the migrants relied on, involved the passage money and travel expenses being met by labour brokers, captains of junks or labour agencies. Upon arrival at their destinations, the migrants' employers paid the passage money owed by the migrants, and the migrants entered into verbal or written contracts for the repayment of their debt in the form of labour service. When they had repaid their debt, the workers were released from their obligation and were free to choose their employer and place of employment. Emigrants were commonly charged two to three times the amount paid by the recruiters. (Chinese labour migration is discussed below under labour systems in the mining sector).

Indian emigration, on the other hand, was principally organised using open regulated recruitment arrangements, whether through labour brokers or intermediaries sent by employers to recruit labour. The colonial government in India was also involved in some operational aspects, intervening in specific cases such as ensuring a specified gender ratio. (Indian labour migration is discussed in detail in Chapter 4). In both Chinese and Indian migration streams, there was a substantial minority of migrants who paid their own passage or relied on friends and relatives, and the Chinese clearly outnumbered the Indians in this regard. Thus not all migrants were poor and all were motivated by their aspirations, economic opportunities or prospects and economic mobility.

The main mechanism for recruiting Chinese credit-ticket migrant labour and Indian labour was the indenture contract, whereby employers used sanctions to enforce wage labour agreements. The workers were contracted to a single employer for between one and three years. The contract was usually a written one but verbal agreements were also common. Wage workers were thus not employees at will, but were often bound to their employment by enforceable labour agreements, which employers used whenever available to manage their labour costs and supply. Breaches of written contracts were regarded as criminal, not civil offences. At the end of the contract, the worker had to repay the travel and associated costs (or these were paid through deductions) before he was released from his contract. Since most workers were too poor (they earned very low wages), they were reindentured for a further period.

Another mechanism for recruiting Indian labour was through intermediaries or labour recruiters. These labour recruiters performed the important function of linking rural Indian society with the expanding plantation and urban economies of Malaya and Burma. The labour recruiters in Malaya differed from those in Burma. In Malaya, the labour recruiter was an established labourer, known as *kangani*, who engaged, oversaw and disciplined workers, and acted as the middleman between the plantation manager and workers. He, nevertheless, did not hire workers directly, nor was he responsible for their accommodation and working conditions. The *kangani* system of recruitment (see Chapter 4) became dominant in Malaya in the early twentieth century. The labour recruiter in Burma, known as the *maistry*, also functioned as a labour contractor. The *maistry* system often involved a hierarchy of middlemen, ranging from the head *maistry*, who was in charge of the entire labour organisation of a particular firm, to a gang *maistry*, who managed a small gang of labourers (see Chapter 5). For Chinese workers, intermediaries known as *contractors* played an increasingly important role from the early twentieth century in organising labour gangs for public works, mines and plantations. As middlemen/jobbers, the contractors dealt with employers, made work arrangements, and were responsible for communal accommodation through their distinctive form of organisation. The contractor system had some features in common with the *maistry* system but differed from the *kangani* system since under the latter, employers were ultimately responsible for the workers and were required to provide accommodation and ensure a certain minimum standard of living.

In contrast to labour migration from outside the region, labour migration within the Southeast Asian countries during the colonial period was of relatively lesser significance. This was principally because the majority of the Southeast Asian countries were fairly lightly populated, with the exception of Java and Tonkin. Migration within Southeast Asia was basically of four kinds: migration into empty land; migration from rural areas to town and industry; migration to government-sponsored agricultural settlement projects outside densely populated areas; and migration from the poorer, and overpopulated regions to 'richer' countries.

For migrants of the first kind, Lower Burma before 1900 offers the best example. The opening of the Burma Delta led to migration southwards from Central and Upper Burma. Subsequently, other migrants came as seasonal labour, often receiving payment in kind. The second type of migration, from rural areas to towns, was an integral part of colonial development, and was found in most countries. The best example of the third type was migration from densely populated Java to agricultural settlement projects in the Outer Islands in the first decade of the twentieth century. Migration to regions/countries offering wages/better wages became typical in the early twentieth century, to the extent that geographical proximity and the laws of the source and receiving countries permitted. This migration was of indentured labour, recruited through intermediaries, and bound by sanctions. Thus indentured Javanese labour went to Sumatra, Malaya and Sabah, while indentured migrants from northern Indochina went to Cochin-China. These migrants, who were unskilled labourers, formed most of the wage labour force in Sumatra and Cochin-China, compared to the Chinese and Indians in other countries. Migration as a whole has thus to be seen within the framework of emigration opportunities in a globalising Southeast Asia.

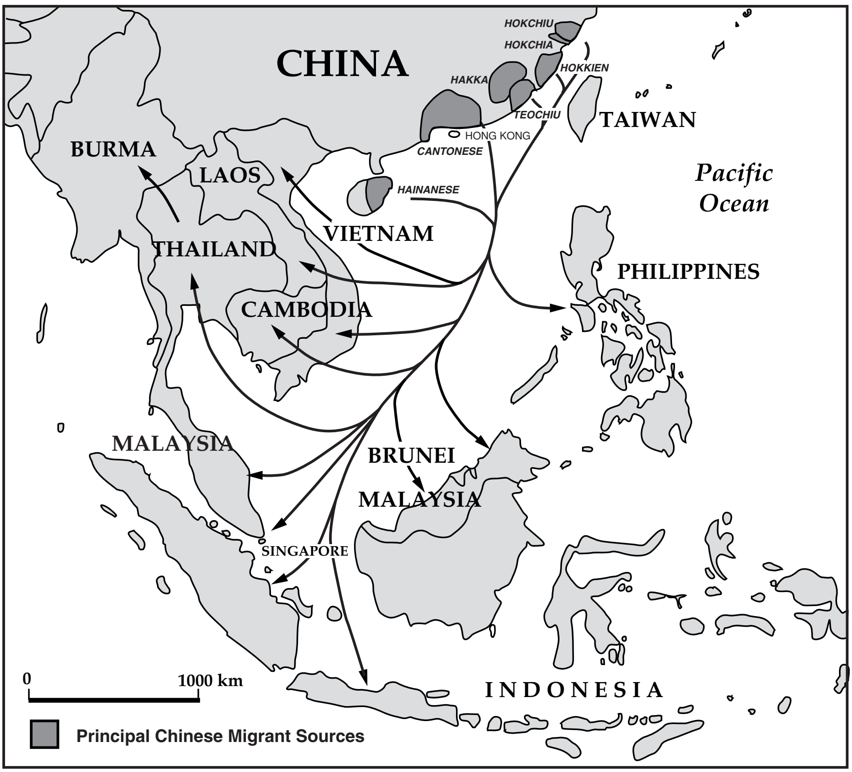
Labour dynamics in the mining sector and mining labour systems

As early as the eighteenth century Southeast Asian rulers had encouraged the migration of groups of Chinese workers as one means of offsetting labour shortages in their territories. The Chinese, with their unique organisational experience, pioneered tin and gold mining in Kalimantan, Bangka, Belitung, Malaya, and southern Thailand. A number of factors accounted for Chinese dominance in this sector. One was that the traditional farming technologies and communal organisation, coupled with an aptitude for hard work, helped the success of the Chinese. For example, the primitive types of drainage and washing techniques used in Chinese-operated tin mines could be organised on a similar basis as that already familiar in rice technology (such as the bucket-chain), with the miners gathered in a form of organisation (*kongsi*) that was a self-contained unit. Equally significant was the influence of Chinese clans or societies, which often organised and controlled migration; facilitated such matters as the provision of capital; as well as regulating relations with local rulers. There were distinct variations within the labour systems utilised in the sector and these were determined by the particular ways in which the industry developed.

Chinese labour recruitment

There were two main recruitment patterns for Chinese labour: kinship-based recruitment and the credit-ticket system of recruitment. Behind the latter lay the *coolie* trade that supplied the bulk of Chinese labour migrants. This trade was controlled by both Chinese and foreign agencies, including British, American and Dutch firms in China. Prior to 1876, there were at least six *coolie* agencies operating in the treaty ports that supplied *coolies* bound for Singapore. Three of these were Chinese-owned, namely Hee Kee, Yeong Seng What, and Ty Chaong and Company. The first two were based at Swatow in Guangdong Province (supplying Teochew and Hakka migrants) and the third was based in Amoy in Fujien Province and provided Southern Hokkien migrants. Both Hee Kee and Yeong Seng What had branches in Singapore for receiving *coolies* (Yen 1986:7). The main ports of embarkation were Amoy, Shantou and Hong Kong. Amoy was the first 'hub of the *coolie* business', followed later by Macao. The private Western companies such as Messrs Tait & Co. and Messrs Syme, Muir and Co. operated agencies to recruit labour in alliance with Chinese brokers (known as *kheh-tau* in Chinese). These brokers relied on local crimps or press-gangers to supply migrant workers (Pan 2000:61). (See Map 3.2 for the origins of Chinese migrant flows to Southeast Asia).

In the first half of the nineteenth century Chinese mining labour recruitment, whether for the tin fields of Bangka and Belitung (Indonesia), southern Thailand, or the western Malay States, was essentially a personal system of recruitment. Workers bound for Malaya, Indonesia, and Thailand were recruited through the only channel of the Straits Settlements (mainly Singapore) where British firms and Baba (*peranakan*) Chinese *coolie* brokers handled the trade. Their networks extended from Singapore to the South China port cities and even to the home towns of the Chinese sub-brokers. This system of indirect recruitment later gave way to a direct system



Map 3.2 Chinese Migration Flows

whereby labour recruitment agencies, foremen and other middlemen in Malaya (such as Chinese officials closely associated with the Malayan mining industry), were entrusted with the job of recruitment. In Indonesia, Dutch firms entered the labour recruitment market in the early twentieth century to prevent Chinese labour recruiters from monopolising labour migration into the country. This led to the recruitment of people from different regions and the breaking down of traditional bonds of kinship and brotherhood.

The journey of a labour recruit from China to Singapore is tabulated in Table 3.4.

As shown in the table, the journey took about 15 days and entailed not just transportation costs but also food and accommodation charges, which all added up for the labourer.

In view of the costs involved, intending migrants had three options open to them. They could pay their own way; they could seek a sponsor (either a kinsman or local Chinese broker) who paid their travel and related costs

Table 3.4 The Journey of a Recruited Emigrant from Fuqing County in Fuzhou to Singapore, 1914

Day	*Journey*	*Items*	*Expenses (Yuan)**
July 1	Fuqing-Fuzhou	Pillow	1.50
	(By foot)	Grass Mat	0.30
		Food	0.30
July 2	Staying in Fuzhou	Food and rent	1.50
		Sundries	0.30
July 3	Boat ride to Amoy	Sampan ride	0.10
		Fare to Amoy	3.00
July 4	Arriving in Amoy	Sampan Ride	0.10
		Rent	1.20
July 5	Staying in Amoy	Food (2 days)	0.50
		Sundries and boat fare	0.40
July 6	Boat ride to Singapore Boat tickets may cost 8–15 yuan	Boat Ticket	10.00
July 13	Arriving in Singapore	Sundries on boat	1.00
		Sampan ride	0.15
July 14	Staying in Singapore	Rent and food	
July 15		(2 days)	1.30

Note: (1000 Yuan = One Spanish dollar)

* The amount prepaid by recruiter-couriers. In some places emigrants were charged between two and three times this amount.

Source: 'Survey Study of Overseas Chinese Remittances in Southeast Asia' (Bank of Taiwan), cited in G. Hicks, (ed.), *Overseas Chinese Remittances from Southeast Asia, 1910–1940* (Singapore: Select Books, 1993), p. 11.

under the credit-ticket system in return for repayment with interest upon arrival at their destination; or they could be transported as assisted migrants under the indenture contract (the *coolie* contract) that bound them to employers for a fixed period. By the 1850s the distinction between the second and third options had evaporated.

Indentured contract workers

The bulk of the labour migrants to Southeast Asia were assisted migrants who were transported on credit either by shipowners or coolie-brokers. Both these parties detained the migrants until prospective employers had recompensed them for the migrants' travel and related costs (including a small margin of profit for the shipowner or coolie-broker who redeemed them). The new migrant (*sinkeh*/*xinke*), whose employment was organised by the person who paid his passage, thus became indentured to his employer. The indentured worker was bound by a contract to serve for a specified period – usually three years – until the debt incurred by him was paid off to his employer. In effect, this meant that the employer had a contractual obligation on the *xinke's* services for the specified period. The transaction was conducted between broker and prospective employer with the worker usually unaware of the identity of his employer, or the place or conditions of work. He was not allowed to change employers until he had repaid the cost of his steamer-passage ticket or allowance.

The peculiarities of the recruitment system and the complete absence of government supervision led to exploitation of the workers. There were calls for regulation by the colonial authorities in Malaya, and in 1877 the Straits Settlements government established Chinese Protectorates in Singapore, Penang and Melaka. The Chinese Protectors controlled labour abuse by introducing licensing of recruiting agents and the registration of labour contracts. This was followed by the enactment of the Immigrants' Ordinance in 1880 which further curbed abuses in the system. These measures not only curtailed the activities of *coolie* brokers and secret societies and loosened the tight labour market, but also led to an increase in labour migration. In Indonesia, the Dutch increasingly regulated all indentured labour in order to combat abuse by employers. In this way the Dutch colonial government protected migrant workers, albeit to a limited degree only.

Estimates of Chinese migration outflows to selected Southeast Asian countries are shown in Table 3.5.

As shown in the table, the largest number of migrants went to Malaya, followed by Indonesia. The decline in Chinese dominance in tin mining in Malaya, and the increased mechanisation of the industry in the first quarter of the twentieth century, coincided with declining Chinese migration to Malaya.

Table 3.5 Estimated Population Outflows from China to Selected Southeast Asian Countries, 1851–1925 (thousands)

Year	*Malaya*	*Indonesia*	*The Philippines*
1851–75	350	250	45
1876–1900	360	320	20
1901–25	125	300	n.a.

Note: n.a. = not available
Source: Adapted from Lynn Pan, 'Patterns of Migration' in Lynn Pan (General Ed.), *The Encyclopedia of the Chinese Overseas* (Singapore: Archipelago Press for the Chinese Heritage Centre, 2000), p. 62.

The Malayan tin-mining industry and Chinese labour systems

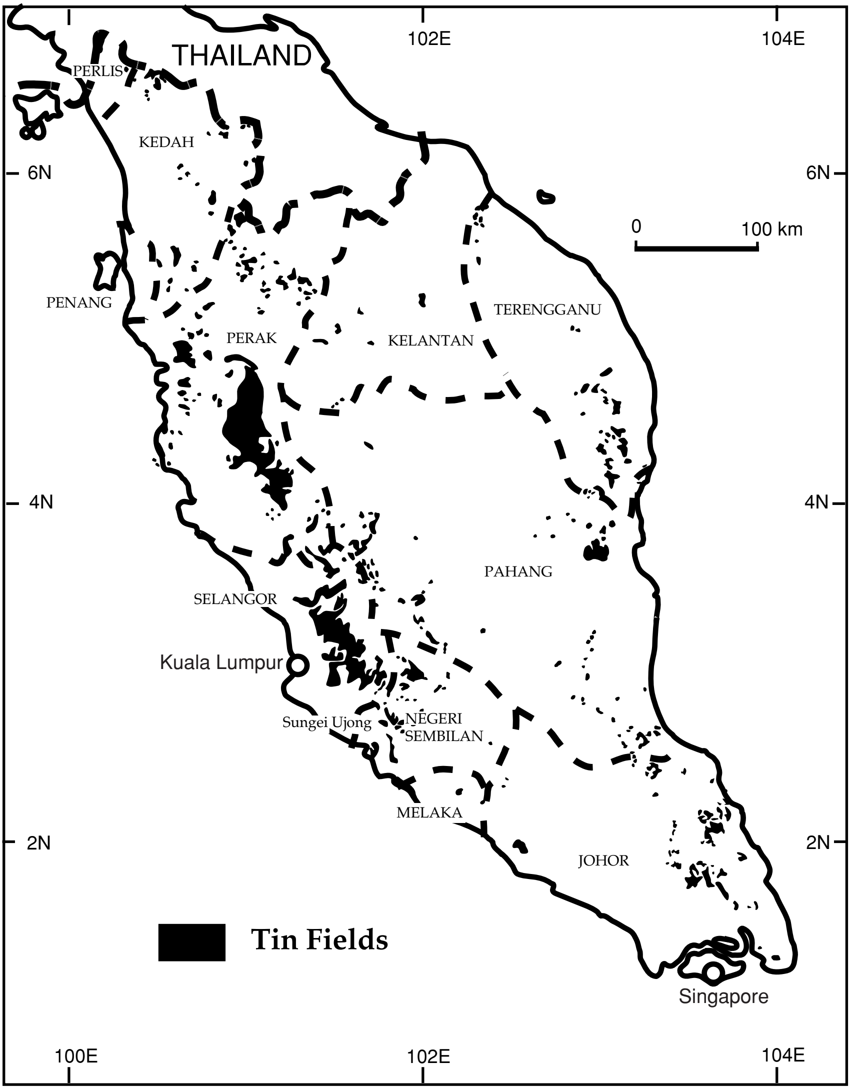
Chinese involvement in tin mining in the western Malay states dates back from the second decade of the nineteenth century. Migrant numbers were small, and Chinese labourers worked the mines under the direction of Malay chiefs, but the capital was advanced by Chinese merchants/financiers from the Straits Settlements. The discovery of rich tin fields in the Larut district of Perak and Ampang in Selangor in the 1840s (see Map 3.3) led to changes in this arrangement and the Chinese merchants started making advances directly to Chinese 'mines advancers' and mine managers, while the Malay chiefs drew tribute and certain taxes from the tin produced.

The mines advancer functioned as middleman and had a multiplicity of roles – tin miner, shopkeeper, tin-ore dealer, and operator of revenue farms. He could even be a source of capital to smaller mines advancers (Yip 1969:90). The new arrangements led to an expansion of tin production and in the 1850s and 1860s, there was a tin rush which coincided with large-scale Chinese migration into the western Malay states.

The Chinese population in the area grew rapidly and new tin discoveries placed severe stress on the Malay political system as Chinese mine owners pitted their workers who belonged to different secret societies against one another (Khoo 1988:185). The Malay chiefs were drawn into the disputes between the secret societies and over boundaries of the richer tin-bearing areas, resulting in civil wars in Perak, Selangor, Sungei Ujong, and Melaka, which only ended with British intervention in 1874 (see Map 3.3). The restoration of order led to further expansion of tin mining under Chinese capital and entrepreneurship, as demand for tin in Europe grew during this period.

The expansion of tin mining coincided with increased Chinese labour migration into the country. Data on Chinese indentured immigration to Malaya for the period 1891–1914 are provided in Table 3.6.

As shown in the table, there was a gradual decline in the proportion of indentured migrants to total migrants. This decline was due to four main factors. First, there was a general reluctance among a large majority of workers



Map 3.3 Tin Fields of Malaya

to sign formal contracts. Nevertheless, although they remained legally 'free', in practice their indebtedness bound them to their employers. Second, employers did not gain any real advantages by hiring workers under formal contract. Third, there was an increase in the number of Chinese arrivals who were artisans, peddlers and shopkeepers during this period (Parr 1910:10–12). Fourth, Chinese indentured labour migration was banned in 1914.

Table 3.6 Chinese Indentured Immigrants in Malaya, 1881–1914 (five yearly averages)

Period	*Chinese Indentured Immigrants (CII)*	*% of CII to total Chinese immigrants*[1]
1881–85	27 687.8	27
1886–90	30 349.4	20
1891–95	19 754.6	12
1896–1900	19 882.4	13
1900–05	19 209.6	10
1906–10	18 736.4	10
1910–14[2]	13 697.5	6

Notes: 1. Rounded to nearest per cent
2. Four-year average

Source: Compiled from Saw Swee-Hock, *The Population of Postwar Malaysia* (Singapore: Singapore University Press, 1988), p. 14.

Tin mining methods and labour control

Malaya's (and Southeast Asia's) low tin production costs arose largely from the nature of its deposits. The weathering of the mineralised granitic ranges of the western half of the Malayan peninsula produced eluvial (that is, weathered *in situ*) and alluvial deposits, eminently suitable for mining in open-cast workings. Indigenous mining methods, such as *lampan* mining or sluicing, were limited to the shallowest and most accessible workings because of the incursion of water into the diggings. Initially, the Chinese used these traditional Malay methods of ground sluicing and sinking pits. These proved to be inefficient and the Chinese mine owners switched to *lombong* (open cast) mining, which required about 50–70 workers per mine. The Chinese miners also introduced the *chin-chia* (chain pump and water wheel), which was a more efficient method of removing water from deep mines. Other Chinese technological innovations included improved sluice boxes (*palongs*). However, it was their social organisation that gave them an edge over their European competitors. Indeed, little capital expenditure was required to start an open-cast mine and the most expensive budget item was labour costs. According to a 1906 estimate, wages accounted for over 80 per cent of total production costs.

The Chinese entrepreneurs' dominance of tin mining was thus due to two main factors. First, they controlled the labour force which was a critical factor of production at a time when labour was scarce and the method of extraction highly labour-intensive. Second, technological conditions also favoured Chinese methods as the alluvial deposits needed little expensive equipment and required labour flexibility.

Labour control was achieved in three main ways. The first was through the mechanism of the indenture contract (discussed in the preceding section). Mine owners or *coolie* brokers paid the travel costs and expenses of the *xinke* in exchange for a contractual obligation on the *xinke*'s services for a specified period. The prices offered for *xinke* varied with labour requirements and employers used the enforceable labour agreements to manage their labour costs and supply.

The second form of control was through the distinctive Chinese form of social organisation, the triad or secret society (*hui*). Trocki has argued for the classification of both the secret societies and clan associations (which combined dialect, regional and occupational groupings) under the general category of *kongsi* (Trocki 1990:11). Crucially, the *kongsi*, apart from being a business co-operative, also maintained social control (law and order) and fostered social solidarity (Yen 1986:117–18).

Mining was organised through the *kongsi* which functioned as a resilient organisation in a frontier society, and was based on bonds of brotherhood and partnership in economic activity. The isolation of the tin mines from settlement areas or towns meant that the *kongsi* had to provide a multiplicity of ancillary services needed by the workers (and their dependents). The *kongsi* also provided an institutional framework into which new arrivals were inducted. More significantly, it allowed mining operations to continue unhampered by the fluidity of workers. The *kongsi* thus offered a sense of security and identity – it relied on a variety of mechanisms including a personal recruitment system, kinship links, clan ties, and provincial connections. Membership of secret societies was often obligatory – the society offered protection and established its own law and code of conduct while receiving complete loyalty from the workers. The *kongsi* also provided a basis for the emergence of leadership in the organisation. In mining areas the *Kapitan Cina*, with whom the colonial authorities dealt with, was usually the head of the most powerful local secret society as well as the leading Chinese entrepreneur in the area.

The third method of labour control was the 'truck' system whereby workers usually received their wages at long and irregular intervals. Workers were not paid until the ore had been smelted and sold and this normally occurred every six months. In the interim period the mine owner provided the workers with provisions and other items for personal consumption (usually including opium), deducting the cost from their wages. The mine owner in turn entered an agreement with the mine advancer who provided the provisions (and even mining tools) on credit in exchange for guaranteed sale of all the ore at fixed prices. The price of ore was fixed below its market value while the items obtained through the mine advancer and supplied to the workers were charged well above market rates. This practice, which was distinct from indenture, often bound the workers to employers in perpetual debt and strengthened employers' control over labour. Workers also became indebted to mine owners through their consumption of opium and involvement in gambling. In some areas, opium was often provided in lieu of wages, further tying workers to employers. (Jackson 1969:42–52; Yip 1969:82–6; Wong 1965:43–9).

Wage structures and payment

Workers in the tin mining industry in late nineteenth-century Malaya were normally employed under two categories of remuneration. These were a system of wages and a tribute system. Wage-earning labourers were paid either on a time-rate (*kongsi-kung*) or on a piece-rate (*naik chiang*) basis. The piece-rate workers were considered unskilled while time-rate workers were regarded as skilled. *Kongsi-kung* labourers were normally employed when a mine was first opened and usually worked a seven-hour day. *Naik chiang* workers were employed to remove the overburden of earth that had first to be removed before the actual mining was carried out. They were paid by the *chiang* of earth removed. Both the *kongsi-kung* and *naik chiang* workers received free food, but had to purchase their own opium, tobacco and other provisions, usually from their employer. In contrast to the *kongsi-kung* workers, the *naik chiang* workers received their wages on a monthly basis.

By the early twentieth century, these two categories of wage workers represented about 50 per cent of the total mining labour force in Malaya. The rest were employed under the tribute (or *hun*) system. *Hun* is the Chinese word for share and the workers who came under this category were all shareholders in the mining enterprise, with the headman usually holding two or three shares in contrast to the single share held by a worker. Workers employed under this system received no fixed wages but were entitled to a share of the mining enterprise's profits.

There was also a division of labour based on gender. Women formed only a small percentage of workers in the mining sector and were usually employed as *dulang* washers (or panners). *Dulang* washing was essentially a method of recovery of tin rather than a mining method and the workers were considered marginal miners, who sold the tin to the tin ore dealers. The women, who stood up in water all day long, often with babies and infants strapped to their backs, deposited the recovered tin in large sluice boxes. They earned between 30 cents to 40 cents a day and were housed either in dormitories, shacks, or leaf hovels. During the period 1911–47, women *dulang* washers formed between 11 and 20 per cent of the total mining workforce (Kaur 1986:4–5).

The colonial authorities took various legislative measures to free the Chinese labour market. Indentured labour came increasingly under scrutiny and in 1877, as noted above, Chinese Protectorates were established to supervise Chinese labour, license recruiting agents and register labour contracts. The credit-ticket system of indentured labour was also abolished in stages in the western Malay states, and in 1914 it was formally banned in Malaya. By the 1890s secret societies had also been banned and the degree of control exerted over workers by mine owners was reduced. The power of the *Kapitan Cina* also diminished and the position was abolished in 1902.

Mechanisation and the mining labour force

Chinese mining entered a new era in the second decade of the twentieth century as the industry became increasingly mechanised. With the introduction of the dredge, domination of the industry shifted to Western entrepreneurs. A large modern dredge involved a capital outlay of £2 million, which could only be raised by big Western companies. Notwithstanding this, despite a multiplicity of operating units, effective control lay firmly in the hands of three London-based holding companies. The growth and expansion of a permanent free wage labour force in this industry therefore was as much due to colonial reform legislation as it was to mechanisation of the industry and a reduced demand for a labour-intensive workforce.

Between 1900 and 1913, the number of Chinese workers employed in the tin-mining industry in the Federated Malay States (FMS) was estimated at about 200 000. In 1913 alone Chinese workers comprised 200 000 out of a grand total of 225 405 mining workers (Yip 1969:79–82, 30–1).

The dominance of Chinese labour in tin mining in Malaya is shown in Table 3.7.

As shown in the table, Chinese labour continued to dominate in Malaya into the 1960s. After the 1960s, the relative importance of tin in the economy declined, though in 1970 rubber and tin still accounted for more than half of Malaysia's exports (tin's share was 19 per cent).

Following the introduction of the New Economic Policy in 1971, the national government purchased controlling interests in London Tin, one of the largest British groups in the industry. The new company, the Malaysian Mining Corporation, gave *bumiputeras* (indigenous Malays) ownership of 34 per cent of the tin industry's capital by 1982. Like rubber, the transfer of tin companies from foreign to Malaysian ownership has resulted in the localisation of earlier foreign companies in the primary commodities sector.

Tin mining in Bangka and Belitung (Indonesia) and Thailand

As stated previously, Chinese had pioneered tin mining in Bangka and Belitung long before the Dutch took over these islands. In both places, tin mining underwent a transition from indigenous to Chinese methods and, subsequently, Chinese to Western methods. As in Malaya, Chinese dominated the labour force well into the 1930s (Somers Heidhues 1992; van den Berg 1999). Both in terms of labour recruitment and organisation of mining, there was virtually no difference between Chinese tin mining in Malaya and Chinese tin mining in Bangka and Belitung. Unlike Malaya,

Table 3.7 Employment in Tin Mining in Malaya by Ethnic Group, 1911, 1931–65 (annual average)

Quinquennial average	*Chinese*		*Indian*		*Malay*		*Others*		
	No.	*% of Total*	*No.*	*% of Total*	*No.*	*% of Total*	*No.*	*% of Total*	*Total*
1911	189 100	96.2	4630	2.4	2580	1.3	210	0.1	196 520
1931–35	44 530	85.1	5130	9.8	2270	4.3	430	0.8	52 360
1936–40[a]	61 310	81.3	9420	12.5	4010	5.3	650	0.9	75 390
1946–50	30 980	68.5	6660	14.7	6690	14.8	880	2.0	45 210
1951–55	n.a.	–	n.a.	–	n.a.	–	n.a.	–	41 350
1956–60	n.a.	–	n.a.	–	n.a.	–	n.a.	–	30 443
1961–65[b]	26 700	60.9	5060	11.5	11 470	26.2	610	1.4	43 840

Notes: *a* Average for three years, 1936–38; the figures for other years are not available.
b Average for two years, 1962 and 1964.
Source: Yip Yat Hoong, *The Development of the Tin Mining Industry of Malaya* (Kuala Lumpur: University of Malaya Press, 1969), Table V-19, p. 384.

however, a detailed breakdown of the labour force by ethnicity is not available except for the island of Singkep. The breakdown by contract and free labour in Bangka and Belitung for 1910–38 is provided in Table 3.8.

As shown in the table, contract labour in both Bangka and Belitung persisted until the 1930s.

In Singkep, Chinese dominance in the labour force declined in the 1930s due to restrictions on Chinese labour and the general economic conditions. These data are shown in Table 3.9.

The records do not indicate where the 'Indonesians' came from, but other sources indicate that most of them must have been from Java and Sumatra, due to geographical proximity.

The third largest producer of tin in Southeast Asia was Thailand. (See Map 3.4 and Table 3.10). Here too the Chinese dominated the industry under similar conditions. Phuket, the richest mining area (it produced nearly 80 per cent of the tin mined in Thailand) had a Chinese population of over 40 000 in 1884, most of whom worked in the mines (Skinner 1957:110).

Tin mining, Chinese enterprise and labour, and the international economy

Chinese contribution to the development of tin-mining in Southeast Asia is remarkable for four main reasons. First, the Chinese provided the capital, labour and technology for the growth and expansion of the industry in the region. Malaya, Indonesia and Thailand accounted for 59 per cent of total

Table 3.8 Coolie Populations in Bangka and Belitung, 1910–38

	Bangka			*Belitung*		
	Contract	*Free*	*All*	*Contract*	*Free*	*All*
1910	19 823	–	–	14 528	–	–
1915	19 702	–	–	14 225	–	–
1920	21 240	–	–	20 836	–	–
1925	18 228	436	18 664	16 459	387	16 846
1930	15 623	3542	19 165	14 218	291	14 509
1935	–	–	6529	–	–	–
1938	–	–	8105	–	–	5026

Source: Cited in V.J.H. Houben, T.J. Lindblad *et al.*, *Coolie Labour in Colonial Indonesia* (Wiesbaden: Harrassowitz, 1999), p. 103.

Table 3.9 Singkep: Labour Force Employed in Tin Production, 1901–38 (annual averages)

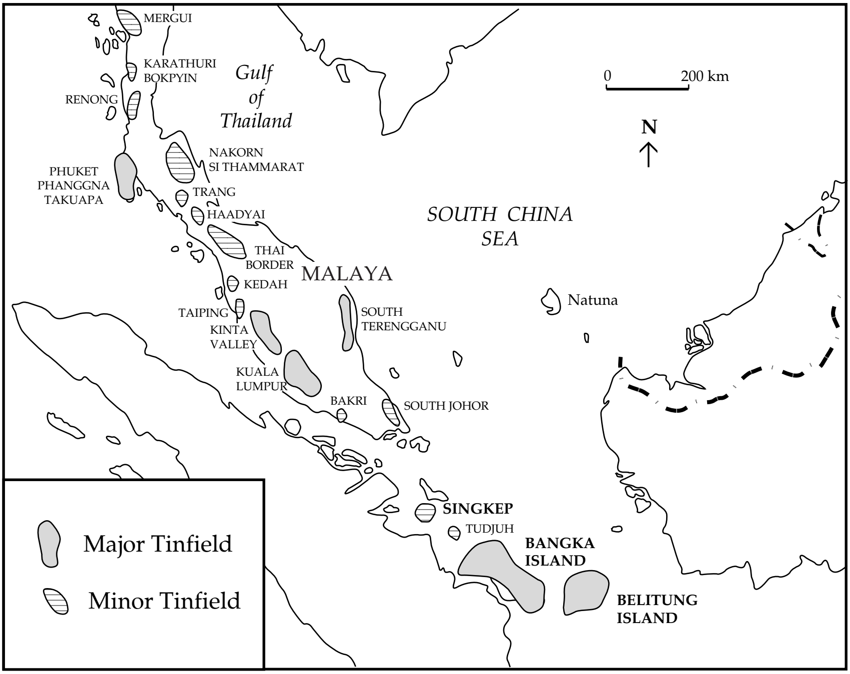
	Singkep		
Period	*Average total*	*Number of Chinese*	*Indonesian*
1901–05	n.a.	647	n.a.
1906–10	n.a.	1172	n.a.
1911–15	n.a.	752	n.a.
1916–20	n.a.	478	n.a.
1921–25	n.a.	612	n.a.
1926–30	1305	n.a.	n.a.
End of year			
1931	975	544	431
1932	621	314	307
1933	402	210	192
1934	645	300	345
1935	853	386	467
1936	1613	914	699
1937	1732	n.a.	n.a.
1938	2321	n.a.	n.a.

Note: Often different figures are given without stating whether these are annual averages, end of production year or end of financial year figures.
Source: *Koloniaal Verslag* annually 1866–1929; *Indisch Verslag* annually 1930–38.

world tin production in 1913; 60.2 per cent in 1922; 59.9 per cent in 1929; and 64.3 per cent in 1937, as shown in Table 3.10. In Malaya, tin was the largest commodity export earner until the 1920s, giving way to rubber in the 1930s. In Indonesia, tin also represented an important export earner – it was the third largest export earner until 1900 (after sugar and coffee) and was also subsequently displaced by rubber.

Second, in all three countries, Chinese dominance was associated with Chinese organisation of mining and the type of labour systems in place in frontier regions. Through *kongsis* and secret societies the Chinese were able to import and deploy a very large labour force, and were able to operate large units. Some Chinese mine-owners employed more than 1000 workers in the second half of the nineteenth century. Third, Chinese enterprise contributed to the growth and spread of wage labour in Southeast Asia during this period. Fourth, though Chinese enterprise was labour-intensive, the Chinese were able to secure their capital requirements from the Straits Settlements merchants.

Gradually, however, new technologies were adopted which both led to a reduction of the labour force and the passing of the industry to Western interests. This decline in the labour force in the labour-intensive mines between 1911–60 is shown in Table 3.11.



Map 3.4 Tin Deposits of Malaysia, Indonesia and Thailand

Table 3.10 World Tin Production in 1913, 1922, 1929 and 1937*

Producing countries	*1913*		*1922*		*1929*		*1937*	
	Tons	*%*	*Tons*	*%*	*Tons*	*%*	*Tons*	*%*
Malaya	51 377	38.4	37 226	30.4	69 366	36.1	77 542	37.3
Indonesia	20 921	15.6	29 532	24.1	35 920	18.6	39 825	19.1
Thailand	6748	5.0	6979	5.7	9939	5.2	16 494	7.9
Bolivia	25 939	19.4	27 685	22.6	46 338	24.1	25 024	12.0
Nigeria	3872	2.9	5123	4.1	10 734	5.6	10 468	5.0
Others	24 943	18.7	16 055	13.1	20 303	10.4	38 847	18.7
Total	133 800	100.0	122 600	100.0	192 600	100.0	208 200	100.0

Note: * These production figures differ slightly from those given in later statistical year books prepared by the International Tin Study Group.
Source: International Tin Research and Development Council, Statistical Year Book, 1939, cited in Yip Yat Hoong, *The Development of the Tin Mining Industry of Malaya* (Kuala Lumpur: University of Malaya Press, 1969), p. 276.

Table 3.11 Employment in Tin Mining in Malaya, by Methods of Mining, 1911–60

Quinquennial average	*Dredging*	*Gravel-pumping*[a]	*Hydraulicing*	*Open casting*	*Underground*	*Others*	*Total*
1911–15	750[b]	–	33 700[c]	143 530	15 810	–	193 790
1916–20	2440	–	31 330[c]	77 620	10 560	–	121 950
1921–5	6170	–	44 420[c]	36 230	9570	–	96 390
1926–30	12 700	55 850	10 470	20 320	6120	–	105 460
1931–5	8440	23 920	5000	11 250	3750	–	52 360
1936–40[d]	15 260	37 350	4200	11 840	6120	–	74 770
1941–5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1946–50[e]	15 550	23 600	2800	3910	5440	770	50 070
1951–5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	41 350
1956–60	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30 443

Notes: *a* Before 1924, in the official statistics of the Mines Department, employment in gravel-pump mining was placed under hydraulic mining.
b Average for three years, 1913–15; dredging-mining was not carried out earlier.
c Includes gravel-pump mining.
d Based on four years, 1936–39; the figures for 1940 are not available.
e Based on two years, 1948 and 1949; the figures for other years are not published.
n.a. = not available.

Source: Yip Yat Hoong, *The Development of the Tin Mining Industry of Malaya*, p. 384.

As shown in Table 3.11, the percentage of workers employed in the tin industry between 1956–60 was about 16 per cent of the percentage employed between 1911–15. A similar shift to Western control also took place in smelting after two European merchants, James Sword and Herman Muhlinghaus, established the Straits Trading Company in 1887 in Malaya, and with their official monopolies, soon controlled smelting both in Malaya and in the region. Even in Thailand, which was not colonised, the transition to Western control in mining and smelting occurred when Australian and British companies from Malaya began operations in the country (Skinner 1957:215).

The transition to free labour

Up until World War One, cheap Chinese labour enabled Chinese-owned mines throughout Southeast Asia to produce at low cost, making less labour-intensive techniques uncompetitive. The banning of secret societies, the exhaustion of known accessible surface tin deposits, and the lessening of the degree of control exercised by *kongsi* leaders over the workers, coincided with official regulation of Chinese labour. The demise of the credit-ticket system of indentured labour and the Truck Enactment of 1908 in Malaya (which banned debt-bondage of mining labour under the truck system and gave workers the option of receiving cash instead of consumption items as part of their wage), also reduced the hold of entrepreneurs over their labour. The credit-ticket system of indentured labour recruitment in Malaya was abolished in Perak in 1894, and in 1895 in Selangor and Negeri Sembilan. This system, also known as the Discharge Ticket System, without which a worker could not change employers, was replaced in the *Labour Code 1895* by written contracts for specified periods. Subsequently, when the British abolished the indenture contract for Chinese labour recruits in 1914, employers could no longer use the written contract either to retain their workers.

The indenture contract system continued to regulate labour relations in Indonesia until World War Two, although indentured labour all but disappeared in the 1930s. Even before the imposition of a tax on the importation of Chinese labour in 1931, which led to a further decline in Chinese workers, the number of Chinese workers had been falling sharply. The *Coolie Ordinance*, though dismantled in stages, remained in force until the outbreak of World War Two. Java continued to serve as the main hinterland for labour requirement for the mining sector, though workers were also recruited from the other Outer Islands. In Indonesia, therefore, mining workers remained tied to their place of employment through written employment contracts on the grounds that written contracts provided protection against employer excesses. This situation can be explained by the inherent features of the Indonesian labour market and the endurance of the patronage system in Indonesia, which continued to structure labour relations.

In marked contrast to Malaya, where there was separate legislation covering mining and plantation workers, in Indonesia the Dutch had only one regulation to cover all workers, whether in the mining or plantation sectors. This was the *Coolie Ordinance* of 1880, which regulated indenture contracts and spelt out the obligations of employers and workers (see Chapter 4 for a fuller explanation of the Ordinance). Initially, the Ordinance covered only Chinese workers but was extended to Javanese workers after 1900.

The demise of the indentured labour system in the Malayan mining sector subsequently led to the evolution of a transitional system of labour recruitment involving intermediaries or middlemen that coincided with the industry passing into the hands of large-scale Western mining interests. Employers commissioned agents or private recruiters to recruit labour directly from China or from lodging houses in the Straits Settlements through a system of payment of advances. Under this system, which permitted the recruitment of families, written contracts were disallowed, but workers were required to repay their employers for advances made to them. The contractual position of these workers was less harsh compared to indenture: desertion was a civil, not a criminal, offence; and workers had the right to abandon their contract at a month's notice. A key feature of the contractor system of recruitment was that workers were managed through an intermediary, the labour contractor, known as the headman or *kepala*. This system also enabled Western firms to hire large groups of workers without taking on responsibility for supervising them individually and providing them with accommodation and other amenities. Although workers were technically 'free' wage workers, the contractor system was nevertheless used to ensure docility and surveillance of workers (Blythe 1947:99). The labour contractors also often delayed payment to workers; increased workers' tasks without the knowledge of the mine manager; and made the workers indebted to them through providing goods at exorbitant prices. Moreover, workers were lodged in *kongsi* houses that were often secured and patrolled by guards hired by the labour contractor.

Were Chinese mining workers, especially in Malaya, freer than other groups of indentured workers? It is undeniable that Chinese workers enjoyed greater mobility than other migrant workers principally because of the less paternalistic policies adopted towards them by the colonial administrations. Moreover, Chinese labour was not channelled solely to the mining sector but also went to areas where opportunities presented themselves – for example, to urban centres. Chinese triad societies, guilds and benevolent societies, though exercising control over the workers, also provided a means for repayment of debts and movement elsewhere (Stenson 1970:6). Generally, whether in Malaya, Thailand or Indonesia, the Chinese possessed a greater ability compared to other migrant workers to take advantage of new opportunities and diversify their occupations.

Sojourning and settlement in Malaya

Chinese labour migrants comprised the largest proportion of the immigrant communities that emerged in Southeast Asia after 1840. But their impact on the host countries varied, both in terms of their numerical size and their economic roles. Chinese labour migration into Indonesia was less significant in absolute and relative terms, and economically, compared to Malaya. In Indonesia, Chinese labour migrants went in large numbers to the tin-producing islands and the plantations of East Sumatra. Subsequently, many moved into urban occupations in Java and elsewhere. In 1930 the Chinese community accounted for about two per cent of the population in Indonesia (Brown 1997:37).

In Malaya, the transition from sojourning to settlement occurred when the immigration of Chinese women increased markedly in the early twentieth century, thus altering the demographic profile of the Chinese community. It has been noted earlier that the majority of the migrants were young, adult males who came unaccompanied by dependents. Nevertheless, there was a small stream of women migrants from the 1850s, and their numbers increased in the 1930s, as discussed below.

During the inter-war period, there were extended periods of slump which revealed substantial excess capacity in the two major commodities, tin and rubber. Subsequently, following the onset of the Great Depression in 1929, the state intervened by formulating policies to control output and restrict exports of tin during the 1930s. The Great Depression also marked the end of unrestricted Chinese immigration into Malaya. When conditions started to improve in 1932–33, the British placed more emphasis on promoting unrestricted immigration of Chinese women (through the *Aliens Ordinance 1933*) to rectify the gender imbalance and promote the formation of locally-domiciled families. Between 1934 and 1938 (when a limit was placed on women immigrants), there was a net migrational gain of 190 000 Chinese women. (See Hirschman 1975: Tables 2.2 and 2.3; Li 1982: Table 6.4; Lim 1967:188). A large percentage of these women worked as *dulang* washers on the tin mines or as casual workers on rubber plantations and smallholdings. Many Chinese women also worked as *amahs* or nannies in the urban centres. Thus, women's migration contributed to a demographic transformation in Malaya as the transition towards family settlement began in the 1920s and 1930s. The Chinese had comprised 29.6 per cent of the population of peninsular Malaya (excluding Singapore) in 1911 and by 1947 they accounted for 38.4 per cent. They remained a distinct community but their substantial numerical strength and financial ability enabled them to consolidate their economic position *vis-à-vis* the other races. They were thus able to play a pivotal role in Malaysian politics in the post-independence period.

4
Plantation Rubber and Wage Labour

Setting the scene

The great expansion in tin mining in Southeast Asia in the second half of the nineteenth and early twentieth centuries was accompanied by an expansion in plantation crop agriculture. Although the region produced a number of export crops prior to this period – pepper, coffee, indigo – it could hardly be said to have dominated the trade in these commodities. With two industrial crops, rubber and oil palm, it was different. Under plantation cultivation (and smallholder cultivation for rubber as well), the region soon dominated the trade in these commodities. The plantation mode of production differed from previous production methods in the region because it originated from outside the region and was organised predominantly by Western enterprise. Just as European tin-mining firms edged out Chinese labour-intensive mining enterprises by introducing heavy equipment, advanced technologies and capital-intensive methods, the same methods were transferred to the plantation sector. In this case the rubber and oil palm plantations were characterised by large units under a single management, scientific advances, substantial capital investment, and the mobilisation of large amounts of wage labour.

Two other export crops were also dominant – sugarcane and rice. Here too there were broad changes associated with adaptation to changing economic conditions in the region. While sugarcane was grown under plantation or plantation-like conditions, peasant producers still largely carried out rice cultivation. Nevertheless, the great expansion in rice cultivation during this period was also associated with larger units that relied on wage labour inputs. Moreover, the introduction of better techniques and machinery in rice milling was consistent with a specialisation of tasks in the rice sector.

Typically, three features characterised export crop cultivation and expansion. First, indigenous populations themselves engaged in export cultivation, initially through coercion based on labour and land dues. Second, peasants also took up rubber as smallholders in response to incentives and market forces. Third, while the great expansion of industrial crops (rubber, oil palm) took place under Western capitalist direction, the colonial state played a key role in the nature and scale of the enterprise through the introduction of new land regulations; the mobilisation of a migrant labour supply from India and China and the organised recruiting of labour from densely populated parts of the colonial territories themselves; the provision of infrastructure; the encouragement of agricultural research; subsidies and the like.

From a comparative perspective, the broad division of the region into 'labour-scarce' and 'labour-surplus' countries had profound implications for colonial labour policies. There were two polar extremes to this division – Malaya and Java. In Malaya, landlessness and rural deprivation among the Malays was practically non-existent and they largely shunned wage work during the colonial period. By comparison, in Java, with its huge, poor population, non-farm employment was crucial for survival strategies, and Javanese workers shifted or moved around during the colonial period to eke out a living. Thus Java has been a labour exporter since colonial times and Malaya/Malaysia a labour importer (though manufacturing there developed without migrant labour). Using this framework, the other Southeast Asian countries fit somewhere in a continuum between the two. The growth of wage labour in specific sectors and countries, and the racial origin of these workers during the colonial period must thus also be viewed through this broad lens.

This chapter sets out the general sequence of the rubber industry in Malaya, East Sumatra and Indochina, with the objective of illustrating the dynamics of the plantation labour systems in these states. Sugar plantations and rice production systems and labour use are discussed in Chapter 5.

Framing the plantation sector

The spread of plantation agriculture in Southeast Asia was a major consequence of economic penetration accompanying the integration of economies; diversification of economic activity; changing production technologies; and the emergence of new markets for tropical products in the industrialising West. The plantation economy involved the insertion of tree or related crops planted and cultivated systematically for cash purposes into states that predominantly had practised subsistence agriculture. The plantations were established in areas of sparse population, such as the Western Malay states and Johor (Malaya), East Sumatra, the interior of Vietnam and Cambodia and the Philippines. The most important crops were rubber, coffee, oil palm, sugarcane and tobacco. Production of some of these agricultural commodities in the nineteenth and twentieth centuries proceeded in the boom and bust cycle related directly to changes in world prices. The major factors bearing on the long-term viability of a commodity included international demand, government policy (for example, land tenure legislation) and investment.

Following the development of the automobile industry in the West (particularly the United States), rubber was readily accepted after 1900 by most colonial administrations as an ideal profitable crop for rapid export expansion. As an agricultural commodity it could be grown on most soils and there were large areas of suitable land, particularly in Malaya, Sumatra and Cochin-China. Moreover, despite price fluctuations, there was continued growth in the industry in the first half of the twentieth century. During slump periods it was also possible to vary output through voluntary tapping restrictions. Indigenous farmers and Chinese smallholders who responded to opportunities for increased production for the market also accepted the crop. Rubber's success also depended on state policy initiatives, cultivation techniques; plantation management systems and a large labour supply. Since output could be manipulated through restriction in tapping (rather than an abandonment of the crop) the outstanding characteristic affecting labour dynamics was that planters were able to link labour supply and wage rates to production, market demand and price.

Malaya and Indonesia emerged as the two largest producers in Southeast Asia, followed by Indochina, Thailand and the two East Malaysian states of Sarawak and North Borneo (Sabah) as shown in Table 4.1.

By comparison, Brazil and Africa, which had been the major sources of wild rubber, declined as key rubber producers by the second decade of the twentieth century.

Table 4.1 Distribution of Natural Rubber Production of Principal Rubber Producing Countries, 1910–40 (%)[1]

Country	*1910*	*1920*	*1930*	*1940*
Malaya[2]	6.7	51.0	53.6	38.7
Indonesia	2.9	22.1	29.2	38.4
Indochina	0.2	0.9	1.2	4.5
Sarawak	0.001	0.5	1.2	2.5
Thailand	0.001	0.1	0.5	3.1
North Borneo (Sabah)	0.03	1.2	0.9	1.2
Ceylon	1.7	8.6	9.2	6.4
India	0.2	1.9	0.2	1.2
Brazil	40.3	6.8	1.4	1.3
Africa	21.4	1.6	0.6	1.1
Others	26.0	1.2	2.0	1.6
Total (long tons)	94 100	341 900	825 400	1 415 000

Notes: 1. Percentages have been rounded to the nearest figure.
2. Malaya includes Singapore, though Singapore's rubber production throughout was very small.

Source: Lim Chong Yah, *Economic Development of Modern Malaya* (Kuala Lumpur: Oxford University Press, 1967), p. 94.

Labour dynamics in the plantation sector – an overview

Colonial labour policy rested on three broad principles: the provision of a limited amount of protection for workers; the establishment of wage structures in consultation with employer associations; and tacit approval for intervention by intermediaries in order to maintain social control over workers.

The entire process of labour market functioning and organisation in the plantation sector was regulated through legislation, recruitment systems, and immigration policies that served largely to protect the interests of Western firms and maintain workforce fragmentation. Plantation labour regimes were essentially based on two important considerations. The first was the mobilisation of a largely migrant labour force that facilitated the use of economic and extra-economic means to maintain low wage bills. The second was an ethnic and gender differentiation of labour that permitted the state to manipulate both workers and wages.

One of the most striking features of the plantation rubber sector was that despite variations in the origins and recruitment systems of plantation labour in the three main rubber producing countries, the labour regimes established had much in common. Demographics in the rubber producing countries largely determined the labour profile (foreign/local migrants), which in turn had implications for a diverse labour force. This diversity in turn had a bearing on organisation among workers and labour movements.

Other similarities included the recruitment of predominantly single adult males and a system of migrant labour characterised by what one writer has referred to as the 'institutional differentiation and physical separation of the process of [labour force] maintenance and renewal' (Burawoy 1976:1050). In all three countries labour production costs were split into two separate processes – maintenance and renewal. In the case of maintenance, the workers received a daily minimal wage that was calculated on the basis of their dietary and subsistence requirements and tied to the prevailing price of rubber. The employer also provided certain facilities – basic housing (compound accommodation), subsidised food and occasional medical attention. Labour force renewal was provided by new recruitment to fill vacancies created by the departure from or the expansion of the workforce.

Migrant workers normally experienced enforced segregation as a result of the plantation compound housing policy or the Chinese *kongsi* housing provided by the labour contractor. The labour system therefore worked against the integration of migrant workers into society at large, and perpetuated racial and occupational differentiation. There were two other important ramifications for migrant plantation workers. First, plantation workers remained unskilled and could not move to better paying jobs elsewhere. Moreover, the fact that they were encouraged to grow their own food, especially in times of economic slump, resulted in some form of self-sufficiency and the reconstitution of their peasant status (c.f. Sidney Mintz 1974:132). The plantation workers consequently functioned as part wage-workers, part-farmers, and this positioning was consistent with their lowly status. Second, migrant workers from outside the region were regarded as aliens – denied citizenship rights or other legal, political and civil rights – and were subjected to deportation in case of misbehaviour or depressed economic conditions (c.f. Burawoy 1976:1060). Migrant plantation workers were therefore marginalised and polarised in colonial societies.

Rubber plantations and plantation wage labour in Malaya

Government and the rubber industry

In the late nineteenth century, the colonial administration in Malaya was keen to develop export crop production. Two of the early export crops were sugarcane and coffee. These crops were planted largely in Province Wellesley and Selangor by European private or proprietary planters who used their personal resources and funds from their home country. Plantations (estates) were usually planted with only one or just a few crops. These crops achieved a varying degree of success and the colonial administration searched for new commodities with expanding markets in the West. After seeds from the rubber tree (*Hevea brasiliensis*) were taken from Brazil to germinate in Kew Gardens, they were sent to Ceylon (Sri Lanka) and Singapore for replanting in their botanical gardens. These trees were successful but planters in the Malay Peninsula showed little commercial interest until rubber prices began to rise in the early 1900s. This was consistent with the growth of the automobile and other rubber-using industries in the West, creating a huge demand for rubber and, coincidentally, the price of coffee fell in the 1890s.

The easy availability of land on favourable terms played a key role in rubber development. The British administration alienated large blocks of land to planters on very long leases, at charges of three to four per cent. A system of individual ownership, based on Western legal principles, and which prescribed rights and obligations such as precise delineation of boundaries by survey, created a permanency of ownership. Thus Malay peasants could hold blocks less than four hectares under a heritable and saleable title. Land rents were low and both Malay and Chinese took up titles; this had major implications for the spread of smallholder rubber cultivation (Drabble 1973; Lim 1977). Access to ports and markets, which was central to the development of the rubber industry, was provided by government through the creation of road and rail networks. Both plantations and smallholdings were located along the road and rail networks. Railway sidings were also built to connect inland plantations with the trunk railway line (Kaur 1985). Most planters lacked the capital necessary to open larger units or properties, and the driving force behind the expansion of the industry was the European trading agencies or agency houses, which floated limited liability companies on the stock market, usually in London, to mobilise a considerable amount of funds for the rubber industry. In Britain alone, 260 rubber companies were floated between 1903 and 1912 to acquire plantations in Malaya. By the end of the first decade of the twentieth century, the proprietary estates had mostly disappeared, their owners having taken up fully-paid up shares in the new companies as part of the sale price.

It was usual for the agency houses to be appointed managing agents and/or secretaries to the Board of Directors of the new plantation enterprises, while the original proprietors were appointed managers. The agency houses also expanded their networks to Sabah and Sarawak and East Sumatra. Some of the prominent agency houses were Guthrie and Company, Adamson Gilfillian, Paterson Simons, Harrisons & Crosfield, Barlow and Company, Sime Darby and the Borneo Company. These firms earned agency management fees; received commissions on the sale of rubber and tin and supplies to both mines and plantations; and were also involved in labour recruitment.

There were, in addition, other sources of investment in rubber. By 1908, approximately 30 companies with capital in Straits dollars had been registered in Singapore and Penang. Although a number of these were subsequently refloated with sterling capital, this sector continued to expand. Capital also came from other European countries, Shanghai, Japan and Australia. Other entrants in rubber production included large imperial rubber-producing companies, the largest of which was the Dunlop Rubber Company, which had started out as a pneumatic type manufacturing company. By 1936 the cumulative value of new issues on the London market for this purpose was estimated at £38.8 million (US$187.8 million), corresponding to one-half of all FDI in Malaya at the time (Lindblad 1998:85).

The expansion in FDI coincided with rubber acreage and output. By 1910, approximately 225 000 hectares were planted with rubber on the Peninsula, and by 1921, this figure had risen to 891 000 hectares. This accounted for 53 per cent of the total planted area in South and Southeast Asia (Drabble 2000:53). Malayan rubber exports also rose from 6500 to 204 000 tonnes between 1910 and 1919 (Drabble 2000:54).

The effort required to establish and maintain such an immense productive area required an extremely large workforce, and government intervention in the mobilisation of this workforce was crucial to the success of the rubber industry in Malaya.

Recruitment policy and labour systems

An understanding of recruitment mechanisms and policy is essential to our study of labour systems in the plantation sector. Here, two considerations were important. The first was the mobilisation of a planned and regulated migrant labour supply while the second was to avoid over-dependence on one foreign racial group. Thus colonial authorities in Malaya advised employers to follow a diversified workforce recruitment policy:

> To secure your independence, work with Javanese and Tamils, and, if you have sufficient experience, also with Malays and Chinese, you can then always play the one against the other … In case of a strike, you will never be left without labour, and the coolies of one nationality will think twice before they make their terms, if they know that you are in a position that you can do without them (Jackson 1961:438).

Consequently, workers for plantations were predominantly recruited from three racial groups: Indian, Chinese and Javanese. Each group was hired under a different labour system, consistent with economic conditions in the source countries and their political relationships with Britain and the expectations of the workers. Indians went to Malaya as assisted labour and were directly employed under indenture, or were recruited through intermediaries known as *kangani*, or as free wage labour. Their transition to 'freer' wage labour thus underwent several phases in the period prior to World War Two (Kaur 1998a). Chinese workers were largely unassisted free labour recruited through intermediaries known as contractors, and were thus hired indirectly. Javanese were hired directly through the mechanism of the indenture contract and under special arrangements with the Dutch colonial government in Indonesia. They had written employment contracts, a requirement imposed by the Dutch, to protect them against excesses by employers.

Of the three, Indians were the preferred workforce. Although Chinese workers were hardworking and available in large numbers, they were not as cheap as Indian workers. The British also feared that a greater influx of Chinese could pose a potential social and political threat in Malaya. Moreover, they could only be hired through contractors who organised the labour gangs. Chinese also had a long tradition of group solidarity and society organisation and were constantly bargaining for higher wages. Planters preferred a more docile labour force. To quote Sandhu, the South Indian peasant was regarded as

> … malleable, worked well under supervision, and was easily manageable. He was not as ambitious as most of his northern Indian compatriots and certainly nothing like the Chinese … he was the most amenable to the comparatively lowly paid and rather regimented life of estates and government departments. He had fewer qualms or religious susceptibilities, such as aversion to crossing the dreaded *kala pane* and food taboos … and cost less in feeding and maintenance (1969:56).

South Indians could also be recruited without problem because India was under the same imperial government. Equally, South India's proximity to Malaya was an additional consideration in favour of Indian labour. Moreover, poverty in South India, resulting from the agrarian crisis in the Madras Presidency due to pressure on land, climatic conditions, and unemployment, was an important push factor. An added bonus was that South Indian docility fitted well into the dependent relationship between management and employee. The dominant motive of the European planters was to retain the greatest degree of control possible over the work force. Unfortunately, South Indians lacked funds for spontaneous mass migration and, from the start, the recruitment of Indian plantation labour was both regulated and sponsored by the colonial administration.

Indian labour recruitment in the nineteenth and twentieth centuries

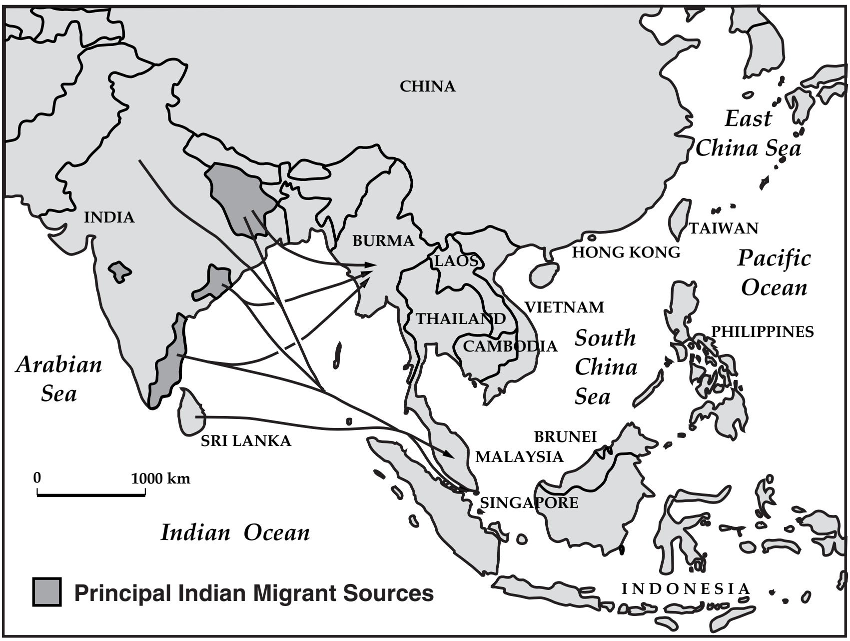
Prior to the rubber boom in the first decade of the twentieth century, South Indians had been recruited for sugarcane and coffee plantations in Malaya. These workers came as assisted labour under two main recruitment mechanisms – indenture and *kangani*. Indenture was more important in the sugarcane plantations in the first half of the nineteenth century. It gave way to *kangani*-assisted labour in the coffee plantations in the second half of the century. Rubber planters relied on both these recruitment systems to hire Indian labour.

Under the indenture recruitment system, employers engaged the services of one of the labour recruitment firms in Negapatnam or Madras (South India), or sent agents to South India to recruit labourers directly. The agents advanced money to persons wanting to emigrate to Malaya, the advance being conditional on the intending migrants signing a contract. They were then deemed to be under indenture to their employer for a fixed period, varying from three to five years. When their period of indenture was completed, they could be re-indentured for a further period or released from indenture, provided they had paid off the expenses incurred in their recruitment. Wages were fixed at the time of recruitment and were not negotiable. The employer was responsible for all recruitment charges; the expenses involved in the transportation of workers; and workers' wages were calculated after deducting this initial outlay (Kondapi 1951:8–29).

The expansion of coffee cultivation necessitated an enlarged labour supply and conditions of service (passage, accommodation, remuneration), had to be improved to attract labour. In 1877 the *Straits Settlements Ordinance No.1* (also known as the *Indian Immigrants Protection Ordinance* of 1876, or the *Indian Act No.5* of 1877) was enacted to regulate indentured labour migration to Malaya. The ordinance set out the principal terms of the labour contract and labour conditions. Wages were fixed at 12 cents a day, and not more than Straits $1 in any one month could be deducted in repayment of advances. The working week was fixed at six days, and no more than ten hours of work a day, or more than six hours without a break (Jackson 1961:62–3).

Subsequently, following complaints from Straits officials and planters that the Ordinance was too restrictive, the Indian Government repealed the 1877 legislation in 1881, effectively removing all restrictions on emigration. In 1884 a new law, the *Indian Immigration Ordinance*, was passed in the Straits Settlements to replace the previous legislation. Under this new legislation, an Indian indentured labourer was not required to sign a contract until his arrival in the Straits Settlements. Subsequently, in 1887 the Straits Settlements and several Malay States governments agreed to provide a steamship subsidy to transport Indian labour migrants to Malaya. The Indian government was also persuaded to take measures to encourage emigration to Malaya. At the same time recruitment regulations were modified to break the monopoly of the Indian recruiting agents. Another measure implemented to facilitate emigration was the establishment of labour depots for receiving and processing Indian emigrants in southeast India (Jackson 1961:69). Indian migration flows to Southeast Asia are shown in Map 4.1.

Demand for labour continued to outstrip supply and planters developed an alternative recruitment system through the *kangani,* under which



Map 4.1 Indian Migration Flows

emigrants arrived in Malaya relatively free of debt. The *kangani* system was essentially one of personal recruitment and rapidly took over as the main supplier of labour, coming under the control of the Indian Immigration Committee in 1907 (see below). The word *kangani* means overseer or foreman in Tamil, and under this system, the *kangani*, usually a labourer already employed on the plantation, was sent by his employer to recruit workers from his village. This system was preferred by planters because of the lower costs involved in sending a *kangani* to recruit labour, compared with the cost of indentured labour obtained through recruiting agencies. Moreover, the monopoly of Indian recruiting firms, which were believed to be responsible for restricting labour supply, was broken. The *kangani* system also appealed to the planters because the prospect of absconding was less likely compared with the indenture system, especially since the *kangani* usually had a vested interest in ensuring that the labourers did not abscond. The *kangani* was not only a powerful intermediary, but also received ‘head money’ for every day worked by each worker, which he stood to forfeit if the worker absconded (Sandhu 1969:101).

The *kangani* related to the labourer as shopkeeper and moneylender, and the labourer was frequently indebted to him, often unable to repay his debt. Arudsothy argues that the *kangani* system was a ‘variant of the indenture system, as in effect, the debt-bondage relationship between servant and master still remained, although indirectly’ (Arudsothy 1968:75). The Malayan government, however, considered it to be a major improvement on the indenture system because theoretically, labourers were no longer required to have written contracts, were free workers, and had greater mobility. Nevertheless, the remoteness of plantations and the timidity of the workers precluded this development. *Kangani*-assisted recruitment began to decline in the late 1920s, was suspended during the Great Depression, and was formally abolished in 1938.

Under the indenture and *kangani* recruitment systems, thousands of Indian migrants arrived annually in Malaya. Between 1844 and 1910, about 250 000 indentured labourers came to Malaya (Sandhu 1969:81). The peak of *kangani*-assisted recruitment occurred in the 1910s, when about 50 000 to 80 000 Indian workers arrived per annum. During the period 1844–1938, *kangani*-assisted migration accounted for 62.2 per cent of total Indian labour migration compared with 13.0 per cent of indentured labour migration (see below).

Free wage labour recruitment

A major change in labour recruitment policy occurred in the first decade of the twentieth century when the government established a centralised semi-official body, known as the Indian Immigration Committee (IIC), in 1907 to facilitate and supervise the importation of South Indian labour. The IIC’s activities were strengthened in 1908 when a Tamil Immigration Fund (the name was changed to the Indian Immigration Fund in 1910), with the backing of employers, was started to provide free passages for labourers to Malaya. All employers of Indian labour were charged a quarterly levy to cover the travel and related costs of free Indian labour migration to Malaya. This recruitment of voluntary workers was cheaper than the *kangani* system since intermediaries/recruiters were bypassed. It also meant that the hold of the *kangani* over the worker was diminished. Essentially, this was an inexpensive system of labour mobilisation and it appealed to employers because it kept wage bills down.

Sandhu argues that as a consequence, two distinct types of recruitment systems emerged out of this assisted immigration system. These were the recruited independent labour immigration and non-recruited independent labour immigration. The former involved the assistance of *kangani*, closely resembling the *kangani*-assisted recruitment system. Under this system, licenses were issued to the *kangani* to recruit labourers in their own villages. The main difference between this system and the *kangani*-assisted recruitment system was that the Tamil Immigration Fund was responsible for all expenses incurred by workers on their journey to Malaya. Under the latter system, emigrants volunteered spontaneously and presented themselves at recruitment centres for emigration to Malaya. Thus, under this assisted immigration scheme, the workers came unencumbered and were technically free (Sandhu 1969:103).

During the 1930s government assistance for labour recruitment was deemed inappropriate and the Tamil Immigration Fund was utilised to repatriate unemployed workers. After the Great Depression there was less pressure from planters for a centrally managed labour recruitment system since government-assisted migration was well publicised and most repatriated workers could finance their own return trips.

The changing pattern of recruitment and the breakdown of Indian immigrants by recruitment system are shown in Figures 4.1 and 4.2. *Kangani*-assisted recruitment gave way to free wage labour recruitment in the 1930s. Whereas in 1920 only 12 per cent of Indian workers had not been recruited under officially sanctioned systems, this proportion had increased to over 91 per cent by the 1930s (Thompson 1943:123). The permanent settlement of Indians in Malaya also coincided with the emergence of 'freer' wage labour and the increased recruitment of women workers.

Gender and Indian labour recruitment

As noted earlier, the Indian plantation labour force comprised predominantly single adult males. Married men were discouraged from emigrating because they could not bring their families since wages were low; the payment norm was a single person wage; working conditions were harsh; and accommodation was available for single men only. Nevertheless, there was a small stream of women migrant workers during this period. In the

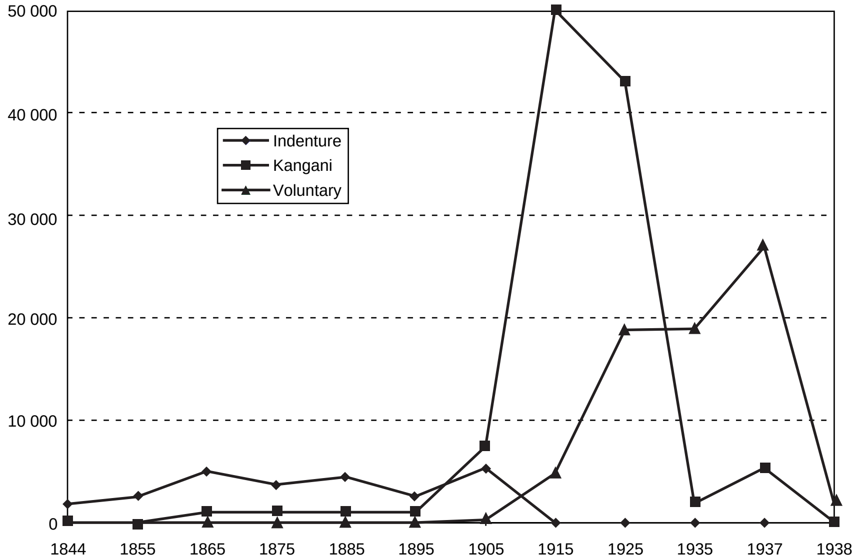


Figure 4.1 Malaya: Assisted and Voluntary Indian Immigration, 1844–1938 (numbers)

Source: After K.S. Sandhu, *Indians in Malaya* (Cambridge: Cambridge University Press, 1969), pp. 306–9.

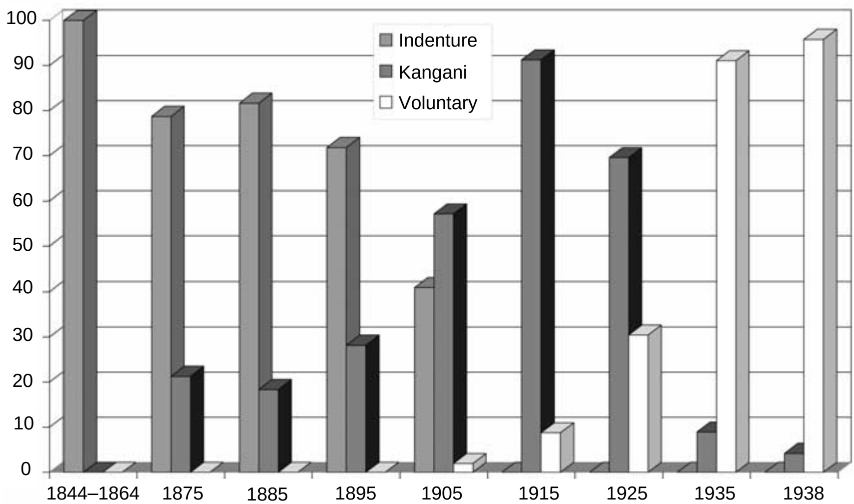


Figure 4.2 Malaya: Indian Labour Immigration by Recruitment System, 1844–1938 (%)

Source: After K.S. Sandhu, *Indians in Malaya* (Cambridge: Cambridge University Press, 1969), pp. 306–9.

nineteenth century, approximately one in 10 Indian migrants was female. Women's work was also considered less important than men's, and this impacted on the gender division of labour on the plantations, resulting in differential wage scales, with women paid lower wages than men.

Workers had to carry out a wide range of tasks on plantations, which included tapping, weeding, sorting of seeds, and general maintenance. These diverse tasks, and agitation for a more stable Indian society on the plantation frontier led to increasing calls for more female labour recruitment in the twentieth century. From the 1920s the Indian government began to focus on the gender imbalance among emigrants and its concerns were embodied in subsequent legislation. By far the most important legislation in this regard was the *Indian Emigration Act* of 1922 and the *Indian Emigration Rules* of 1923 which stipulated that there should be at least one female emigrant for every 1.5 males (Ramasamy 1994:27). Notwithstanding the fact that Malaya was repeatedly exempted from the gender ratio provisions of the above legislation, a striking feature of the *kangani*-assisted recruitment system was the emigration of families. Indeed, female emigration, aimed at improving the sex ratio, was encouraged through the reduction of the assessment paid on women workers. The *kangani* also earned a higher commission for women migrant workers as well as for married couples. In late 1908 employers of new adult labour recruits were paid an allowance of 7s each for males and 8s 2d each for females recruited through a *kangani* and 4s 8d per adult recruited under the aegis of the Tamil Immigration Fund (Voon Phin Keong 1976:244–5). Furthermore, amendments to the Labour Code in Malaya stipulated the provision of rooms for married couples as well as childcare and educational facilities. On arrival in Malaya, voluntary or non-recruited assisted migrants and their families and dependents were provided with free transport to their place of employment and other facilities.

Indian women workers' participation rate in the formal sector (principally rubber cultivation), was proportionately higher than that of the more numerous Malay and Chinese women in the country. This was largely due to the type of economic activity Indians were engaged in, rather than the cultural attitudes or values of Indians. Since wages paid to plantation workers were low, almost all working-age members of families sought employment on the plantation. The provision of childcare centres of some sort facilitated women's participation in the paid workforce. During the period 1911–47, women workers (principally Indian) formed between 9.4 per cent and 32 per cent of the total commercial agricultural workforce (Kaur 1986:5–6).

Increased female recruitment and the migration of families are reflected in the census statistics for 1901, 1911, 1921, 1931 and 1947. The proportion of Indian women in these census years for every 1000 Indian men was: 171 in 1901; 308 in 1911; 406 in 1921; 482 in 1931 and 637 in 1947

(Ramachandran 1994:32). These statistics also explain the increasing trend towards permanent settlement by Indian labour by the 1930s. With increased female migration, more children also arrived in Malaya, and by the 1920s women accounted for 30 per cent of all arrivals from India. More children were also born in Malaya and raised locally, contributing to the transition towards permanent settlement, and the availability of a pool of workers. Hence, job possibilities for women on plantations and elsewhere, the provisions of the 1922 *Emigration Act*, the *Emigration Rules 1923* and the establishment and reconstitution of families, led to greater permanent Indian settlement in Malaya.

Chinese labour recruitment and policy

As noted in the preceding section, European planters and the colonial administration looked mainly to South India for their labour supply. The boom in rubber prices in 1909 and 1910, which coincided with the abolition of Indian indentured labour, worried planters who feared that an adequate and continuous labour supply could not be maintained. They therefore turned to labour recruitment from other sources in Asia, particularly China and Java.

In the early twentieth century there were three main mechanisms used to recruit Chinese labour. The first was the credit ticket/indenture contract. The second involved recruitment by returned emigrants (*kheh-tau/ketou*) or headman. The third recruitment avenue was through the medium of the professional recruiter. Under the second recruitment system, the returned emigrant or headman (known as *kepala* in Malay), recruited workers in his own village among people known to him. He accompanied his new recruits (*sinkeh/xinke*) to their final destination in Malaya. He then handed them over to a particular employer for whom he had acted as agent. In some cases he was also the labour recruits' headman (not unlike the *kangani*), on the mines and plantations. In subsequent years he often became a labour contractor or employer himself, organising a labour gang and moving to areas where there were employment opportunities.

The professional recruiter was usually also a returned emigrant who recruited workers in his own village on behalf of lodging houses located in specific Chinese ports (see Chapter 3). He either transferred the new recruits to the ports or accompanied them there. The lodging houses, which acted as labour brokers, shipped the recruits to Malaya where they were met on arrival by their agents. The agents then transported them to employers or labour contractors. Irrespective of the recruitment avenues used, the migrant workers had their travel costs and other expenses paid for them and arrived in Malaya already indebted to their future employers. The employers recovered their outlay through monthly deductions from workers' wages. The main difference between the indenture contract system and recruitment through an intermediary was that indentured migrants normally signed written contracts in accordance with the provisions of the *Chinese Immigration Ordinance* of 1877. These written contracts were registered with the Protector of Chinese. However, a large number preferred verbal contracts to written contracts. Whether bound by written or verbal contracts, the labour recruit was not considered free until he had paid off his debts. Workers recruited through intermediaries had no formal contracts.

The Planters' Association of Malaya (PAM) subsequently formed a committee to look into the question of Chinese labour recruitment. The committee considered several options, one of which entailed the establishment of a bureau in South China for labour recruitment. Other options included recruitment from Singapore and utilising the services of European recruiting firms. The planters wanted the colonial government to assume responsibility for labour recruitment and establish an official agency in South China that would be funded through fees charged to employers (somewhat similar to the *kangani* system). However, China was not under British imperial rule and Chinese officials wanted indentured labour to be banned.

Most of the negotiations between PAM and the colonial administration came to nought and planters were advised to recruit labour utilising the services of the *kheh-tau* or labour contractors. In 1923 a Chinese Labour Advisory Committee was appointed to advise on Chinese labour matters and labour recruitment, but again no scheme eventuated. The main avenues for Chinese labour recruitment, therefore, continued to be through the *kheh-tau* and professional recruiters (Parmer 1960:91–3). Thus, Chinese labour recruitment for the plantation industry was done through intermediaries and the contractor system was the main channel for such recruitment. Although this system of recruitment implied the employment of free labour as opposed to indentured labour, Parmer argues that the abolition of legally enforceable indentures appeared to have 'made the labour contractor more important' and powerful. He became both legally, and in practice, an employer of Chinese labour and served as an intermediary between the labour gang and European planters. This system of indirect recruitment meant that the contractor assigned the work tasks, and paid the wages of the workers. He also provided *kongsi*-style housing and food and other provisions to the workers. Workers were not allowed to leave until they had paid off their passage costs and associated debts to the contractor (Parmer 1960:99–101).

Another group of Chinese wage workers came under the category of non-recruited and non-assisted workers. These represented the 'true' free wage workers compared to the other workers. Most of them joined contractors' labour gangs or preferred to work on Chinese-owned plantations only. This group of workers was small compared to the category of assisted labourers. Additionally, between 1934 and 1938 there was an increase in female Chinese migrants and most of them were employed in contractors' gangs. Parmer also notes that there was a high probability that these women migrant workers were also indebted to labour brokers (Parmer 1960:103). Briefly, therefore, the absence of open, regulated recruitment procedures for the Chinese meant that Chinese plantation labourers, though theoretically free wage workers, were encumbered compared to Indian plantation workers who came under regulated and assisted recruitment procedures.

Javanese labour recruitment and policy

Several British administrators in the western Malay states had long recommended Javanese labour for agricultural work and had lobbied for Javanese recruitment. Javanese labour was also recruited in Johor by the Sultan and worked alongside Malay labour on the construction of two short railway lines in the late nineteenth century (Kaur 1985:28). The assumption was that the Javanese had cultural and religious affinities with the Malays and would find it easier to assimilate with local Malay society. Subsequently, as rubber prices soared the Malayan colonial authorities enacted legislation pertaining to Javanese labour migration in 1908 and 1909 at the behest of European planters. This legislation was based on a Dutch colonial ruling of 1877 that prohibited the emigration of skilled and unskilled Javanese workers outside Indonesia, except under special circumstances. Moreover, recruitment could only be carried out in Java and Madura (Jackson 1961:127). The legislation for Javanese labour recruitment was modelled on legislation passed in 1904 to regulate South Indian indentured labour recruitment and stipulated that Javanese labour be hired on indenture contracts. The 1904 legislation thus governed Javanese labour recruitment as well, and remained in force until 1932 without any significant amendments. Unlike Indian and Chinese indentured labour, which had been banned in 1910 and 1914 respectively, Javanese indentured labour continued into the 1930s for two main reasons. First, the Dutch colonial authorities in Indonesia (who also relied heavily on Javanese indentured workers) favoured the retention of indenture because employment contracts could be regulated and excessive abuses avoided. Second, the numbers involved were small, abuses were rare and did not raise an outcry among concerned groups (Parmer 1960:108–9).

The colonial government, however, did not establish recruitment procedures to oversee Javanese recruitment and immigration. Planters therefore had to obtain approval from the Dutch authorities before they could recruit labour, utilising private European recruiting firms in Singapore. The high costs involved led to personal representation to the Dutch Governor-General by planters for a scheme similar to the IIC and Tamil Immigration Fund. This was disallowed, and although they received permission to establish their own recruitment firm, Javanese workers continued to be hired through the agency of private firms.

Javanese plantation workers in Malaya were employed under the 1909 *Netherlands Indian Labourer Protection Enactment*, which regulated the importation of Javanese contract workers and, at the same time, aimed at providing protection and safeguarding workers from maltreatment and exploitation. The Enactment's stipulations included labour standards and the duration of contracts. Malayan planters wanting to recruit Javanese workers had to apply for a permit to the Dutch Governor-General through the offices of the Dutch Consul-General stationed either at Penang or Singapore. Following receipt of the permits, they had to utilise the services of professional recruiters licensed by the Indonesian colonial government to obtain these workers. This process was time-consuming and most planters turned to European firms in Java to recruit workers.

Javanese labour recruitment was thus regulated by the Dutch colonial authorities, and Javanese workers could only be hired through licensed recruiters, who in turn had to provide accommodation for labour recruits both at the place of recruitment and at the port of disembarkation. In addition, recruiters could not charge the labour recruits for expenses incurred during the journey, including food and medical costs. Planters thus had to cover all these costs in addition to the recruitment fees. Some workers were hired from the *coolie* depots in Singapore where Javanese workers were housed en route to East Sumatran plantations. These workers signed indenture contracts in the presence of the Protector of Chinese and went to Malaya rather than Sumatra. But their numbers were small. On the whole, the process was unsatisfactory because recruiters were paid on the basis of the number of labour recruits and they often delivered 'unsatisfactory' recruits (Shamsul Bahrin 1965:64). Consequently, it appears that Javanese labour was primarily hired during periods of Indian labour shortages only. In 1927, the Dutch colonial authorities began negotiations with the Malayan authorities for the abolition of Javanese indentured labour, which was finalised in 1932 with the abrogation of the 1909 *Netherlands Indian Labour Protection Enactment*. Subsequently, attempts were made to recruit free Javanese labour through the services of Javanese workers resident in Malaya, but this had limited success.

The ethnic composition of the plantation labour force in the FMS for the period 1907–38 is shown in Table 4.2. South Indians comprised between 66 to 80 per cent of the labour force over the 31-year period. The number of Chinese and Javanese workers employed normally increased when it was difficult to recruit Indian workers: for example, just after the abolition of Indian indenture, and during World War One.

Labour standards: wages and conditions of work

Institutionalised Indian, and non-regulated Chinese, labour recruitment enabled both the state and employers to manipulate a key factor of production, depending on their immediate requirements. Consequently,

Table 4.2 Malaya: Breakdown of FMS Estate Labour Force by Ethnic Group, 1907–38

Year	*Indians*	*Chinese*	*Javanese*	*Others*	*Total*	*Indians as percentage of labour*	*No. of estates*
1907	43 824	5348	6029	2872	58 073	75.5	287
1908	43 515	6595	4999	1961	57 070	76.2	300
1909	55 732	12 402	6170	2778	77 524	71.9	n.a.
1910	n.a.	n.a.	n.a.	n.a.	128 446	–	n.a.
1911	109 633	31 460	12 795	12 127	166 015	66.0	711
1912	n.a.	n.a.	n.a.	n.a.	188 050	–	n.a.
1913	142 476	25 081	12 197	8496	188 250	75.7	n.a.
1914	120 144	24 000	10 115	7120	161 379	74.4	n.a.
1915	126 347	27 446	8356	8592	170 741	74.0	719
1916	138 295	42 831	7485	7496	196 123	70.5	797
1917	148 834	55 240	7746	8902	220 758	67.4	920
1918	139 480	46 372	8249	7821	201 954	69.1	1003
1919	160 658	61 089	7861	7492	237 134	67.7	1087
1920	160 966	40 866	8918	5808	216 588	74.3	1105
1921	121 644	25 712	5732	3353	156 341	77.8	1001
1922	122 589	27 575	4906	3724	158 794	77.2	1052
1923	121 463	31 957	4791	4894	163 105	74.5	1204
1924	119 242	30 884	4516	4715	159 357	74.8	1068
1925	137 761	37 879	4165	4549	184 354	74.7	1206
1926	176 114	61 064	4760	4822	246 760	71.4	1403
1927	172 466	44 239	4550	3963	225 218	76.6	1421
1928	162 460	50 647	5149	4788	223 044	72.8	1509
1929	181 205	65 617	5316	6642	258 780	70.0	1651
1930	132 745	30 860	3665	2411	169 681	78.2	1757
1931	104 767	32 916	2464	2357	142 504	73.5	1800
1932	90 003	31 349	1920	2328	125 600	71.7	1912
1933	96 138	35 188	2207	3318	136 851	70.3	2030
1934	119 443	40 305	2521	4153	166 422	71.8	2178
1935	118 591	29 950	1941	2658	153 140	77.4	2345
1936	123 595	30 760	1924	2979	159 258	77.6	2419
1937	155 725	37 200	2371	3823	199 119	78.2	2519
1938	137 353	28 925	1762	2892	170 932	80.4	2388

Source: J.N. Parmer, *Colonial Labour Policy and Administration*: *A History of Labour in the Rubber Plantation Industry in Malaya* (Locust Valley: New York, J.J. Augustin for the Association for Asian Studies, 1960), p. 273.

plantation workers, like other wage workers, possessed very little bargaining power. Demand for labour varied with the widely fluctuating price of rubber. There was a sudden drop in the employment of Indians on estates in 1920–21, and of nearly 100 per cent in 1930–32, prior to an increase of 61 per cent in 1933–34, as shown in Table 4.2. When there was a prolonged depression, as in 1930–33, a large proportion of the labour 'surplus' was shipped back to India under the aegis of the Tamil Immigration Fund. This meant that labour unrest and the cost of unemployment relief were largely avoided by the state.

In the case of the Chinese, the abolition of Chinese indentured labour in 1914 meant that there was hardly any legislation to deal with Chinese immigration. Moreover, there were no restrictions on the entry of Chinese migrants prior to 1928. In 1928 the colonial administration enacted new legislation, the *Immigration Restriction Ordinance*, to regulate immigration consistent with the depressed economic conditions in the country. This was followed by the imposition of a monthly quota on Chinese male migrants from August 1930 as unemployment rose, coinciding with the closure of tin mines and plantations and the worsening of the economy. Subsequently, the *Aliens Ordinance 1933* (which replaced the *Immigration Restriction Ordinance*), came into force in January 1933 to stem the flow of male Chinese migrants by regulating their entry and registering them. Practically all business concerning Chinese immigration was transferred from the Chinese Protectorate to the new Immigration Department. (The Chinese were regarded as aliens, unlike the Indians, who were considered British subjects). Chinese women migrants, however, were allowed to enter Malaya. Quotas on male Chinese migrants continued, and in 1938 quotas were also introduced for female Chinese migrants. Migration practically ceased during World War Two. The fact that the plantation labour supply could be manipulated either through the Tamil Immigration Fund or through immigration controls was to have important implications for the wage structure on plantations.

Wage policy for Indian labour

From 1923 wages for Indian workers were calculated on the basis of a standard budget that took into account the costs of foodstuffs, clothing, festival preparations and household equipment, as shown in Table 4.3. The wage structure was determined by plantation interests in consultation with colonial authorities and covered the maintenance component of the labour costs. Most Indian labourers worked for a fixed daily wage. The key difference between Indian and Chinese workers' wages was that Indian workers' wages were centrally determined. Initially, the 1884 Straits Settlements Ordinance stipulated wages for Indian labourers on three-year contracts. Later the IIC prescribed standard wage rates. After 1929, wages were fixed by agreement between the Indian and Malayan governments. The average monthly wage was about \$6.00 in 1910; \$13.90 in 1918 and \$12.40 in 1920. Labour benefits such as housing added a further \$2.00 to \$2.50 per month (Thoburn 1977:285).

As noted previously, the colonial administration in Malaya believed that the successful development of the rubber industry rested on European investment and the availability of sufficient quantities of cheap Indian

Table 4.3 Monthly Budget for Indian Labourers, September 1925 (in Straits $)*

Item	*Quantity*	*Cost agreed upon*
Groceries		
Rice	6 *gantangs*[a] @ 46 cents each	$2.76
Salt	1 ½ *cupak*[b]	0.09
Chilly	½ *kati*[c]	0.14
Coriander	¾ *cupak*	0.08
Tamarind	1½ *katis*	0.18
Dhal	1 *cupak*	0.13
Green peas	1 *cupak*	0.12
White beans	½ *cupak*	0.08
Onion	1 *kati*	0.12
Garlic	½ *cupak*	0.05
Cumin seed		0.05
Mustard		0.06
Pepper		0.08
Tumeric		0.05
Curry stuffs		0.10
Coconut oil	1 bottle	0.30
Kerosene oil, matches		0.14
Betel nut, tobacco		0.75
Bar soap		0.10
Pots and pan, etc.		0.10
Salt fish	1 *kati*	0.06
Mutton	½ lb	
Vegetables	1 *kati*	
Potato	1 *kati*	
Clothes		
Veshties[d]	3	$7.30 per year or 61 cents per month
Upper clothes	3	
Banyans[e]	3	
Cotton cumbly[f]		
Miscellaneous		
Mat and pillow		0.05
Dhoby		0.10
Barber		0.10
Festivals, including temple deductions		0.30

Notes: * In the 1920s and 1930s the Straits/Malayan dollar was worth 2s 4d or about US 58 cents
a *Gantang* is a volumetric measure approximately equal to 5 lbs.
b cupak is ¼ *gantang* *c* kati is 14 ozs *d* *veshties/vashtis* = *dhoti* or *sarung*
e *Banyan* = undershirt *f* cotton cumbly = towel

Source: M. Stenson, *Class, Race and Colonialism in West Malaysia* (St. Lucia: University of Queensland Press, 1980) p. 22; See also *Annual Report Johore, 1932*, p. 26.

labour. Since Indian labour was also required for the construction and maintenance of public works, utilities, and the railway, government was more directly involved in the recruitment, supervision and administration of Indian labour and labour conditions, in consultation with planters and PAM. This collaboration between government and planters is clearly evident from the composition of the Indian Immigration Committee (IIC). This Committee was composed of three government officials (the heads of the Railway and Public Works departments and the Chief Surgeon, FMS) and five European planters representing the organised rubber interests. The IIC members were all appointed by the Governor of the Straits Settlements in his position as High Commissioner of the Federated Malay States (Parmer 1960:39). The main functions of the IIC were to advise government on all matters concerning Indian labour, and to regulate the flow of assisted immigrants according to the requirements of the rubber industry and government. This was to be done through control of the number of recruiting licenses, and the amount of recruiting allowance or subsidy. In 1911, when the Labour Department was created to oversee labour matters, the Controller of Labour became chairman of the IIC. It was only in the 1920s, following representation by the Indian government that two Indian nationals were appointed to the IIC. Heussler asserts that the organised rubber interests – the Planters' Association of Malaya (PAM) and the Rubber Growers' Association (RGA) – 'occupied positions not unlike those of similar ones in Britain and America, powerful combines that dealt with the government on equal terms or better …' (Heussler 1981:176).

History of wage determination

In the late nineteenth century, the wages of plantation workers were determined in accordance with Indian Law. The *Straits Settlements Ordinance 1884* stipulated the following rates for Indian labourers on three year contracts: 12 cents a day for the first year and 14 cents a day for subsequent years for adult males; eight cents a day for the first year and 10 cents a day for subsequent years for females and males under 21 years of age (Arasaratnam 1970:57). The higher rate, however, was not to be paid until the worker had paid off his debt to his employer (transport and other costs incurred on his journey to Malaya). Employers were also required to supply the worker with food and groceries at wholesale prices owing to the fact that plantations were in remote areas.

Where working conditions were concerned, an indentured labourer had to work six days a week. If he worked for the full six days, he was eligible for a paid day off on the seventh. The working day was limited to six consecutive hours and could not exceed more than nine hours a day. These conditions governing hours of work were retained in all subsequent statutes, including the Labour Code of 1923. Non-indentured workers earned higher wages than indentured workers, though there were variations between the different states (Parmer 1960:171–2). Employers were also allowed to deduct wages for infringement of contracts. Indeed, freedom of movement of workers was hedged around legal constraints carrying fines (which added to constant indebtedness) and imprisonment. Planters also utilised various practices of dubious legality to avoid paying contract rates. Moreover, while the legislation provided for wage determination and laid down the number of working days a week, it did not take into account the well-being of the workers and failed to alleviate the poverty and misery experienced by them (Jackson 1961:61, 67).

When the indenture contract system was abolished in 1910, wages on the plantations were freed of direct government control. Nevertheless, since labour supply could be manipulated through the centralised recruiting system, it was still possible to influence wage rates. Consequently, both government and planters, preoccupied with an abundant supply of labour, continued the practice of calculating wages on the basis of individual subsistence. Labour mobility within Malaya was further restricted by the provision of employer-owned housing, thus ensuring that wages remained close to subsistence level, and bore little or no relationship to rubber prices or company profits. As Stenson argues '… until the Japanese Occupation, the [rubber] industry insisted with considerable success that South Indian wages should be reduced when profits fell, but should be increased only in relation to rises in the cost of living' (1980:23). Planters also kept down labourers' cost of living by operating their own estate shops where basic necessities (for example, rice) were sold at wholesale prices. More importantly, workers were encouraged to grow their own vegetables and keep poultry and livestock (personal communication, A. Navamukundan, NUPW). Consequently, wage rates were just sufficient to induce migrants to immigrate to Malaya, and were not revised upwards when rubber prices rose.

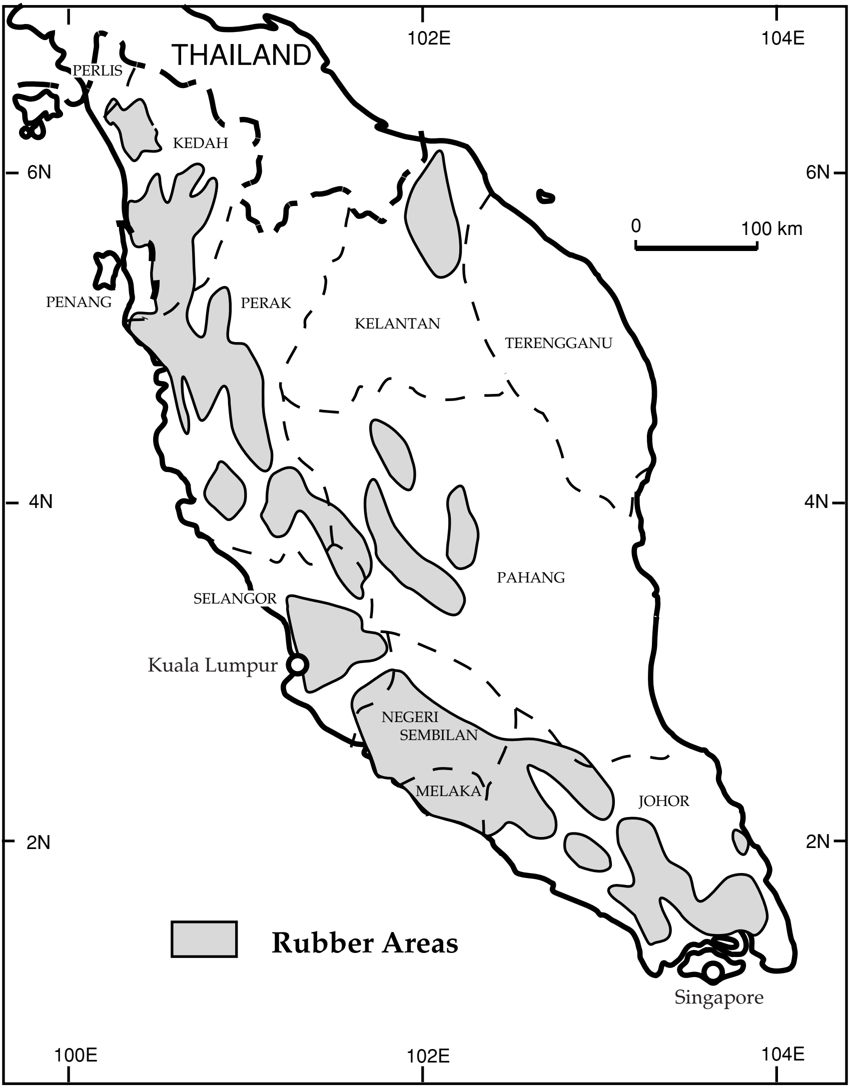
In 1920 an anticipated rise in the price of rubber and the necessity to obtain a larger labour supply led to the appointment of a representative committee (the General Labour Committee [GLU]) to investigate these issues. It was generally accepted that the standard of living of Indian workers had not improved because of an increase in living costs and a fall in the exchange value of the rupee in relation to the dollar. Malaya had also become less attractive to Indian migrants. The GLU subsequently appointed an executive committee to investigate the wage issue more systematically. This executive committee made the following recommendations: the introduction of a minimum wage; that employers sell rice to workers at below cost; and that differential payment rates for different districts be abolished to allow employers to act collectively. The committee also endorsed the principle of the remuneration systems being based on good work attendance. Other recommendations included the provision of housing and schools on plantations; the payment of maternity allowances and the like. Some recommendations were accepted but the fall in rubber prices meant that most recommendations were shelved.

In 1922 there were detailed negotiations between the Malayan and Indian governments regarding the terms under which Indian emigration to Malaya would be permitted under the *Indian Emigration Act* of 1922. As a result, the Malayan government agreed to a suggestion by the Indian government that the principle of a standard wage (as opposed to a minimum wage) be fixed in law. The FMS government then empowered the Indian Immigration Committee to prescribe a standard rate of wages. The Indian government also recommended the inclusion of social security concerns to provide for savings, sickness and old age (Parmer 1960:175–85).

The Indian Immigration Committee held seven wage enquiries to prescribe standard wage rates between 1924 and 1930. During this period, a new dimension was introduced in labour differentiation based on the geographical location of the plantations. This was in addition to the previous differentials in wages based along the lines of gender, age and job classification. The country was divided into two geographical categories: key areas and non-key areas: Key areas included 'well'-located districts on the western half of the peninsula. These were relatively 'healthy' areas where the cost of living was relatively low. Non-key areas included, for the most part, inaccessible areas in the interior, such as in the state of Pahang, and other districts on the eastern part of Malaya where the cost of living was higher (see Map 4.2).

In the key areas, recommended wage rates at the 1924 hearing were 35 cents per day for males and 27 cents for females. At the 1925 hearing, these amounts were raised to 40 cents and 30 cents respectively, and increased to 50 cents and 40 cents respectively in 1927. In 1927, the first inquiry for a non-key area or inaccessible district in Pahang was held and recommended wages were 58 cents for males and 46 cents for females (*Annual Reports, FMS*, 1924:9; *Annual Report, FMS*, 1925:9; *Annual Report, FMS*, 1927:9). Despite the differential wage rates according to geographical location, labour mobility remained limited for reasons outlined previously.

Before these wage rates could be fully implemented and extended to other areas, the Great Depression set in and the price of rubber fell. Employers lobbied for a reduction of the standard wage and, following an enquiry in July 1930, the authorities decided to reduce the wage rates in key areas to 40 cents for men and 32 cents for women, and to 47 cents for men and 37 cents for women in non-key areas (*Annual Report, FMS*, 1930:10). As the Depression worsened and rubber prices dropped even further, employers resorted to a reduction in production and wage cuts as well. It has been estimated that wages in 1930 were about 40 cents. They fell to between 25–30 cents at the end of 1931 and were reduced to 20–25 cents in mid-1932. At the end of 1932, they stood at between 25–28 cents (Bauer 1948:225–6). Workers were also repatriated if employers



Map 4.2 Rubber Producing Areas in Malaya

did not wish to pay what was considered a subsistence wage by the Indian Immigration Committee. Employers further depressed wages by paying a proportion of the standard wage – known as morning work wages – for reduced working hours (Arasaratnam 1970:59–60). During this period, therefore, the wage-fixing machinery existed in name only; in practice, wages were freed of formal control.

When the price of rubber began to recover, the Government of India and the Labour Department attempted to apply pressure on employers to increase wages. In fact, the Indian Government bound the demand for a wage increase to the granting of approval for further labour recruitment. After initially resisting attempts to raise wages, planters in 1936 reluctantly agreed to daily wages of 40 cents for men and 32 cents for women, which were still lower than the wages paid before the Depression. As rubber prices rose, wages were returned to the pre-Depression levels of 50 cents and 40 cents coinciding with the ban on assisted Indian labour emigration to Malaya in 1938. Wages for Chinese workers also fell, and there were strikes and violent confrontations with employers by Chinese workers in 1937, which led to some concessions for the workers (see Chapter 7). Overall, wages were slow to recover during the 1930s.

Thus far the discussion has focused on nominal wages. A simple comparison of wage rates for unskilled male workers would involve the calculation of 'rice wages'. The unit cost of rice imported into the FMS between 1900 to about 1918 showed no major change. Subsequently, poor harvests and rice shortages (from 1917) resulted in a tripling of rice prices in 1920. The colonial government subsidised the market price of rice to lessen popular discontent. During this period, it was estimated by the Controller of Labour in Penang that the general cost of living had risen more in 1919 than in the previous four years while wages were only 30 to 40 per cent above 1917 (cited in Drabble 1973:159). Bassino and van der Eng's calculations for the daily rice wages of male unskilled workers (in kilograms of rice) in the mainly urban areas of Malaya (Indian workers were paid the same wages, whether employed on plantations or in urban areas) are as follows: 1913 – 3.3 kg; 1922 – 1.9 kg and 1938 – 6.0 kg (Bassino and van der Eng 2002:10. See also Appendix 1). Although we must take into account the fact that large numbers of plantation workers grew their own vegetables (and even rice during the Depression period), and kept poultry and livestock, the general trend was that real wages fell during the period.

Wage structures and categories

Plantation workers were generally categorised into three groups based on their job/skills classification: namely, factory workers, rubber tappers, and field workers. Factory workers prepared the latex or liquid rubber for initial moulding. Rubber tappers tapped rubber, collected the latex and transported it to collecting stations or the factory. Field workers' duties included various tasks on the estates, but mainly weeding. Of the three categories, tapping was regarded as skilled work while field work was considered unskilled work. Thus rubber tappers received higher wages compared to field workers (Kaur 1999). In addition to this wage differential based on job classification, differentiation also existed on the basis of gender. Indian and Chinese women workers earned less than male workers, normally between

70 to 80 per cent of the male wage. There was also differentiation on the basis of age, with Indian child labourers earning between 30 to 40 per cent of an adult male worker's wage.

The most important wage differential was based on racial group and recruitment system. Chinese plantation workers were paid higher wages than Indian and Javanese plantation workers for three main reasons. First, the Chinese were hired on piece-work rates rather than on a daily basis. They were therefore able to earn more if they worked longer hours. Second, Chinese workers were classified predominantly as skilled workers. Third, planters did not have to provide housing and other benefits for the Chinese. Chinese workers were employed indirectly through contractors while Indian and Javanese workers were employed directly by planters. The contractor supplied food to and housed workers; kept workers' work records; and paid and supervised them.

There were three principal methods of wage payment – check-roll, task and result. The check-roll labourer was paid a fixed daily wage, providing a whole day's work was completed. Under the task method of payment, a worker was assigned a certain amount of work (by law the equivalent of a day's work of no more than nine hours), and paid according to the number of tasks completed. The task of the rubber tapper was fixed at a specific number of trees to be tapped per month. The number of trees varied according to the terrain, distance from the factory, and the height of the tapping cut on the trees. In the category of payment by result, the tapper was also given a task but was paid at so much per pound of dry rubber contained in the latex obtained from the task.

Generally, although Indians and Chinese worked on similar tasks, the former were employed under the check-roll system, whether as tappers or field workers. Varieties of wage payment also included payment based on sliding scales, according to the number of days worked per month. Another sliding scale was based on the monthly average (per pound) price of rubber. This obviated the necessity of wage bargaining with the Chinese, who were usually remunerated on the payment by result method. Consequently, in prosperous times, Chinese labourers' wages usually ranged well above Indian and Javanese workers' wages. Planters justified this wage differential on the grounds that the Chinese were healthier and more hardworking than the Indians and Javanese (Parmer 1960:166–70).

The differential in wage payment among Chinese and Indian workers is shown in Table 4.4.

Briefly, therefore, the payment of significantly different wage rates enabled the colonial state and planters to substitute one racial group for another and manipulate wage rates to suit their needs. As far as Indian workers were concerned, they were denied access to the wider labour market owing to their lack of skills and employment conditions that tied them to the plantations. Additionally, the employment of Indian workers

Table 4.4 Indian and Chinese Rubber Tappers' Daily Wage Rates, Federated Malay States, 1925–40

Year	*Indians (males only)*	*Chinese employed through contractors (males and females)*	*London average rubber prices (per pound)*	
	$ $	$ $	s	d
1925	0.40–0.65	0.80–1.50	2	11
1926	0.40–0.60	0.80–2.00	2	0
1927	0.45–0.60	0.80–2.10	1	6
1928	0.45–0.65	0.70–2.00		11
1929	0.50–0.70	0.70–2.00		10
1930	0.40–0.55	n.a.		6
1931	0.30–0.50	n.a.		3
1932	0.26–0.47	n.a.		2
1933	0.32–0.40	n.a.		3
1934	0.35–0.64	0.40–0.65		6
1935	0.35–0.60	0.40–0.65		6
1936	0.40–0.50	0.50–0.65		8
1937	0.45–0.50	0.75+		10
1938	0.40–0.50	n.a.		7
1939	n.a.	n.a.		9
1940	0.50–0.55	0.70–1.00	1	0

Note: Some employers offered Indian rubber tappers payment by results. The Labour Department reported that wages of such labourers in the mid-1920s ranged between 60 and 90 cents per day. Chinese wage rates were probably the gross amounts paid to the labour contractor and not the net amounts paid to the labourers. Chinese wage rates for 1930–31 were reported as being slightly higher than the rates paid to Indians; for 1932–33, as being practically the same as those paid to Indians.
Source: J.N. Parmer, *Colonial Labour Policy and Administration: A History of Labour in the Rubber Plantation Industry in Malaya* (Locust Valley; New York, J.J. Augustin for the Association for Asian Studies, 1960), p. 277.

as families (especially after 1922) made it difficult for them to uproot themselves from the plantations in search of better working conditions elsewhere. Essentially, they were more of a captive work force compared to other migrant workers. Compared to Chinese workers, Indian workers lacked the tradition of worker solidarity or co-operation, and their isolation on dispersed large units far from urban centres, precluded such co-operation. They thus had little capacity to either organise or bargain for higher wages and it was left to other Indians in the post-World War Two period to lobby on their behalf.

After World War Two, there was a notable absolute and percentage decline in the number of Indian plantation workers. This was due to three main factors. First, many Indians were put to work during the period of the Japanese Occupation by the Japanese. A large number lost their lives or were incapacitated. Second, many Indians returned to India after the War.

Third, as the Indians began to organise after the War, they became less attractive to the European planters who preferred to hire Malay (and Chinese) workers.

The plantation sector in Indonesia (East Sumatra) and Indochina (Western Cochin-China and Southern Annam)

There are good reasons why this chapter has focused on the rubber plantation sector in Malaya. The transition from unfree to free wage labour underwent distinct phases which coincided with globalisation and changes in the world economy and which were also influenced by public outcry in India and Britain against indenture contracts. It is thus essential to separate evidence relating to Malaya from that relating to the rest of Southeast Asia. Nevertheless, a comparison with Indonesia and Indochina, where the transition was more gradual, is relevant to draw out the similarities between these countries, and to explain the circumstances that allowed the continuance of indenture contracts, especially in Indonesia, until the 1930s.

There are striking similarities in the labour systems and recruitment policies of the Dutch and French colonial administrations. These similarities derived from the fact that both administrations, with their much larger populations, had hinterlands external to the plantation areas that served as labour reserves. Colonial administrations were thus able to transfer populations from labour surplus areas to areas where there were labour shortages. The movement of indigenous labourers was also part of a much wider process of economic diversification in these countries. Moreover, both governments also facilitated inflows of foreign migrant workers, but these migration streams were small in comparison to internal labour movements. Additionally, control of the largely internal migrant flow (and foreign migrants) necessitated the introduction of identification systems (peculiar to these countries) to monitor and regulate workers' movements. But there were dissimilarities as well and the two countries are discussed separately to bring out these differences.

Indonesia

The plantation rubber industry in Indonesia expanded rapidly from the mid-1900s. It had a corporate character from the start, drawing capital and management from other European concerns and the Netherlands. The industry, in addition, benefited from managerial experience acquired through cultivation of other crops such as tobacco. Like Malaya, the easy availability of land on favourable terms was critical to plantation development. In Java, the large tracts of 'waste' lands, to which rights of property could not be verified, had come under government jurisdiction following the Agrarian Law of 1870. These lands were made available to principally European estate enterprises under long leases at charges amounting to one to two per cent of total development costs. On the East coast of Sumatra, planters were able to obtain agricultural concessions, under similar but less uniform conditions, from the local Malay rulers with the approval of the colonial government (Pelzer 1978).

The availability of plentiful supplies of labour was also crucial to the successful development of the industry. There was very little official intervention in labour recruitment in Java, except in the prohibition of any form of contract labour. Private enterprises had for years been able to attract casual/temporary workers from nearby villages, who often engaged in supplementary activities on village lands. Wages were set freely by negotiation, reflecting a pre-Ethical policy of allowing small farmers to operate freely in their own sphere, and taking advantage of wage-earning opportunities when the situation arose. In the last two decades of the nineteenth century, a growing labour surplus emerged in Java, consistent with rapid population growth. The island's population increased from 9.3 million in 1850 to 28 million in 1900, and then rose to 60.7 million in 1930 (Boomgaard and Gooszen 1991:105–10). The movement of this surplus labour to Sumatra (and elsewhere) was thus part of the process of economic diversification and a shift in economic activity from Java to the Outer Islands.

During the period 1900–42, a 200-kilometre rubber belt emerged on the east coast, serviced by roads built by the plantation companies and a railway line extended from the Deli Railway system, thus providing access to the ports. In 1925 this plantation belt accounted for almost one-third of the total export value earned by the Outer Islands. Originally specialising in tobacco and then rubber, by 1930 oil palm, fibres and tea were added to the growing list of crops planted there (Houben 1999a:2).

Plantations and coolie labour

As noted above, the availability of labour was basic to the successful development of the plantation sector. The local population was either too small, or as observed by Stoler, 'the native Batak and Malay population could neither be cajoled nor compelled by local and foreign authorities to work for the estates' (Stoler 1995:25). The early tobacco planters thus turned to Penang and Singapore to recruit Chinese workers for the tobacco plantations. These workers, who were recruited through Chinese *coolie* brokers, had their passages paid by the planters and in return were indentured for a specific period at a fixed wage rate. Subsequently, Dutch recruiting firms were established to recruit workers directly from China through the mechanism of the indenture system. These firms also facilitated the recruitment of workers from different regions in southern China, which led to the subsequent breaking down of traditional bonds of kinship and brotherhood. In 1888 the Deli Planters' (tobacco planters') Association (DPU) established an Immigrant Bureau to directly recruit and regulate Chinese labour bound for Sumatra. The Bureau also handled the transfer of workers' remittances to China. Whether recruited indirectly (through *coolie* brokers in Singapore) or directly from China, the workers received cash advances that tied them to their employers under the indenture contract system.

In 1888 directly recruited workers from China totalled 1152 while those recruited by *coolie* brokers totalled 2820. Ten years later, the figure for directly recruited workers was 5105 while the figure for those recruited through *coolie* brokers was 1424. Outward flows were small – 586 in 1888, and 1635 in 1898. By 1902, direct labour recruitment totalled 7181 while only three workers were recruited under the aegis of the *coolie* brokers (Thee 1977:Table 1.11, p. 36).

According to Houben, as forced labour was abandoned in Java with the repeal of the Police Penal Regulation (which penalised a breach of an agreement to work), it was introduced in the Outer Islands. This was principally because rapid population growth in Java had resulted in the closing of the frontier and the emergence of a labour surplus. It was feared that workers who contracted to work and received cash advances would then disappear. Houben argues that the States-General's objective was to protect the large enterprises in Java, and consequently, scattered pieces of legislation were replaced by a system of *Coolie* Ordinances. Initially, the *Coolie* Ordinances were enforced only in East Sumatra but eventually they were introduced to other regions outside of Java (Houben 1999a:13).

The *Coolie Ordinance* of 1889 for East Sumatra was aimed at regulating the legal relationship between employers and workers, as far as this affected people brought in from outside the region in question. Work contracts could only be concluded on the basis of the conditions laid down in the *Coolie Ordinance*, which established a number of obligations for both parties (Houben 1999a:13). The Ordinance, which contained several provisions regarding the rights and duties of employers and employees, specifically gave employers the requisite guarantees to retain workers for the duration of the contracts. At the same time it gave workers the necessary protection against abuses from employers. Briefly, therefore, the Ordinance bound both employers and workers to a written contract, specifying the nature of the task and the payment to be made. The migrant worker was obliged to work on the plantation for a period varying from one and a half to three years (maximum). He was entitled to basic housing, amenities and medical facilities in return for 'time-oriented organisation' of work. At the end of the contract, the worker could either enter into a new contract (be re-engaged) or be repatriated to his place of recruitment at the expense of the planter.

Employers were also required to provide workers with identification cards that contained information on the employment conditions of the contracts. These cards had to be carried by the workers on their persons at all times (Clarke 1923:927–8). According to Houben there was 'a huge imbalance between the protection of the employer's rights and those of the *coolies* … [A] breach of contract … [by the worker] was subject to criminal jurisdiction' (1999a:15). This *Coolie Ordinance* was popularly known as the *poenale sanctie* or penal sanction since it also fixed 'the punishment of the labourer for failure to live up to the terms of his contract' (Fowler 1923:30).

The expansion of rubber cultivation subsequently coincided with labour mobilisation from different sources in Asia. However, it proved difficult to recruit South Indians in large numbers and workers from the Javanese external hinterland became the preferred labour source for several reasons. The payment of daily rates instead of piece rates was one factor. The Javanese were also considered cheaper and less troublesome than the Chinese: they were regarded as docile and thus were deemed easier to manage or control; their transportation costs were also lower (Breman 1989:50–64). The Javanese were also hired under indenture but were not initially covered by the *Coolie Ordinance* since the Ordinance did not apply to Java. This changed after 1900, following the large-scale emigration of Javanese workers.

Javanese labour migration

It is important to place Javanese migration within the Southeast Asian region in the wider context of a long tradition of geographical mobility that was facilitated by network-creating and network-dependent relationships. Through their pilgrimages to Mecca, Javanese had established contacts with networks of pilgrim brokers (Arab sheikhs), who made work and travel arrangements for them for employment in Malaya and Sabah via Singapore. These networks, which subsequently expanded to include Javanese settled in the latter two areas, have contributed to, and continue to contribute to, the perpetuation of Javanese migration within the region today (see Chapter 9). But these networks are only part of the story, both then and now. The strong demand for labour in Sumatra and the other Outer Islands after 1900 necessitated the creation of official machinery to recruit, supervise and transport migrants in order to ensure a steady and reliable supply. These new arrangements were thus either superimposed on, or co-existed with the previous arrangements.

Turning now to the systems of labour recruitment from Java, Houben identifies at least three main systems: recruitment by commercial agencies; 'personal' recruitment by employers through established labourers and intermediaries; and 'free' recruitment. There were variants of these in minor detail, in addition to official government recruitment for Surinam.

Around 1900 two commercial recruitment firms dominated the recruitment of Javanese *coolies*, namely Soesman in Semarang and Falkenberg & De Haas in Batavia. The former's catchment area was Central Java while the latter's was West Java. Subsequently, a third firm, A.F. Hillebrand, was established in Batavia. These agencies relied on three groups in the trade.

These were the recruiters, who were predominantly Europeans; the henchmen; and overseers. The last two made the personal approaches to the inhabitants in both the villages and towns. Prospective migrants were then transported to labour depots (*coolie* sheds) prior to being taken before the local colonial official, in whose presence they were required to sign the work contract. They were then shipped to the plantations in Sumatra and elsewhere. Subsequently, the failure of these agencies to meet the growing demand for workers led to increased 'personal' recruitment by employers themselves. Under this system, an established labourer (*lau-kheh*) was sent to Java to recruit family members and other villagers from his native village. This system, which had striking similarities with the *kangani* system in Malaya, involved the use of overseer intermediaries. A European representative of the planters was installed at both points, that is at embarkation to and from Java, to act as a recruiting agent and supervise the recruitment. Subsequently, at the end of 1910, the Deli Planters' Association (DPU) started the process of labour recruitment through this system. After an initial hiccup (caused by the failure to acquire a recruiting license), a revised Recruitment Ordinance was passed in 1914 which stipulated that only the recruiting agent required a license. Concurrently, the Java Immigration Bureau was established in 1912 to centralise recruitment and recruitment procedures. Four other employers' associations, including the Rubber Planters' Association – the *Algemene Vereniging van Rubberplanters ter Oostkust van Sumatra* (AVROS) – also established their own labour recruiting agencies to recruit labour.

Nevertheless, all five employers' associations subsequently utilised the services of the former Soesman Agency, now called *Algemeen Delisch Emigratie-Kantoor* (ADEK), to recruit workers. Houben states that this system of personal employer recruitment was unable to compete with the commercial recruiting agency. Nonetheless, he adds that since both systems relied on the same henchmen, they were not dissimilar. Under this system of 'free emigration', workers 'migrated on a voluntary basis but were prepared to conclude a work contract with a penal clause' upon arrival at their destination (Houben 1999b:36–7). Moreover, 'free emigration' was subject to less scrutiny by government, since the only stipulation was the possession of a *lulus* letter (certifying letter) by the recruit from the village head, stating that the recruit was from the village; did not have problems with the police; and that his/her recruitment was not opposed by the family. Moreover, the practice of concluding work contracts in Java was gradually abandoned, though certain legalities still had to be observed. Nevertheless, women still continued to be duped into migrating under this scheme (Houben 1999b:38–9).

Under the 'free' recruitment system, the labour recruit entered into a labour contract not in Java, but upon arrival at his/her destination. The migrant thus left Java as a free person, without having to undergo official procedures or depart under a forced labour contract. This system applied mainly to established labourers, *lau-kheh*, who concluded labour contracts without a penal clause for a period of one, two or three years. Houben argues that since this system did not entail the signing of a contract in Java; nor the intervention of intermediaries or colonial officials; and did not include a penal clause, it meant that the recruit was a free worker. He further states that it facilitated permanent settlement and the reproduction of the labour pool. This system also involved the migration of families and was carried out principally by the DPV. The colonial government on its part responded to the challenge by enacting the *Free Recruitment Ordinance* of 1921 (which allowed recruitment outside the jurisdiction of the 1914 Recruitment Ordinance). An important stipulation was that this recruitment was for enterprises and public works designated by the Governor General. By the mid 1920s there were 25 000 'free' *coolies* in East Sumatra who formed about 10 per cent of the total *coolie* population (Houben 1999b:39–42).

What was the role of government in the regulation and supervision of labour migration from Java? The principal recruitment regulations included the *Coolie Ordinances* (discussed earlier) and recruitment ordinances. The first of the recruitment ordinances was the Netherlands *Indian Labourers' Protection Enactment* of 1909, which laid down labour conditions and duration of contracts. The contract period was fixed at between two to four years; and no worker could be compelled to stay longer at a place than stipulated in the contract. Employers were not allowed to deduct an amount from the worker's wages greater than the cash advance given at the time of recruitment. Subsequently, the 1914 Recruitment Ordinance stipulated that recruiting agents had to possess a license and that no work agreements could be concluded with minors (those under 16 years of age) or with married women without the consent of their husbands. Recruitment agencies were also required to establish and maintain depots for receiving workers at the recruitment centres. Another clause stipulated that recruits had to sign a declaration consenting to the main conditions laid down in the contract in the presence of a colonial official. Recruiting agents also had to keep annual records of recruitment including the gender, date of recruitment, and destination of the workers. Workers had to be transported safely to the coastal depots pending their sea passage. All workers were also required to undergo a medical examination at the coastal depot, with the cost of the examination to be borne by the recruiting agent. If the worker passed the medical examination, a medical certificate (in triplicate) was issued with the doctor's signature. The certificate also carried the worker's thumb print and photograph. It thus represented a form of identification of the worker. In addition, no worker was allowed to leave without a legal work contract. This ordinance was amended in 1915, 1920 and 1927 but amendments consisted of changes in detail, not of substance. The ordinance was repealed in the early 1930s, following the abolition of commercial recruitment at the beginning of 1930 (Houben 1999b:32–4).

Supervision of labour relations and compliance with labour contracts by employers/employees came under the purview of the Labour Inspectorate, an agency of the colonial administration. A temporary labour inspector was stationed in East Sumatra in 1904 and in 1908 the Dutch established a Labour Inspectorate for the whole country. This Inspectorate was a branch of the Department of Justice and, subsequently, in 1921 a Labour Office was created within the Department of Justice. The Labour Office was responsible for labour legislation and the collection of statistics (in Java); the Labour Inspectorate (from 1923); and labour unions. While the Labour Inspectorate was entrusted with the task of reporting irregularities and breaches of contract, its role was largely 'preventative' since the Judiciary was responsible for handing down sentences for offences and the punishment of offenders (Houben 1999a:16).

Turning now to the origins for the migrant workers, data on the racial composition of the East Sumatran workers for the period 1883–1930 are provided in Table 4.5.

Table 4.5 Chinese, Javanese, and Indian Workers in East Sumatra, 1883–1930 (numbers)

Year	*Chinese*	*Javanese*	*Indians*
1883	21 136	1711	1528
1893	41 700	18 000	2000
1898	50 846	22 256	3360
1906	53 105	33 802	3260
1913	53 617	118 517	4172
1920	27 715[1]	209 459	2010[1]
1930	26 037	234 554	1021

Note: 1. Pelzer's figures for 1920 differ slightly from Fowler's figures for 1920 (Fowler 1923:33).
Source: Karl Pelzer, *Die Arbeiterwanderungen in Südostasien-Eine wirtschafts-und bevölkerungsgeographische Untersuchung* (Hamburg: Friederichsen, de Gruyter and Co. 1935), p. 105, cited in Thee Kian-Wie, *Plantation Agriculture and Export Growth: An Economic History of East Sumatra, 1863–1942* (Jakarta: National Institute of Economic and Social Research, 1977), p. 39.

Although Chinese dominated in the late nineteenth century, by the second decade of the twentieth century Javanese workers formed the largest group of employees. The increase in the number of Javanese workers, which started in 1913, accelerated during the interwar period, coinciding with a decline in the number of Chinese and Indian workers. This increase was also consistent with the closing of the agrarian frontier in Java from the 1880s. Poverty, lack of opportunities and the absence of rural social security arrangements were contributory push factors.

The majority of the Javanese came from the 'poverty belt of southwest and south-central Java'. Most of the workers originated from the Javanese sultanates of Yogyakarta and Surakarta (within the Purworejo-Kutoarjo-Karanganyar strip and Jombang-Pare-Blitar strip), and were recruited in the three main coastal cities of North Java, namely Batavia, Semarang and Surabaya (Houben 199b:29–30). As noted previously, there were three categories of coolies – contract, 'free' and casual workers. The last group comprised workers recruited from the region itself; who worked for an unspecified period of time; and did not fall under the *Coolie Ordinance*. Their employment position was regulated by the Civil Code and customary (*adat*) law (Houben 1999a:17).

Data on plantation workers by racial origin and employment category (i.e. 'contract' or 'free') are provided in Figures 4.3, 4.4, 4.5 and 4.6.

Prior to a large-scale Javanese labour migration, plantation workers comprised predominantly single adult Chinese males. The number of Indian workers bound for Sumatra was also too small to warrant legislation dealing specifically with female Indian migration. In the case of Javanese workers, female migration was not only encouraged, but women were reported to have been duped into signing contracts and were also used as a lure for the recruitment of male workers. Often they were not allocated any housing and were thus coerced to prostitute themselves in order to survive (Stoler 1985:31). Incidentally, both in Malaya and Sumatra, European and Asian managers had 'first rights' to women workers (see, for example, Fauconnier 1931 and Lulfos 1993). Turning now to the gender breakdown of the workforce, at the beginning of the twentieth century, women comprised between 10 to 12 per cent of the total wage labour force of 55 000 workers (Stoler 1985:31). In December 1920 there were 150 691 male and 61 704 female Javanese wage workers in the Sumatra East Coast Residency. Javanese women thus comprised more than 35 per cent of the total Javanese wage labour force in 1920 (Fowler 1923:33).

As in Malaya, women were paid lower wages than men. In 1894 women workers' wages were half men's wages though this disparity was reduced in the early twentieth century (Stoler 1985:31). According to Lindblad, the wage rate for workers 'remained constant during most of the 1910s'. This was principally due to the superior 'bargaining power' of the employers and the availability of large numbers of young Javanese males. Wages on a first contract were: men US35 cents and women US30 cents per day. On a subsequent contract wages rose by US5 cents for both men and women. There was a fairly steep rise in nominal wages in 1920 (Lindblad 1999:53). In 1920 the wage schedule for first contract workers in the Sumatra East Coast Residency was as follows: US55 cents per day for men and US50 cents per day for women. Re-engaged workers received US60 cents per day for

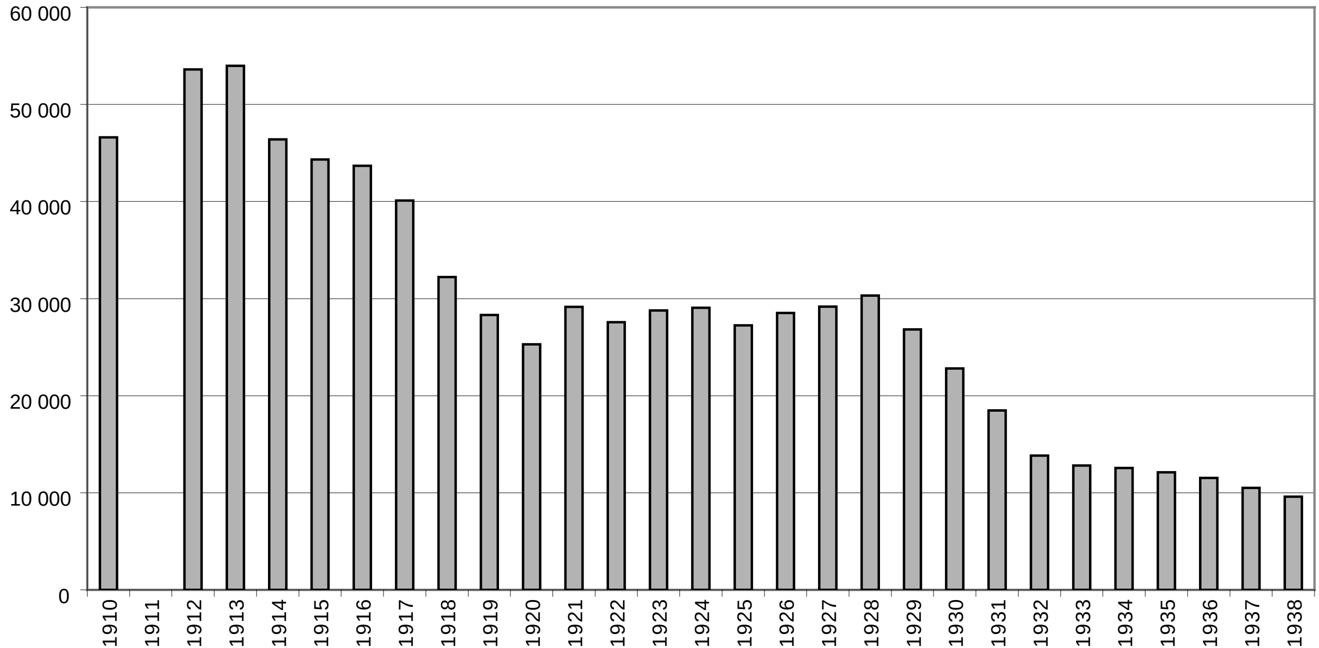


Figure 4.3 Chinese Workers in East Sumatra, 1910–38

Source: J.T. Lindblad, 'Coolies in Deli Labour Conditions in Western Enterprises in East Sumatra, 1910–1938' in V.J.J. Houben, J.T. Linblad *et al.*, *Coolie Labour in Colonial Indonesia: A Study of Labour Relations in the Outer Islands, c.1900–1940* (Harrassowitz Verlag, Wiesbaden, 1999), p. 72.

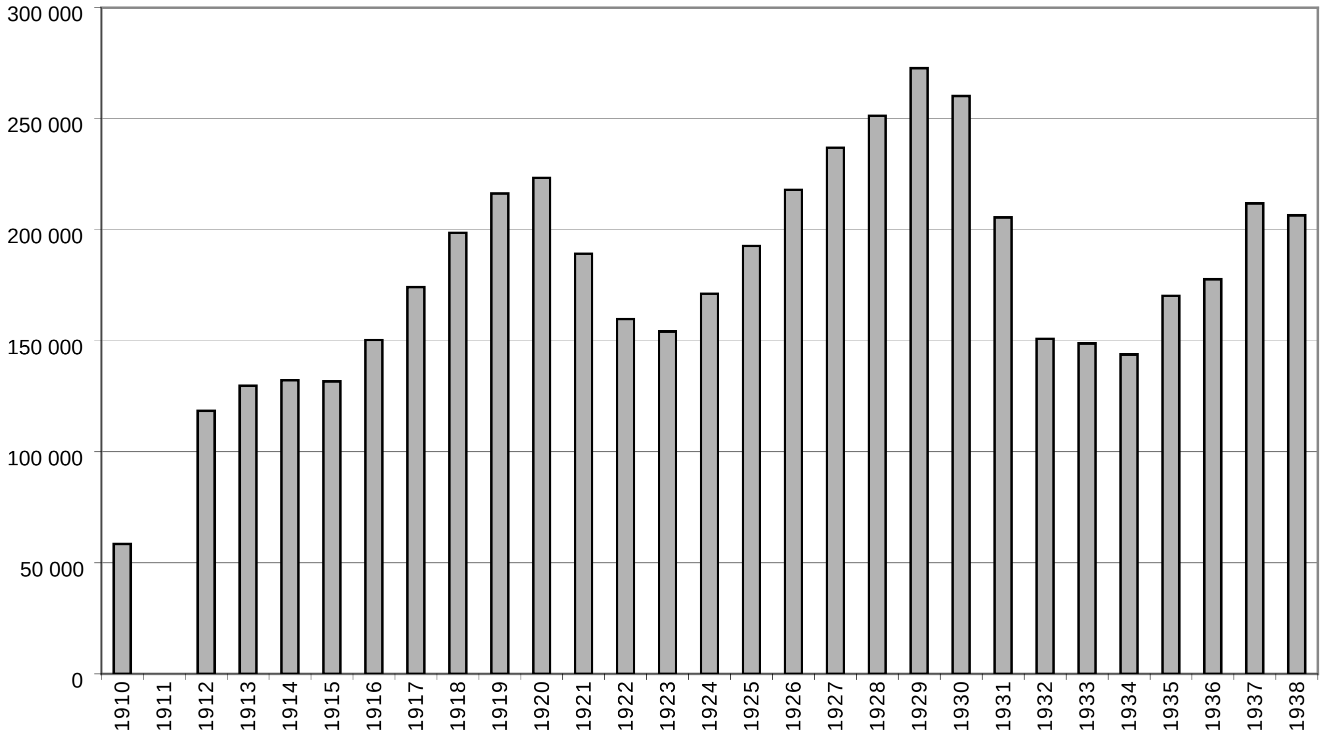


Figure 4.4 Javanese Workers in East Sumatra, 1910–38

Source: J.T. Lindblad, 'Coolies in Deli Labour Conditions in Western Enterprises in East Sumatra, 1910–1938' in V.J.J. Houben, J.T. Linblad *et al.*, *Coolie Labour in Colonial Indonesia: A Study of Labour Relations in the Outer Islands, c.1900–1940* (Harrassowitz Verlag, Wiesbaden, 1999), p. 72.

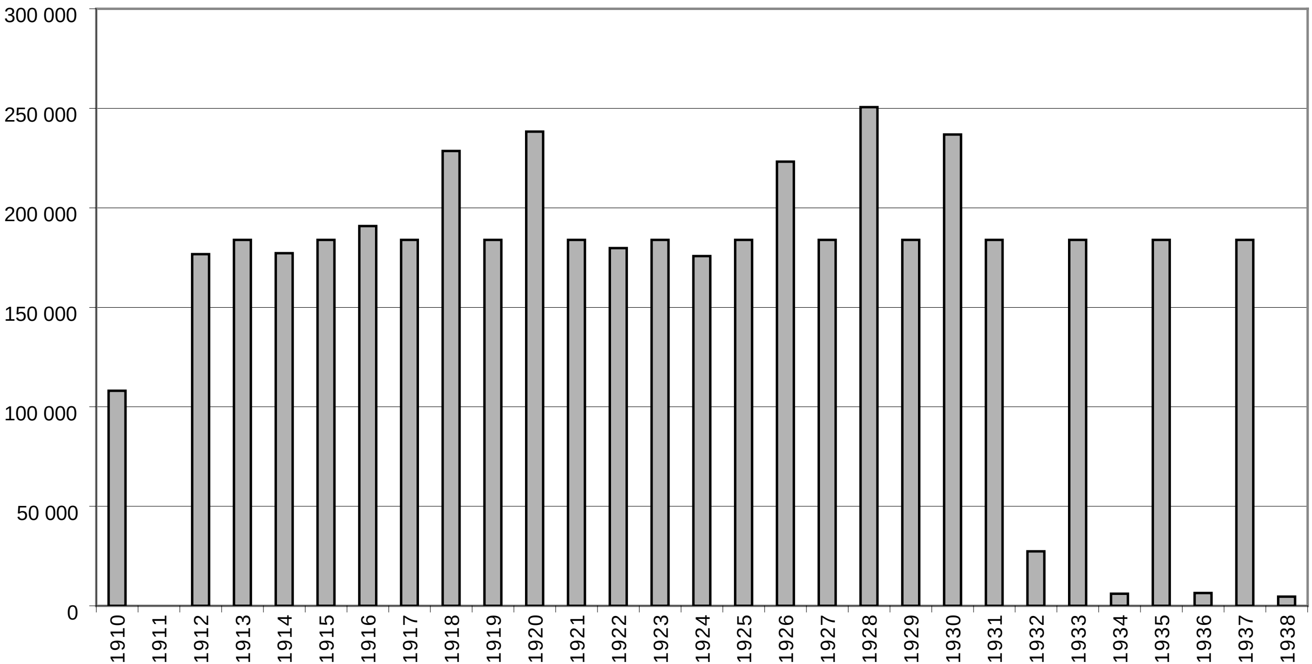


Figure 4.5 Coolie Contract Workers in East Sumatra, 1910–38

Source: J.T. Lindblad, 'Coolies in Deli Labour Conditions in Western Enterprises in East Sumatra, 1910–1938' in V.J.J. Houben, J.T. Linblad *et al.*, *Coolie Labour in Colonial Indonesia: A Study of Labour Relations in the Outer Islands, c.1900–1940* (Harrassowitz Verlag, Wiesbaden, 1999), p. 72.

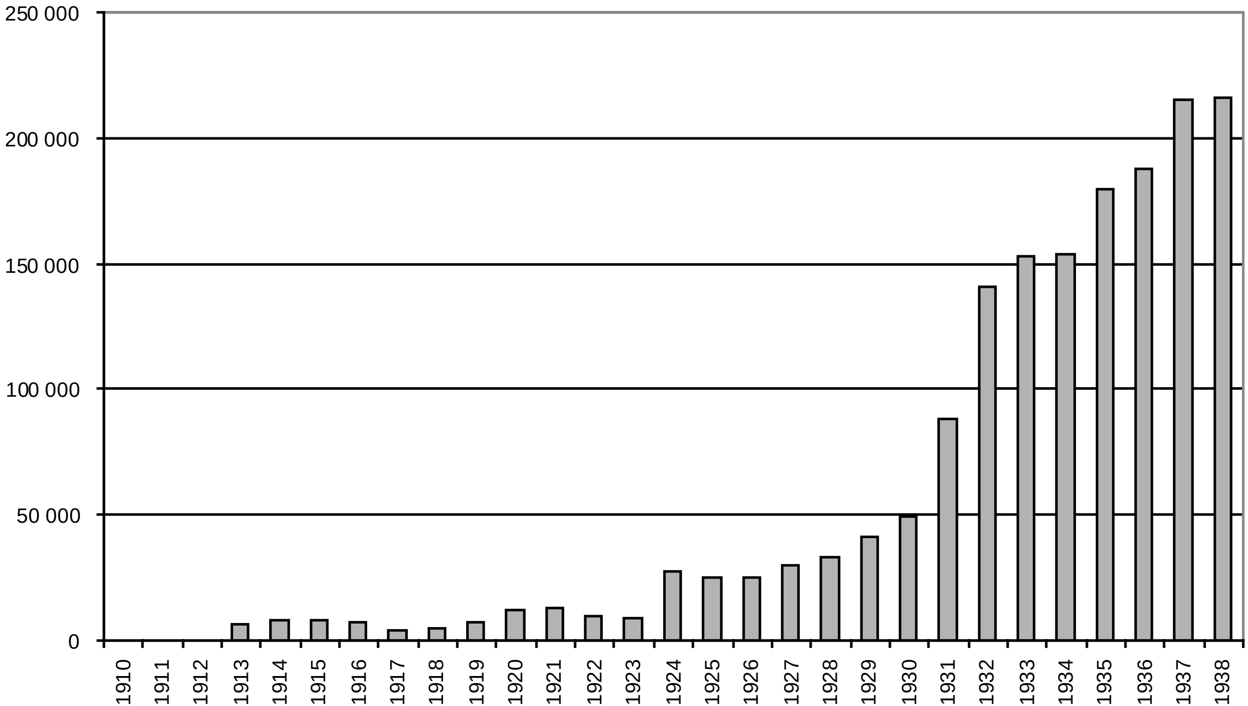


Figure 4.6 ‘Free’ Coolie Workers in East Sumatra, 1910–38

Source: J.T. Lindblad, ‘Coolies in Deli Labour Conditions in Western Enterprises in East Sumatra, 1910–1938’ in V.J.J. Houben, J.T. Linblad *et al.*, *Coolie Labour in Colonial Indonesia: A Study of Labour Relations in the Outer Islands, c.1900–1940* (Harrassowitz Verlag, Wiesbaden, 1999), p. 72.

men and US55 cents per day for women. Employers sold rice to contract *coolies* at US20 cents per *kati* (1.33 Ibs = 0.6 kg). All indentured wage workers also received free hospital benefits. Free or non-indentured workers were paid US70 cents to 4 florins per day according to their occupational categorisation (Fowler 1923:33).

The daily rice wages for unskilled male workers in Java (in kilograms of rice) for the period 1913 to 1938 were as follows: 1913 – 2.9; 1922 – 2.9 and 1938 – 3.2. Wages in Sumatra were estimated to be lower than those earned in the urban centres in Java. If we compare the above wages with those paid in Malaya, it is evident that workers in Malaya were better off than their Javanese counterparts (see Appendix 1).

The demise of the penal sanction

Historically, the establishment of large-scale commercial enterprises in Southeast Asia, where government and most of the planters came from outside the region, and where no personal relationships existed between employer and employee, there was a mutuality of interests between government and employers. This was reflected in the type of labour contracts that emerged, and in the use of coercion to control workers. Nevertheless, there were limits to the supply of labour and the use of coercion. The changed economic conditions also impacted on labour relations. In Indonesia, the shift to 'freer' labour in the plantation sector and the demise of the *Coolie Ordinance* in 1931 coincided with major developments in the international economy. First, whereas for the first two decades of the twentieth century rising demand for rubber had led to a major expansion in production, in the third decade there were extended slump periods. Control schemes adopted by the rubber-producing countries led to a restriction of output and a decline in the demand for labour. Unlike Malaya, where most planters sought to reduce labour costs by lowering wages, dismissing workers, or by repatriating 'surplus' Indian workers under the aegis of the Indian Immigration Fund, no such fund existed in Indonesia. Consequently, to avoid repatriation costs (and as a precautionary measure when conditions improved), Sumatran planters offered workers plots of land to cultivate food crops and work on a part-time basis. Wages were cut back 30 to 35 per cent between 1930 and 1932 (Thee 1976:25). While this was consistent with the part-wage earner/part-peasant positioning of the workers, it meant that a freer local labour supply emerged in Sumatra. In 1931 indentured labour became an anomaly in a period of low labour costs, and a tax was imposed on the importation of Chinese contract labour, which effectively ended Chinese labour migration.

Second, protectionism and restrictive trade policies adopted by the United States during the period of the Great Depression hastened the demise of the *Coolie Ordinance*. The Blaine amendment of 1929 in particular called for the 'exclusion from American imports of products produced with forced labour working under a penal sanction' (Thee 1976:40). Since the United States was a major market for Indonesian primary commodities, this amendment (which coincided with the recommendations of the ILO against contract labour), gave added ammunition to the colonial government to abolish the penal sanction, a decision that had been taken earlier in 1925. All plantations were required to abolish indentured contract labour in stages, depending on the initial date of employment of workers. On the eve of the Second World War, the *Coolie Ordinance* was withdrawn and the penal sanction abolished throughout Indonesia.

The shift from indentured to free labour status in East Sumatra during this period is shown in Table 4.6.

Table 4.6 Indentured and Free Workers in East Sumatra, 1929–38

	1929		*1934*		*1938*	
	Number	*%*	*Number*	*%*	*Number*	*%*
Indentured workers under penal sanction	407 400	76.3	6500	7	18 700	5.6
Free wage workers	127 300	23.7	215 500	93	313 700	94.4
Total	534 700	100.0	231 800	100.0	332 400	100.0

Source: J.H. Boeke, *Economie van Indonesie* (Haarlem: Tjeenk Wilink, 1951), p. 185, cited in Thee, *Plantation Agriculture and Export Growth: An Economic History of East Sumatra, 1863–1942* (Jakarta: National Institute of Economic and Social Research, 1976), p. 41.

As shown in the table, by the 1930s, the indenture contract was on its way out. The percentage of free wage workers rose from 23.7 per cent in 1929 to 94.4 per cent in 1938. On the other Outer Islands, and in Sarawak and Sabah too (Kaur 1998), the Javanese contract workers had their status changed to free wage workers, consistent with the trend towards free wage labour in the region.

Indochina

The French consolidated their administrative and economic control over Vietnam, Laos and Cambodia in the final decades of the nineteenth century and trade between France and Indochina developed rapidly after 1900. By 1913 over 40 per cent of Indochina's imports came from France, and over 20 per cent of exports went to France. French policy in Indochina tended to be protectionist and, consequently, Indochina's role was to provide a market for French industry, and at the same time supply France with those raw materials required by French industry. Moreover, only French 'citizens, subjects or protégés' were permitted to hold mining and other concessions in Indochina or engage in commercial and agricultural activities in the colony. French investment was in mining (mainly coal), and agricultural crop production: rice, coffee, tea and rubber. The development of rubber was remarkable, given Indochina's late entry into the field, and is examined in more detail below. In the late nineteenth century, goods entering France from Indochina (and the other colonies) enjoyed only a partial reduction of French import duties, but this changed with the tariff law of April 1928, which established the principle of reciprocal free trade within the French Empire. Subsequently, Indochinese products had, for the most part, duty-free entry into the French market (Robequain 1944:128–32; Norlund 1991:72–89).

Rubber development in Indochina

The first planting of *Hevea* rubber in Indochina is believed to have begun in 1897, and initial growth of the industry was slow. Climatic conditions meant that cultivation was largely confined to the grey and red basaltic soils of eastern Cochin-China and the adjacent portion of Cambodia. The first plantations were established by small colonists (proprietary plantations) and local companies on the grey lands located fairly close to Saigon. These plantations generally averaged less than 100 hectares, and their size and proximity to existing or recently established villages meant that labour supply was not a problem. The colonists and companies utilised the services of intermediaries known as *cai*, to recruit and oversee workers and supervise cultivation. Workers were recruited from the neighbouring villages and no great costs were incurred in either their recruitment or maintenance. The trees that were planted in this first period produced 298 tons of rubber in 1915 (Robequain 1944:202–3).

The rubber industry in Indochina experienced a boom in the 1920s. This was principally due to three main factors. The first was the great demand generated by the expansion of the automobile industry in the United States. The second was the entry of new investment in the industry by rubber-producing companies (the largest of which was the French/Belgian-owned *Société Financiere des Caoutchoucs* [Socfin]) and the rubber goods manufacturer Michelin. Michelin, which dominated the French rubber manufacturing industry, remained a family business, borrowing capital from Parisian banks. These companies, like the Agency Houses in Malaya, were primarily interested in ownership and control of a major raw material. [Socfin also invested in Malaya and Sumatra]. The entry of these investors coincided with the implementation of the Stevenson rubber export restriction scheme of 1922–28, which imposed export restriction on all producers in Ceylon and Malaya (who accounted for 65 per cent of world output) in order to stabilise rubber prices at a 'pivotal' level, set initially at 1s 3d (6p) and raised later to 1s 9d (9p) (Drabble 2000:128). The deliberate reduction of traded rubber led to a buying panic which in turn pushed prices to high levels and attracted interest not only from smallholders in Malaya and

Indonesia but also large companies in Indochina. As a matter of interest, the average price of rubber, which had been 8s 10d in 1910, fell to 11 pence in 1922 and rose to 4s 4d in December 1925).

The third factor was the role of government. As rubber prices fell, newly-established plantations were in danger of foreclosure and the colonial administration stepped in to make loans to planters from the General Budget reserves. During the Great Depression rubber prices crashed even more disastrously than in 1920–22 and the French colonial government created an 'indemnification fund' in 1931 to help producers. Apart from this financial help, the colonial administration also had liberal land and labour policies that promoted the development of the industry. The expansion of the industry may be gauged from Table 4.7.

Table 4.7 Indochina: Area under Rubber Cultivation and Rubber Production, 1915–39

Year	*Area (ha)*	*Production (tons)*
1915	n.a.	298
1919	15 000[1]	3159
1921	29 000[2]	n.a.
1929	100 000	10 309
1939	127 000[3]	60 000

Notes: 1. 1920
2. Cochin-China
3. 1937 (new planting was prohibited up to 1938)

Source: Compiled from C. Robequain, *The Economic Development of French Indo-China* (London: Oxford University Press, 1944), pp. 202, 205, 207.

The increase in the cultivated area was due to the opening up of new plantations on the red basaltic soils of eastern Cochin-China and the adjacent portion of Cambodia in the 1920s. The opening up of a land strip of about 50 kilometres wide, stretching from the southeast to the northwest of Saigon, entailed the recruitment of a plentiful labour supply, both for land clearance and cultivation.

According to Robequain, there were 1005 plantations in 1937, of which 304 were more than 40 ha each and represented 94 per cent of the total area under rubber. Of these, 27 plantations were between 1000 and 5000 ha and four exceeded 5000 ha. In addition, 68 per cent of the planted area was owned by 27 companies and the companies themselves were 'either financially inter-related or dominated by holding companies'. Indeed, there appears to have been greater concentration of capital in the rubber industry in Indochina, compared to Malaya and Indonesia. Moreover, by 1938, Indochina's rubber production (60 000 tons) equalled France's industrial consumption (Robequain 1944:206–7).

Labour and labour supply

It has been noted previously that workers on the 'grey lands' plantations were hired from neighbouring plains or villages. These workers, who came either singly, or as groups, were considered 'free' workers. The labour contract was usually verbal and of short duration. However, the expansion of cultivation in the second and third decades required a constant and plentiful supply of labour. One of the first foreign sources of labour to be considered was Javanese. Javanese labour recruitment, however, required compliance with a detailed list of regulations, and with the outbreak of World War One, the Dutch colonial government was reluctant to have Javanese migrate in large numbers. By 1934 there were only 210 Javanese workers in Indochina and their numbers fell to 79 in 1934 (Thompson 1947:185–6).

Apart from the Javanese, who were hired for a variety of occupations, the local inhabitants of the red lands, the Moi and Trieng, were hired to clear the land for plantation cultivation. Annamites from Cochin-China were hired to do plantation maintenance and for tapping rubber trees. But these labour sources were unable to satisfy the demand for workers. The Moi were drafted for public works construction, while the local Annamites were lured by better-paid employment in the ports of Saigon and Cholon. After 1925 the only alternative was to recruit workers from outside the region and house them on the plantations. With government help, the labour shortage problem was resolved through regulation and state-sponsored immigration policies which resulted in the creation of a plantation workforce (Murray 1980:271–2). This plantation labour force was mobilised from the overcrowded villages of the Red River delta in Tonkin and the coastal lowlands of Annam, largely through the mechanism of the indenture contract.

Recruitment in Indochina, as in Indonesia, was done through private recruiting agencies which, in turn, relied on local recruiting agents (*cai*), who went to the villages to recruit workers. The underlying reason for labour migration was the breakdown of subsistence patterns and landlessness in the overcrowded northern regions. The local recruiters had no knowledge of the colonial regulations applicable to contracts and viewed the recruitment exercise purely in financial terms. The *cai* was paid a fixed sum of 16 piastres for the delivery of each labour recruit (adult male) and relied on a variety of coercive measures – including intimidation, providing drugs and liquor – to maximise his returns. Apart from his labour contractor role, the *cai* also functioned as a supervisor, not unlike the *kangani* in Malaya. The plantation owners preferred to rely on the *cai* as intermediaries and paid workers through the *cai* who first deducted workers' costs (to cover food or lodging at exorbitant prices, and supervision) before paying the workers (Murray 1980:242–6). The system, which was characterised by intimidation and deception, exacerbated the 'servile and semi-servile' conditions in the workplace.

Both indentured contract workers and free (non-contract) workers were employed by plantation owners. Non-contract workers were predominantly temporary or seasonal workers, who were hired on a casual basis. Their wages were made up of remuneration in cash and kind. Since their status was unregulated by law, they had to be provided with a quantity of food. Contract workers, on the other hand, were hired on a three-year basis in exchange for periodic cash payments, daily food rations, lodgings and miscellaneous services. Wages were paid periodically or infrequently so that workers would not leave the plantations. In 1937 new regulations stipulated that wages had to be paid at least once a month, and enforcement of this ruling was made the responsibility of the Labour Inspectorate (Thompson 1947:187–8). Few workers left on expiry of their contracts since most were tied to various obligations and repayments. From the 1920s there was a concerted effort to recruit women workers which, as in Sumatra and Malaya, contributed to the establishment of a semi-permanent resident labour force.

Labour recruitment for the period 1919–34 is shown in Table 4.8. As shown below, recruitment was greatest in periods of expansion and declined during slump periods (1931–33). As in the other countries, therefore, employment trends on plantations coincided with general trade conditions.

Until the late 1920s, the colonial administration took no steps to regulate the actual processes of recruitment. Nevertheless, the Labour Codes of 1910 and 1918 provided a framework for conditions of employment

Table 4.8 Indochina: Northern Labour Recruitment for Southern Plantations, 1919–34

Year	*Number*
1919–22	9143
1923	3846
1924	3482
1925	3684
1926	16 861
1927	17 606
1928	17 997
1929	7428
1930	10 828
1931	2565
1932–33	2129
1933–34	7449

Source: Andre Dumarest, *La Formation de Classes Sociales en pays Annamite* (Lyon: Imprimerie P. Ferreol, 1935), p. 85, cited in Martin J. Murray, *The Development of Capitalism in Colonial Indochina (1870–1940)* (Berkeley: University of California Press, 1980), p. 242.

that had to be observed in the drawing up of contracts. These stipulated that contracts were not to exceed three years and the working day was limited to ten hours (which included the time taken to make the journey). Overtime work had to be paid more than regular work and workers had to be given rest days and allowed to take leave on religious holidays (Thompson 1944:193). Like contract workers elsewhere, plantation workers in Indochina were also subjected to indignities and rigid social regulations that aimed at creating and maintaining a docile labour force. Labour recruits were transported under armed escort from the provincial recruiting centres to various ports from where they boarded ships bound for their destinations. They also underwent a comprehensive medical examination in detention centres to weed out unsuitable – that is unhealthy – candidates. Then, beginning in 1929–30, the *Sûreté* also became involved in screening procedures to get rid of workers believed to be politically undesirable and potential trouble makers (Murray 1992:51–2).

As in Indonesia, the French colonial authorities managed and controlled labour mobility through the use of identification instruments such as work books issued to workers. These work books contained information on personal details, contract details (place of employment and expiry date of contract) and a record of any misdemeanours committed by the workers. Workers were also prohibited from engaging in collective bargaining or involvement in work stoppages. Moreover, like the penal sanction in Indonesia, workers who deserted their workplace were subjected to criminal proceedings, often incarcerated, and physically punished (Murray 1992:52).

Abuses in the system and high mortality rates among workers resulted in the establishment of a General Labour Inspectorate in 1927, despite opposition from planters. The Inspectorate comprised inspectors and labour contractors and its terms of reference included an enquiry into labour needs in Cochin-China, and how Tonkin and Annam could meet that demand. Subsequently, a new Labour Code was introduced in 1927. This placed no restrictions on worker recruitment from Tonkin while recruitment from Annam was limited to a fixed number of workers per annum.

The Labour Code also prescribed a precise wording for the clauses in labour contracts and reaffirmed the terms of the labour contract. The maximum period of contract was fixed at three years and the working day at ten hours. Minimum standards were also prescribed for both work and sustenance. Daily rations for workers had to contain 3200 calories. All workers aged over fourteen years were entitled to 700 grams of dry rice. Employers were required to maintain a store to sell foodstuffs at locally prevailing prices. Hot tea and pure drinking water was also to be distributed to workers. The colonial state also established a defined pay account to guarantee some savings by workers through a five per cent wage deduction (Murray 1980:244; Thompson 1947:187; Robequain 1944:78).

In 1929 the labour inspectors were given ordinary police powers which enabled them to deal more effectively both with infractions relating to contract labour regulations and breaches of contract. Desertion was made a criminal offence. These regulations were designed to protect in the long-term and large-scale capital interests and establish minimum standards in housing, food, and overall working conditions and at the same time were meant to uphold the colonial order (Murray 1980:274–8).

The 1927 legislation had two profound implications for plantation workers. First, although a minimum wage was not stipulated, any change in the contractual wage scale had to be approved by the Governor-General. In effect, therefore, a minimum wage for the category of worker was created. Notwithstanding this, contract workers who did not turn up for work, or who were sick (on non-work related accidents) were not entitled to wages. Second, the deferred payment system (*pecule*) was made compulsory by this legislation. The amount of *pecule* was made up of 5 per cent of the net wages due to the worker with an equal contribution by the employer. All deductions had to be entered in the work book, and were to be paid to the worker upon expiry of the contract (Thompson 1944:187–8). As mentioned previously, the *pecule* system was also designed to reduce the number of desertions.

Turning to the size of the Cochin-China plantation workforce, it was clearly smaller than the Malayan and Sumatran plantation workforces (see below). Robequain states that in 1922 contract workers on the southern plantations numbered 3022. By 1928 there were 22 352 contract workers (excluding women and children). He further states that planters had to hire an estimated 75 000 workers between 1925–30 in order to maintain a workforce of about 22 000. In 1938 a general Labour Survey listed 27 890 contract plantation workers, of which 17 022 were in Cochin-china and 10 868 on the Cambodian red lands (Robequain 1944:81, 214. Murray's figure is nearly 30 000 [1980:273]). However, the much larger plantations in Cochin-China had bigger workforces than the average Malayan or Indonesian plantation workforce. In 1938 the Loc Ninh plantation in Thudamot province (owned by the *Société des Caoutchoucs de l'Indochine*) employed 2152 contract workers; the Dan Tieng plantation (Michelin-owned) employed 1445; the Terres Rouges group near Hon Quan (with separate plantations at Quan Loi, Xa Cam and Xa Trach employed 5280 contract workers; and finally the Chup plantation on the Cambodian red lands employed 2166 (Robequain 1944:214–15). Unlike Malaya and Sumatra though, northern workers were predominantly sojourners, leaving at the end of the three-year contracts. According to the 1938 survey, an estimated 31 per cent of the workers asked to stay on when their contracts expired. Of these, 24 per cent were re-engaged for one year and seven per cent stayed on as free workers (Robequain 1944: f.n. 37, p. 215). Renewals were usually due to lack of savings or debts. Robequain expressed surprise at this small percentage since he argued that the living conditions of the workers had 'much improved'.

What were the living conditions of workers? Initially planters provided compound accommodation consisting of long buildings called *trai*, in which 'dozens' of workers slept side by side in stalls. In the 1930s houses of mud and thatch were built in clusters of villages in the plantation. Each 'village' accommodated about 300 to 500 workers with about three to four men to a house (sometimes with the wife of one as housekeeper). Each village had its own little church and pagoda, a school, playground, infirmary and a well or spring of drinking water. Initially, high mortality rates were experienced (in 1927 the mortality rate on all plantations was 5.4 per cent, which was double the average mortality rate for Cochin-China). After 1929 the mortality rate was reduced to 2.8 per cent following the construction of better drainage channels, the distribution of malaria prevention drugs, and better medical facilities.

There was a perennial shortage of women. Only about 20 per cent of each group of emigrants were women and at the end of 1938 there were only 3500 Annamite women to 28 000 Annamite male contract workers. As in Malaya and Indonesia attempts were made to create a more settled workforce by providing workers with small grants of land to grow vegetables and fruit, but this strategy had limited success (Robequain 1944:217–18).

As noted previously, wages were made up of remuneration in cash and kind. Money wages for contract workers in the rubber industry were fixed by common agreement between the colonial administration and the *Union des Planteurs de Caoutchouc* in Paris, an association of the largest rubber companies. Wages varied not only according to region and occupational status (contract versus non-contract) but also fell during the Depression period. A simple comparison of the daily rice wages for South Vietnam (Cochin-china) for male unskilled workers (in kilograms of rice) was as follows: 1913 – 7.8; 1922 – 8.2; 1938 – 5.9 (see Appendix 1). The fluctuation in wages for selected years from 1911 to 1937 is shown in Table 4.9.

As shown in the table, there was a general rise in wages from 1925–30, but this was followed by a decline during the Depression period. According to Thompson, in real wage terms the wage rise, which occurred between 1925 and 1930, corresponded with a very similar rise in the cost of living. From 1930 both wages and the cost of living fell. This decline, however, must be placed in the context of the number of workers employed. During the Depression large numbers of workers were dismissed. Those workers who remained in employment therefore experienced a smaller cut than would have been the case if the others had not been dismissed (Thompson

Table 4.9 Daily Money-wages Earned by Plantation Workers in Indochina, 1911–37 (in piastres)

Year/Period	*Men*	*Women*
1911	0.35	–
1925–27	0.40	0.30
1932	0.30	0.23
1935	0.27	0.20
1937	0.32	0.25

Note: The exchange rate of the piastre to the US dollar during this period (for South Vietnam-Cochin-china) was 1913 – 2.08; 1922 – 1.85; 1938 – 3.52.
Sources: M.T. Murray, *The Development of Capitalism in Colonial Indochina (1870–1940)* (Berkeley: University of California Press, 1980), p. 284; Virginia Thompson, *Labor Problems in Southeast Asia* (New Haven: Yale University Press, 1947), pp. 188–9.

1947:189). Moreover, the constant turnover of workers after three years meant that the question of seniority wages was not an issue.

As noted previously, the *pecule* system of deferred payment also meant that workers received their wages on a periodic basis only. There were also exactions by the *cais* and arbitrary fines imposed by employers. The implementation of the *pecule* system in 1927, which was made up of five per cent of the net wages due to the worker with an equal contribution made by the employer (banked with the *caisse de pecule* and earning interest), represented the only form of savings for workers (Thompson 1947:188–9). The drawback was that workers who absconded, or were found guilty of serious disciplinary offences, lost their *pecule*. Consequently, only those who completed their contract period satisfactorily had some savings to take back home.

In December 1936 the colonial administration established by decree the payment of a minimum wage for workers employed in industrial and commercial occupations and for the various districts. The minimum wage varied according to gender and age, and was set in accordance with the standard of living in the different regions. It was also subject to review by specially appointed committees. The new legislation also banned the imposition of fines, despite opposition by employers. Thompson states that although the legislation 'marked a great improvement, a number of gaps still needed filling' (Thompson 1947:192). Briefly, therefore, despite some key labour reforms, recruitment through the indenture mechanism continued in Indochina up to the outbreak of World War Two. Political curbs were fewer in Indochina compared to Malaya and Indonesia because planters regarded the system as the only means of marshalling cheap labour. The *pecule* system also continued to function as an effective deterrent to desertion and ensured a largely captive labour force.

Conclusion

Imperial-led globalisation and declining transport costs facilitated the integration of Southeast Asia into the world economy. This integration was based on the production of primary commodities, among which rubber was one of the most important raw materials for industry in the West. Commercial planting of rubber commenced in the 1890s, and by 1940 Southeast Asia produced an estimated 89 per cent of the world's natural rubber. Malaya and Indonesia were by far the largest producers (producing 38.7 per cent and 38.4 per cent respectively in 1940). Each also had around 1.4 million hectares under cultivation. Indochina was the (a very distant) third largest producer in the region, accounting for 4.5 per cent of rubber production in 1940, and had an estimated 134 000 hectares under rubber.

From the start, the plantation mode of organisation was a crucial factor in rubber's development. The plantation was an imported institution which was introduced into the less populated parts of these countries and where there were no alternative feasible methods for large-scale commercial cultivation. It consequently relied heavily on imports of capital, labour, management and technology from outside; and functioned as an enclave, largely estranged from its surroundings. With expansion and the growing need to raise more capital, plantation organisation underwent considerable change over the years. This expansion coincided with the evolution of the plantation from small proprietary concerns to a few large public companies that were largely financed from the metropolitan countries and connected through management and control.

Planters were able to harness large quantities of labour for the labour-intensive production of commodities. Labour intensities and recruiting cost per worker in Java, East Sumatra and Malaya in 1929 are shown in Table 4.10. For Indochina, Murray states that in 1927, approximately one worker was employed per planted hectare (Murray 1980:284).

Furthermore, the similarities of objectives, policies and methods utilised by the colonial states mirrored the conditions that determined the international marketplace for natural rubber and plantation labour. There was also a close exchange of information between colonial governments and the powerful rubber producers' lobby that impacted on labour systems and remuneration for workers. Plantation labour systems in the three countries varied according to the size of the industry, the demographics of the colony and the timing of the industry. Thus Malaya and Indonesia had much larger workforces compared to Indochina, which was a latecomer on the scene. This difference in labour size is shown in Table 4.11.

The continuance of the indenture contract mechanism of labour recruitment in Indonesia and Indochina into the 1930s was directly related to the origins of the plantation workers and the existence of internal labour hinterlands. In Malaya opposition to the indenture contract by both Indian

Table 4.10 Labour Intensities on Estates in Java, East Sumatra and Malaya and Recruiting Cost Per Worker, 1929

	Java	*East Sumatra*	*Malaya*
Average hectares/worker[1]			
Rubber, etc.	n.a.	1.3[2]	3.0[3]
Recruiting cost (US dollars/ worker)	neg.	48.0[4]	15.0[5]

Notes: 1. Total planted area under relevant crops (including immature areas) divided by total number of workers.
2. Workers on rubber, oil palm, tea, tobacco and cinchona. Rubber occupied over 75 per cent of the area.
3. Workers on rubber, coconut, and palm oil, taking areas in 1930 and assuming 45 000 ha under coconut.
4. Cost of recruiting a Javanese labourer to Sumatra in 1924.
5. Cost of recruiting a Tamil labourer from India to Malaya in 1924.

Source: Adapted from Colin Barlow, 'Agricultural development in Malaya and Indonesia', in Angus Maddison and Gé Prince, *Economic Growth in Indonesia, 1820–1940* (Leiden: KITLV, 1989), p. 252.

Table 4.11 Size of the Plantation Rubber Labour Force in Malaya (FMS), Indonesia (East Sumatra) and Indochina, 1910–38

Year	*Malaya*	*Indonesia*[1]	*Indochina*
1910	109 633[2]	108 130	n.a.
1915	170 741	181 242	n.a.
1920	216 588	240 462	n.a.
1925	184 354	221 390	75 000[3]
1930	169 681	285 850	81 188
1935	153 140	186 628	n.a.
1938	170 938	220 764	n.a.

Notes: 1. Total *coolie* population
2. 1911
3. 1927

Sources: Parmer (1960), p. 273; Houben (1999), p. 72; Thompson (1947), p. 187; Murray (1980), p. 284.

and reformist groups in Britain ensured the demise of contract labour by the second decade of the twentieth century. However, the shared origins and greater cultural affinity diluted some, but not all, of the alien status of migrant workers in Indonesia and Indochina.

After World War Two and the emergence of national states, the plantation's character began to change. Its alien origin, with little connection to indigenous economic structures, and expatriate ownership and control, resulted in plantations and management being either taken over by national governments or local companies. In Malaysia the major shareholder in the largest plantation companies today – Guthrie, Golden Hope, Highland and Lowland, K.L. Kepong and Sime Darby – is none other than the Malaysian government, which took over these companies, and exercises control over them through the state-owned *Permodalan Nasional Berhad* and *Amanah Saham Raya*. The Malaysian government subsequently also integrated the plantation system into the local economic environment by adapting it for land settlement schemes designed to redress landlessness among peasants. In Indonesia, the state had nationalised virtually all the foreign plantations by 1965. In Indochina, many plantations suffered heavy damage during the war of independence. But the greatest threat to natural rubber has been synthetic rubber and other alternatives. In Malaysia, for example, most of the rubber plantations have now been converted to oil palm cultivation. More significantly, since the 1980s, labour shortages have resulted in the reintroduction of foreign contract labour on the plantations. But that is another story.

5

Labour Dynamics in Sugar and Rice Production: Coercion, Contract and Free Labour

Introduction

The expansion of industrial raw materials coincided with the transformation of sugar production and rice cultivation in the region. There were other export crops, for example, tobacco (especially in Sumatra, Sabah and the Philippines), abaca (the Philippines), and coconuts. None of these were as fundamentally altered as sugar in so far as production methods and structures and labour relations were concerned. Sugar was also singularly important because it was produced under plantation conditions, required large amounts of capital and technology, and relied on peasant rather than imported labour. In the case of rice, peasants in Burma, Thailand and Indochina expanded production in response to opportunities in the world economy and were either dependent on migrant labour and/or capital to sustain production and distribution.

The first part of this chapter focuses on production structures and labour relations in the sugar industry in Java and the Philippines, where the crop was a leading primary export and had major consequences for labour utilisation. The second part examines the expansion of the rice industry of Burma and Cochin-China, and to a lesser extent, of Thailand. In these countries, peasants, the state, geographic contexts (large delta areas and frontier land) and middlemen not only determined the scope and nature of rice expansion, but also influenced ownership patterns and labour relations in the rice sector.

Labour systems in the sugar industry in Indonesia and the Philippines

In the late nineteenth century, few tropical commodities were left untouched by changes in manufacturing processes and organisational structures, and sugar was no exception. Indeed, sugar is distinguished by the fact that there were changes in the nature of the product (sugarcane versus sugarbeet) and in the extent and patterns of its consumption in the industrialised world. Plantation sugar is also unique in Southeast Asia because it was established not in areas of sparse population, but rather in irrigated areas where peasants practised subsistence agriculture and where these peasants comprised the bulk of the labour force (apart from seasonal migrants). Sugar also required heavy initial capital outlay for mill equipment, and a large number of workers were employed in the different stages of production. Technical and scientific advances associated with the development of the sugar beet industry in Europe resulted in sugarcane producers in Southeast Asia adapting to the new technology in industrial processing, a move that coincided with consolidations in the industry. This was to impact on labour relations and gender stratification in the industry.

The Javanese sugar industry

Java was responsible for between five to ten per cent of the world's total sugar production between 1840 and 1940 (see Table 5.1 on page 116) and the sugar industry was characterised by several special features. First, production was carried out initially under the Cultivation System, and then under capitalist enterprise. Second, the history of the industry between 1840 and 1940 may be divided into three main phases, each of which was consistent with changes in the world market and a reorganisation of production structures and labour relations. Third, the industry relied on a very large labour force that comprised men, women and child workers.

Although sugar had been produced on a commercial scale in Java since the seventeenth century or even earlier, it achieved prominence as a major export only under the Cultivation System. The Cultivation System was a series of government principles and administrative arrangements by which the colonial administration forced Javanese peasants to cultivate specific crops destined for the European market. The Dutch utilised the indigenous structures of authority, patronage and deference to extract these commodities from the peasants. It is not proposed here to explain the Cultivation System in detail, or to contribute to the controversy surrounding it. Rather, the objective is to discuss Javanese labour's role in the production and processing of the crop. The sugar industry labour force was the 'largest employed in any plantation industry in colonial Java'. There were approximately 90 000 permanent workers and the number of workers 'approached the million at the height of the Campaign – the five- to six-month harvesting and manufacturing season' which began annually in May (Knight 1992:69). The industry also used more land and labour compared to any other industry.

Two points are noteworthy where the Javanese sugar industry is concerned. First, the production system must be regarded as a plantation system, despite the fact that the factory did not own the land on which the cane was grown. Nevertheless, factory managers made all the decisions on what to plant, where to plant, and when to plant. They also hired the workers and assumed responsibility for all production decisions. The cane was grown on peasant-irrigated fields on a rotational basis with rice and other crops over a cycle of 12–18 months. Second, sugarcane's establishment in densely settled areas had important implications for labour use and labour mobilisation. Sugarcane producers were able to draw on the local population for their workforce and did not have to rely on a migrant labour force. Moreover, the system of production whereby the managers of the sugar factories made all the production decisions, meant that villages committed their resources not in response to market opportunities, but within structures of traditional obligation. This, according to Boomgaard, gave the industry its plantation system character (Boomgaard 1988:159).

The sugar industry exercised a profound effect on rural life. Geertz has termed the intimate bond between the sugar industry and subsistence farming as 'sugar-with-peasants' (Geertz 1963). Moreover, although sugar formed an integral part of the village economy, in common with other enclave plantation ventures in Southeast Asia, extra-economic pressure was applied on the peasants through the medium of the colonial state to assure access to labour. The Javanese were directed to work in the industry through informal dues and coercive action on the part of the village headmen and other rural officials (Knight 1992:70–1).

As stated above, there were three distinct phases in the industry's history, that coincided with economic change and changing labour relations in Java. During the Cultivation System period (1830–70), sugar export was largely a government monopoly undertaken by the *Nederlandsche Handel Maatschappij* (NHM), a trading company sponsored by the government. Coercion was the main mechanism of labour mobilisation. Processing was largely carried out by private (western and Chinese) firms, but production was in the hands of the peasantry. The peasants cultivated the crop; harvested and transported the cane for processing to sugar factories or shipment to ports; cut the wood as fuel for sugar factories; and worked in the mills where the cane was processed. This coercive labour was supplied as compulsory labour dues under traditional structures of obligation and deference.

The dismantling of the Cultivation System over the last three decades of the nineteenth century marked the second phase in labour relations in the sugar industry. The 1870 Sugar Law provided for the phasing out of the forced cultivation of sugar from 1879 to 1890. As a result, compulsory cane cultivation was reduced annually by a fixed percentage over a period of 21 years. The colonial authorities also ended the NHM's export monopoly. New regulations, consistent with the 1870 Agrarian Law, were enacted for the leasing of village lands and for labour recruitment. Compulsory labour services were dismantled and from then on each sugar factory had to obtain its own labour. The assumption was that all activities associated with the industry were to be carried out by a paid workforce.

But this was a transitional period for the industry and hence for labour as well. On the one hand, there was increased capital investment in, and greater mechanisation of, the industry. On the other, the ending of government sales of sugar meant that sugar was no longer shipped to the Netherlands but was sold on the London market instead. Cane sugar from Java thus had to compete with European beet sugar in European markets. The Asian market also shrank, coinciding with the retreat into greater protectionism by both the British and French empires in the era of protectionism after World War One. Javanese sugar producers faced greater difficulty in selling sugar in either French or British territory, and cut back production. By 1935–36, Javanese sugar production had fallen to about 20 per cent of the 1929–30 level. There was an increase in Philippine sugar production during this period, as shown in Table 5.2 on page 120 (Booth 2003:445).

Subsequently, the industry became increasingly characterised by dualism: highly mechanised factory tasks on the one hand; and labour-intensive agricultural (planting and harvesting) tasks on the other. At the same time, more cane was needed to justify the greater mechanisation of the industry. Thus during this period there was wage labour in the industry alongside coerced labour. Factory workers formed the permanent wage labour force while during the harvest season the factories had to rely on pools of migratory workers to work in the cane fields. These migratory workers were casual labourers who, as noted earlier, were often obtained through coercion by Dutch and Javanese officials (Boomgaard 1988:159–61).

The third phase in the industry's history was marked by a return to monopoly conditions in sugar production. With respect to labour, the transition to free wage labour continued, amid growing labour unrest. The workforce itself became highly dichotomised – a permanent free wage labour force employed in the factories for whom the industry provided 'model villages with modern sanitation, hospitals and free medical care, pension and gratuity plans, and free schooling'; and a casual, low paid workforce that was not provided with these benefits. The permanent workforce was small compared to the rest of the workforce (Boomgaard 1988:165).

Labour recruitment and job classification

Recruitment for the sugar industry was delegated to foremen who were trusted workers of long standing. The policy of building the sugar mills in highly populated areas where traditional obligations could be used to produce a suitable labour force also applied to the recruitment of foremen. Ingleson notes that these foremen 'had established over time a kind of hereditary right to succession'. They retained links with their villages of origin and sometimes returned to the villages to recruit labour. They also had informal linkages that were strengthened during major festivals. These foremen were, moreover, powerful people with 'considerable patronage at their disposal' (Ingleson 1986:22).

This system of recruitment was useful for two reasons. First, it relied on residual traditional authority in the person of the foreman to recruit (and retain) a reliable labour supply. Second, the foreman acted as the intermediary or link between workers and European management. This was especially important in a rigid hierarchical society where the gap between the European management and the Asian workers could be unbridgeable and where language was also a barrier. The foreman, like the *kangani* on rubber plantations in Malaya or the *cai* in Indochina, thus acted as a channel between management and workers. He received a commission for his services and often arranged housing for workers as well. He directed the workforce, allocated tasks, and was also responsible for maintaining discipline among the workforce. These roles prepared the foremen for their later roles in the union movement (Ingleson 1986:23).

The workforce in the sugar industry was categorised into five groups: administrative workers (about five per cent); chemical workers (laboratory workers – about 1.5 per cent); technical staff (artisans and labourers who worked in the crushing and cooking processes in the sugar factories – comprising about 48 per cent); cultivation and transport workers (about 30 per cent); and miscellaneous workers (about 16 per cent). Where employment status was concerned, all the administrative and chemical workers were permanent wage workers. Most of the foremen and skilled workers in the sugar factories were also permanent workers. Nevertheless, the employment status and number of permanent staff was dependent on changing market conditions as shown in Table 5.1. The changing fortune of the industry is also shown in the same table.

The percentage of permanent workers employed in the industry dropped by almost 70 per cent (compared to 1927–28) during 1935–36, when the industry floundered as protectionist policies worldwide dominated international trade.

Work processes in the sugar industry

According to Knight, there were two major dimensions to the work processes in the sugar industry. The first involved field preparation, planting of cane, and crop tending. The second dimension was 'constituted by the so-called "Campaign" period' when workers harvested the cane and transported it to the factory where it was processed into sugar (Knight 1993:70). Around two-thirds of the total labour force, consisting of casual workers drawn from nearby villages, was employed during the Campaign (Ingleson 1986:28–9). The casual workers formed part of the circular migratory pools of workers, recruited through kinship and friendship ties, and employment contracts were both verbal and written. During the Campaign, both permanent and casual workers worked a 12-hour day. Permanent workers worked a 10-hour day on an annual basis. Most workers were paid on a weekly basis.

Table 5.1 Javanese Sugar Production, 1915–40

Year	*Area under cane ('000s of hectares)*	*Sugar production ('000s of tons)*	*Sugar exports ('000 000s of NI guilders)*	*Java sugar output (% of world output)*	*Java sugar exports (% of Netherlands Indies' export (value)*	*Number of permanent workers*
1915	151	1319	213	7.2	27.6	n.a.
1920	159	1544	1049	10.1	46.5	n.a.
1925	178	2300	365	9.8	20.3	77 968
1930	199	2971	244	11.1	21.1	86 196
1935	28	510	35	2.1	7.8	17 945
1940	91	1587	52	5.4	5.9	40 893

Sources: Adapted from *Changing Economy in Indonesia*, Vol. I (P. Creutzberg), Tables 1 and 6; *Changing Economy in Indonesia*, Vol. VIII (W. Segers), Table 12; H.E. Levert, *Inheemsche Arbeid in de Java Suikerindustrie*, Wageningen, 1934, 331; M. Moreno Fraginals, *El ingenio; compléjo económico social cubano del azúcar*, Havana, 1978 (III Vols), III, 35–40; *Statistisch Jar-Overzicht van Nederlandsch-Indië*, 1940, 294. Cited in Peter Boomgaard, 'Treacherous Cane: The Java Sugar Industry between 1914 and 1940' in Bill Albert and Adrian Graves, (eds), *The World Sugar Economy in War and Depression*, (London: Routledge, 1988), p. 158.

The workforce, which was organised in gangs, was predominantly adult male, but women and children were also employed as a cheaper alternative. The gendered division of labour was integral to the work processes. Male workers predominated in the opening up of land for cane cultivation. Planting and weeding tasks were carried out by women – the weed-women. Women were also principally responsible for fertilising tasks and the general maintenance of the crops. Child workers were also involved in these tasks. Knight states that by the 1920s, female labour as a whole comprised about 30 per cent of total labour time expended in the fields while child workers accounted for 15 per cent (Knight 1993:71).

In the sugar factories women formed around 17 per cent of the total workforce in the first four decades of the twentieth century (Ingleson 1986:31). [Boomgaard gives a figure of 12–14 per cent for women and two to five per cent for children (Boomgaard 1988:164)]. Interestingly, an enquiry conducted in 1925–26 showed that women and children worked a much higher 45.7 per cent of labour days in the factories. Ingleson states that this was an indication that women and children worked long hours during the milling season. About 80 per cent of women workers were employed in the centrifuge section of the factories where the 'supposed qualities of close attention to detail and continued vigilance … made them better at this task' compared to men. But the generally accepted explanation is that women were employed to do tasks that 'men refused to do' (Ingleson 1986:31). Moreover, much of this work was done at night during the milling season when the factories were in continuous operation. In 1939 69 per cent of the sugar factories employed women to work at night (Thompson 1947:149).

Reforms in the workplace were instituted in the 1920s. In 1924 child labour (defined as employment of children under 12) was prohibited in factories where power-driven machinery was used, and this included sugar factories. This measure was adopted in concord with the International Labour Office's (ILO) recommendations and conventions, which, by extension, were applicable to the European nations' colonial territories. Nevertheless, Dutch employers were able to circumvent this ban on child labour by hiring older children. A ban on the night time employment of women was opposed on the grounds that men could not be found to replace women. Further regulations introduced in 1925 disallowed the hiring of child workers under 12 for night time employment. In addition, child labour in factories and closed workshops was disallowed where more than ten people were employed; and this also applied to manual work in the warehouses and the railway and tram sector. The employment of women was banned, except in specified industries, and not surprisingly, sugar factories were exempted from this legislation during the milling season, on the stipulation that the factories supplied detailed records to the Labour Office (Ingleson 1986:33–4).

Thus, even as early as the first half of the twentieth century, there was a feminisation of labour in the sugar industry in Java. The term feminisation in relation to the labour force has been used in two different ways. First, it can indicate the employment of larger numbers of women so that the gender profile of the labour force, or in the particular segment of it, actually changes in favour of female employment. (Or, in the case of the Javanese sugar industry, only draws women workers.) Second, it can indicate an employment pattern that is informal, casual, irregular, lower-paid and insecure. Both definitions apply to Javanese women workers in the sugar industry. Moreover, in common with practices elsewhere, women's lower wages were justified on the grounds that these were supplementary wages.

The sugar factories were hit by labour unrest in the 1920s. Both employment and wages fell after 1932, and the area under cane was reduced. It was a difficult period for the sugar workers and villages as income from both land and labour was reduced or lost. Contracting markets, consistent with the protectionist policies of the 1930s and production cutbacks, pushed many Javanese back to subsistence agriculture or other activities. Thus, the greater integration of Indonesia into the international economy prior to World War Two, which had introduced a vast array of economic and social changes in the country, meant that many Javanese peasants' experimentation with wage work in the sugar industry was not only short-lived but also represented a less assured development path.

The Philippine sugar industry

Like Indonesia, the Philippines produced a range of primary products, the relative importance of which changed over time. For much of the second half of the nineteenth century, and in the interwar period, sugar was the major export crop. It has often been asserted that the prosperity of the sugar industry depended on the Philippines' access to the protected market of the United States, and on the misfortune of other sugar producers. Sugar followed a pattern similar to the other export crops: first, subsistence production, gradually changing to more capital-intensive production; and then, very rapid growth in the first half of the twentieth century, coinciding with the establishment of the United States administration.

The Philippine sugar industry, like the Javanese one, relied on local labour, though there were distinct differences between the two countries with respect to labour mobilisation and labour systems. Moreover, unlike other Southeast Asian states, colonial rule in the Philippines had promoted the formation of an indigenous planter class that controlled the sugar factories. But a critical feature was that this class 'fostered regional elites who would survive independence to play a central role in … [the Philippines'] post-war politics' (McCoy 1988:107). Indeed, regional control also ensured that the industry was shielded from scrutiny and interference by government both before and after independence in 1946. This was to have a major impact on labour relations in the sugar industry.

Given the importance of technical change in imposing other related changes on labour relations in the sugar industry, it is pertinent here to restate this information. In the late nineteenth century, the Philippines exported muscovado sugar, which is dark brown unrefined sugar obtained from sugarcane through a process of boiling and evaporation of the cane sugar and draining of molasses. Increasing demand for refined sugar in Europe and the United States and the expansion of the sugar beet industry had led to new technological developments in sugar refining, resulting in the new technology of centrifugation, whereby a centrifugal machine using steam was able to separate molasses from the crystallised sugar, leaving behind crystalline sugar. To operate the new, more efficient machinery economically, a larger scale of production was needed which necessitated the injection of substantial capital (Nagano 1988:180). This resulted not only in widespread consolidations, but after the Philippines became an American colony, the entry of American capital as well.

The transformation of the industry largely followed on the tariff agreements of 1909 (Payne-Aldrich) and 1913 (Underwood-Simmons), by which limitations on duty-free imports from the Philippines to the United States were removed. American interests were drawn to the low-cost Filipino labour and the number of modern sugar mills increased steadily. Filipino capital also participated in this expansion, with several mills being established with financial assistance from the government-controlled Philippine National Bank. The new larger plants required more cane, more workers and, more significantly, greater control over workers to ensure steady deliveries. Thus sugar production in the Philippines had a dual structure – a highly technological processing sector paired with a largely unfree wage labour force.

The principal sugar-producing areas in the Philippines were the province of Pampanga and the central provinces on the island of Luzon; and the western part of the island of Negros (Negros Occidental) in the Visayas. The earliest cultivation for export took place on Luzon, on farms already occupied by peasant cultivators and sugar cane was firmly established by 1830. Production on Negros expanded after 1855, when the port of Iloilo was opened to world trade. While the land was suitable for sugarcane cultivation, the island was lightly populated. Chinese *mestizos* from Iloilo, with the backing of British import-export firms, bought large tracts of land for sugarcane cultivation and set up small mills to process the sugarcane. These millers initially operated as landowners (*hacienderos)*, with the tenants growing the cane for the millers and with a heavy reliance on seasonal labour for other tasks.

The organisation of the industry, and availability of labour impacted differently on labour mobilisation and labour systems on the two islands. On Luzon sugar cultivation was organised on a share tenancy basis between the landowners and peasant cultivators. The sugar mills or sugar centrals (*centralistas*) worked with the landowners by contracting for certain amounts of cane for the mills. The *centralistas* rarely had their own fields or a full time wage labour force. The landowners in turn contracted out the cane cultivation to the tenant cultivators who grew the cane. The landowners contributed cuttings, milling facilities and often provided cash loans to the tenants. Under this system, the harvest was to be divided between the tenants and the *hacienderos*, often on an equal basis, but this was usually not the case. Essentially, the sugar plantation in Luzon was a collection of tenancies (although some larger plantations also cultivated land directly). Tenants were remunerated according to the sugar content of the cane delivered to the mills. The tenant therefore had to bear the biggest share of the labour costs involved. Under these arrangements, wage labour was not utilised in the actual cultivation and harvesting of the cane, but only in the mills. This created tension between the *hacienderos* and the *centralistas* over the division of profits and also between the *hacienderos* and the tenants. The sugar cultivation arrangements also contributed to the general political unrest in the region in the 1930s and in subsequent years.

The situation was different on Negros Occidental. The landowners there had managed their land in the manner of large sugar plantations, and the Negros elite 'moved from tenancy to a directly, administered *hacienda* [plantation] system' (McCoy 1988:111, 118). The landowners thus established integrated plantations that were centrally organised and administered, and relied on contracted wage labour. The labour regime on the sugar plantations of Negros Occidental was consequently based on a less paternalistic labour management system compared to Central Luzon. Workers were paid a nominal daily wage and provided with free housing and rice rations. Nevertheless, they worked under coercive conditions and debt-bondage. According to McCoy, the planters used a 'mix of paternalism, paramilitary control and debt-bonding' to secure a permanent wage labour force in an area where labour was scarce (McCoy 1988:111, 118). Labour mobility was limited owing to the paramilitary conditions under which the workers worked and the absence of alternative employment on the island. This also helps explain why there were uprisings and messianic movements on Negros Island.

As noted previously, the tariff agreements of 1909 and 1913 had led to increased investment in the sugar industry by American capital interests. Subsequently, despite restrictions on the ownership of land by aliens and corporations, American companies were able to acquire vast areas of land, and this coincided with the expansion of the Philippine sugar industry. Sugar exports grew from 65 191 metric tons in 1900 to 121 472 metric tons in 1910 and 211 013 metric tons in 1915, before dropping to 180 341 metric tons in 1920 (Larkin 1993:249). Javanese sugar exports during this period were much greater (see Table 5.1). Contracting markets subsequently led to sharp decline in Javanese production and exports and by 1935–36, Philippine sugar production was nearly double that of Java, as shown in Table 5.2.

While the privileged position of the Philippines in the US market enabled it to become a major sugar exporter, the industry remained dependent on, and perpetuated, an impoverished peasantry. Meanwhile, the Negros elites

Table 5.2 World, Java and Philippines Raw Sugar Production, 1925–26 to 1935–36 (millions short tons)

Year	*World Total*	*Philippines*	*Java*
1925–26	27.246	0.489	2.230
1927–28	29.224	0.697	3.292
1929–30	30.675	0.867	3.274
1931–32	29.491	1.101	2.878
1933–34	28.656	1.580	0.712
1935–36	31.864	0.995	0.635

Source: *United States Tariff Commission* (1937), p. 47, cited in Anne Booth, 'Crisis and Response: A Study of Foreign Trade and Exchange Rate Policies in Three Southeast Asian Colonies in the 1930s', in Peter Boomgaard and Ian Brown (eds), *Weathering the Storm: The Economies of Southeast Asia in the 1930s Depression* (Leiden: KITLV Press and Singapore: Institute of Southeast Asian Studies, 2000), Table 14.4.

exploited their relationship with the US colonial government to maintain their position and secure continuing access to the US market. The sugar industry in Negros especially remained dualistic and retained its colonial plantation character in the period after World War Two. McCoy asserts that the inability of the plantation workers to change their circumstances meant that the Negros sugar industry continued to be 'wedded to an antiquated plantation system' (McCoy 1988:138). Finally, given the problems in the sugar export industry of both Java and the Philippines, it is hardly surprising that the real cost of the highly discontinuous labour cycle was carried by the workers.

Rice export production and wage labour

Export commodity production and labour transformations, which were consistent with Southeast Asia's greater economic integration into the world economy, were accompanied by major changes in the peasant economy. As peasants embraced the monetised economy, they responded in different ways to economic change. They became smallholder producers and engaged in domestic cash crop production, or they pursued wage labour opportunities. One of the most important peasant responses lay in rice export production, and rice inaugurated the export economies of Burma, Thailand, Cambodia and Vietnam. Rice was also significant because it was a peasant-produced crop, representing a peasant-middleman industry, and entailed the utilisation of both local and migrant labour. This labour force was mobilised and hired by the peasant producers themselves.

Wet-rice cultivation in Southeast Asia: an overview

Three broad types of organisation typified the agricultural systems of Southeast Asia. These included hunting and gathering; swidden cultivation; and settled, permanent and, normally, wet-rice cultivation. Of the three, wet-rice agriculture produced the most complex forms of social organisation; contributed the most densely settled populations and formed the basis of the great states of Burma, Indochina, Thailand, and Java. It also made possible the large rice export surpluses from mainland Southeast Asia after the 1850s.

There is a tendency to regard traditional wet-rice societies in Asia as backward and unprogressive. This view is largely based on an analogy with Western societies in the early modern period where various characteristics of progress included the growth of large-scale farms (economies of scale); new crop rotations to raise soil fertility; the growth, in England, of large tenant farms with hired labour (capitalistic production); and the development of private landownership. By contrast, the typical Southeast Asian settlement/village system, with its small and fragmented farms; relatively large populations in small areas; and family-based, often communal agricultural system using primitive tools, appears backward.

However, a number of factors need to be recognised which modify this view. In contrast to Western grain farming, productivity could be raised little by taking advantage of economies of scale. Of overriding importance in wet-rice cultivation was the provision of adequate water and its control. The key to this permanent crop production was the embanked rice field, in which water derived either from natural precipitation, or from a supplementary source, is impounded. Rice needs to grow in water, but the head has to be above the surface. Thus water in the flooded fields needed to be controlled, which could often be done by simple water courses, allowing the rice to ripen at appropriate times. Water not only provided the conditions for growing but also provided the necessary nutrients for the soil to prevent yields from falling. Thus a characteristic of rice was that it could be grown on the same land year after year, without any fall in yields.

Given an adequate water supply, the major determinant of production was labour. Labour inputs could raise production by methods such as transplanting, weeding, and operating watercourses. Much of this activity could be done communally at appropriate seasons using only simple tools and technology. The small farms were thus not a sign of backwardness since they could support large populations simply by adding labour. Moreover, the cost of cultivating new areas, with the necessary clearing, draining, and then waiting for several years until the soil reached its maximum productivity (unlike virgin land in Western grain-producing regions), made intensification of existing agricultural systems a rational policy. Over a wide area of Asia, including Japan, Burma, and Thailand, the characteristics of rice cultivation were such that family-based intensive cultivation, rather than large plantations using hired or forced labour, was the most productive system.

The rice economy of Burma, Thailand and Cochin-China

In all three regions there were some important common threads running through the history of rice development. First, the areas where cultivation developed most rapidly, and where the great bulk of exports came from, were in the deltas of the great river basins of the Irrawaddy, Chao Phraya and Mekong. As noted above, rice needs to grow in water, and the cycle of regular monsoon rains in these countries caused flooding over wide areas so that a great deal of land in the delta plains was suitable for rice cultivation. Thus, neither major irrigation works nor any significant change in growing techniques were necessary for the rapid expansion of rice production which was achieved principally through a dramatic increase in the size of the cultivated area.

Second, until around the middle of the nineteenth century, rice was grown mainly for subsistence with little left over for internal trade or export. Indeed, much of the delta zones upon which the great expansion of rice cultivation rested were sparsely populated, because the incentive to drain them had not existed. These included the central provinces of Thailand; Lower Burma; and Cochin-China. Third, middlemen, who included Chinese, Indian, and some indigenous middlemen, entered the regions to supply credit, imports, establish mills, and handle distribution and exports. Fourth, rice cultivation in all three countries was stimulated by exports, so that exports came to form an increasing proportion of total production.

When the demand for rice increased after 1870, peasants living near the delta areas moved to the uncultivated areas to practise extensive agriculture, which yielded a surplus for exports. It is estimated that around 813 000 hectares were under rice cultivation in Burma by 1873 and that the amount of rice land increased by about 406 500 hectares every seven years until 1930. In Thailand over half of the country's rice crop was exported by 1900, and rice soon became overwhelmingly the most important commodity in all three regions.

The growth of rice exports was a product of both political and economic factors. Politically, as noted earlier, the regions of Southeast Asia were opened up to international trade by direct or indirect European intervention. By itself such pressure would not have induced rice exports, but some further factors were important. In all three countries previous prohibitions on rice exports were lifted. Also, in the case of Burma and Cochin-China, the colonial authorities took steps to encourage rice cultivation and exports partly as a revenue-raising measure. In Thailand, the Bowring Treaty of 1855 led to the decline of some traditional state revenues, so that the encouragement of rice exports was stimulated as the state sought compensating revenue. Equally significant was the fact that the imposition and more efficient collection of a variety of taxes, which were levied in cash, required peasants to seek cash incomes.

Demand for rice tended to rise rapidly as the nineteenth century progressed. The export demand for Burmese rice came initially from India, then from Europe, and then increasingly from other Asian markets. The large plantation and mining communities in Sri Lanka (Ceylon), Malaya, South Thailand, Indonesia and elsewhere were the main consumers of imported rice. Other markets included China and Hong Kong, and both Singapore and Hong Kong emerged as important distribution centres. Over the period 1863–1911, the volume of rice exports from mainland Southeast Asia rose six times (Brown 1997:16). Additionally, over the space of some five decades, the area under rice cultivation in Burma was greater than either Thailand's or Cochin-China's during the period, as shown in Table 5.3. The area under rice cultivation increased roughly four-fold.

Production of rice was one activity. Collection, rice milling, and distribution were others. It became a familiar pattern that actual cultivation

Table 5.3 Lower Burma, Thailand and Cochin-China: Land under Rice Cultivation, 1860–1920 ('000 hectares)

Year	*Lower Burma*	*Thailand*	*Cochin-China*
1860	539	813	n.a.
1870	702	907	274[1]
1880	1255	995	753
1890	1780	1192	854
1900	2662	1293	1174
1910	3160	1755	1528
1920	3476	2295[2]	1752

Notes: 1. 1873 2. 1916–20
Sources: Cheng Siok-Hwa, *The Rice Industry of Burma, 1852–1940* (Kuala Lumpur: University of Malaya Press, 1968), pp. 241–2; Sompop Manarungsan, *Economic Development of Thailand, 1850–1950: Response to the Challenge of the World Economy* (Institute of Asian Studies, Monograph No. 42 (Bangkok: Chulalongkorn University, 1989), p. 51; Martin J. Murray, *The Development of Capitalism in Colonial Indochina 1870–1940* (Berkeley: University of California Press, 1980), p. 417.

was carried out by indigenous people using traditional techniques within the existing social structure, and these cultivation techniques changed little. Seasonal labour, whether migrant or local, was also employed on the larger farms. But others carried out the related activities. In Thailand most of the middlemen activities were carried out by the Chinese, including purchasing rice in the villages and transporting it to milling centres in Bangkok. The ownership of mills and final handling of exports was also in Chinese hands. In Indochina the middlemen activities were also carried out by the Chinese. In Burma major European firms, like Steel Brothers, were more in evidence in milling, while large-scale immigration from India meant that many of the middlemen and money-lending activities were undertaken by them rather than by Chinese immigrants.

These were some of the common features of the rice industry in the three countries. However, there were marked differences as well, particularly in labour usage and mobilisation, which is the focus of this study. The Burmese rice industry has been selected as a case study to draw out some of these differences, but more importantly, to show changing labour relations in the rice export industry.

The Burmese rice industry and labour transformations

Three phases characterised the Burmese rice industry: the open frontier, 1870–1900; maturity and change, 1900–29; and depression and social problems, 1930–40. These phases were consistent with the fluctuating fortunes of the industry and Burma's increased dependence on world markets. They also coincided with changing labour relations in the industry.

During the first phase, 1870–1900, rice cultivation expanded in the Burmese Delta region with the availability of good rice land, the provision of irrigation and drainage facilities and as a consequence of colonial land policy. The British encouraged settlement in the sparsely populated regions of Lower Burma by exempting migrants from Central and Upper Burma from the land tax for 12 years and also from the poll tax for five years. As a result there was a large flow of migrants from Upper to Lower Burma, at the rate of 30 000 to 50 000 migrants a year, and they formed the bulk of the cultivators. This phase was dominated by the independent Burmese rice producer.

The expansion of rice production during the period 1855 to 1905–06 is illustrated in Table 5.4.

Table 5.4 Rice Production in the Burmese Delta, 1855 to 1905–06

	1855	*1905–06*
Rice exports (tons)	162 000	2 000 000
Price per 100 baskets (rupees)	45	120
Cultivated rice area (ha)	280 000–320 000	about 2 400 000

Source: M. Adas, *The Burma Delta: Economic Development and Social Change on an Asian Rice Frontier, 1852–1941* (Madison: University of Wisconsin Press, 1974), p. 58.

As shown in the table, the area under rice cultivation grew eightfold in the half century after 1855. The price of rice per hundred baskets more than doubled during this period as large-scale market production offered a material reward that underpinned the cultivators' commitment to export production. The opening up of the frontier also offered opportunities to the inhabitants of Central and Upper Burma to migrate south where there was a strong demand for labour. During this period therefore, the Delta peasant cultivators relied on Burmese workers, who received payment in cash, to clear the land and prepare the fields. The larger holdings that emerged (20 ha) were dependent on a sizeable supply of seasonal migrant labour recruited mainly to help with harvesting chores, but also to clear the forest and plough the land. Since the latter two activities were carried out before the harvest, workers needed payment in cash. From about 1880, Chettiar moneylenders from India arrived in the Delta region to provide loans to cultivators. Chettiar credit and rural banking services were thus essential to the expansion of the industry. In the rice mills and on the docks seasonal Indian wage labour occupied a distinctive slot.

During the second phase, 1900–29, the Burmese rice industry reached full maturity. Two developments marked this period. The first was the emergence of an agricultural labour force consistent with the transformation of the industry into 'industrial agriculture' (Furnivall 1948:116). Wage labour was required not merely on a seasonal basis, but to carry out single tasks such as ploughing, planting and building earthworks. This wage labour was permanently casual. During this period too, seasonal Burmese labour had become scarce and Burmese cultivators turned to Indian migrant labour. As noted previously, Indian workers had earlier confined themselves to urban jobs. But after 1900 more of the field labour was carried out by organised Indian (mostly *Telegu*) work gangs. The migrants came principally as free labour, hired either by recruiting firms or by crew bosses known as *maistry*. The *maistry* organised the labour gangs that moved through the rice districts, contracting and completing jobs before moving on to a new rice district. The *maistry* exercised strong control over the Indian workers and his earnings came principally from three sources: the interest which he charged on his advances to his labour gangs; the commission paid by the recruiting firms to which he supplied labour; and from his manipulation of bulk purchases of steamship tickets. The *maistry* also acted as an overseer of Indian agricultural workers.

Indian rice workers' employment was seasonal and determined by the different phases of the rice season. The workers arrived in Burma between September and March to carry out a range of tasks associated with the cultivation and harvesting of rice. Between March and the following September, the workers either departed for India, or sought casual work in the towns. The rice production cycle thus determined the seasonal character of their employment. Indian labour migration inflows and outflows rose from 284 000 in 1900 to 777 000 in 1929. Where the division of tasks was concerned, the second phase of rice expansion in Lower Burma ushered in a high degree of specialisation hitherto unknown in the country. These tasks involved the following: the construction and repair of bunds; ploughing; transplanting; harvesting, and threshing. The physical nature of these tasks also meant that these workers were male. All the tasks were remunerated on a piecework basis, owing to their seasonal nature. Generally, Indian labour predominated in the first four tasks. They were paid on a piece-rate basis for the construction and repair of bunds, transplanting and harvesting. For ploughing, on the other hand, they were paid on a time-rate basis, for a period of up to four months. Threshing was normally done by Burmese labour, on a time-rate (period of one month) basis.

In terms of payment, a large proportion of the wages of these agricultural labourers was in kind and well above the subsistence level, averaging from 100 to 140 baskets of padi a year (1 basket = 46 lbs = 20.9 kg). Moreover, although the work was of a seasonal nature, it was customary for the labourer to be hired by the year, even if he did not stay the whole year. Additionally, he received free board and lodging for a period of 10 months in the year (Pillai 1947:101–2). Although these workers made a return trip to India annually, they normally worked for a minimum of three years after which they could afford 'to buy a yoke of cattle and set … [themselves] up as … independent farmer[s] (Pillai 1947:101).

In contrast to Indian rubber plantation workers in Malaya, the Indian agricultural workers in Burma were principally transient, travelling back and forth from India, a situation that was facilitated by the close proximity of the two countries. Nevertheless, following the internal organisation of the industry, labour gangs and the annual renting of land to the highest bidder became more common as peasants became insolvent. A proportion of the Indian workers became tenants amid rising pressure on the land. Although tenancy had begun earlier, by 1928 around 42 per cent of peasant cultivators were tenants. The Indians also provided competition to Burmese tenants. The commercial character of the industry had changed social structures and falling rice prices and sharply declining export earnings worsened the situation. The Great Depression precipitated the crisis, followed by anti-Indian (and anti-Chinese) riots between 1930 and 1932 and Indian labour migration into Burma fell sharply.

Thus the third phase of the rice industry was marked by social collapse, foreclosures on land by the Chettiars and a sharp decline in Indian labour migration. The subsequent Japanese invasion resulted in more Indian departures and the virtual closure of the rice industry. Burma's experimentation with export crop cultivation was to have major political repercussions after World War Two as well.

6
Urban Centres and the Manufacturing Sector: Industrial and Service Workers

The origin and growth of urban centres

An important feature of globalisation during this period, as noted previously, was the great expansion of trade in the region. This trade, which was promoted and dominated by Western and Chinese commercial interests, was focused on the new urban centres, and the new exports included commodities such as rubber and palm oil. The previous broad-based pattern of trade and production thus underwent considerable change, as exports became narrowly based, and geared to the needs of the industrialised West. Moreover, the character of the new urban centres also differed from the urban centres of old. Earlier towns/urban centres in the region had largely military, religious and commercial functions. The new urban centres were orientated towards the international economy and were thus predominantly commercial in character, with administrative functions added later. Singapore, founded in 1819, emerged as the trans-shipment and leading staple port of the region. It also received large inflows of labour since it functioned as the main entry and exit point for Chinese migrants in Southeast Asia.

Some of the new urban centres evolved out of mining townships (Kuala Lumpur and Ipoh in Malaya, for example) and gradually assumed administrative roles. Kuala Lumpur became the capital of the Federated Malay States and was also the nodal centre for the FMS Railways (Kaur 1985). Saigon also developed as an important communications centre, serving as a feeder for rail, road and other communications networks. These centres were not strictly manufacturing or industrial towns, although some of them had important railway workshops (Semarang in Java and Kuala Lumpur), or industrial plants for the manufacture of cement, carbonated waters, and cigarettes. Manufacturing industry did not play a major role in urbanisation in Southeast Asia. Nevertheless, there was an expansion of secondary industrial activity in the region in the first four decades of the twentieth century. This early phase of industrialisation was driven by the processing requirements of export commodities. The processing industries in turn provided the base and much of the impetus for the growth of ports and urban centres, attracting large numbers of migrants and contributing to the growth of plural societies.

A key feature of the colonial urban centres and ports was the predominance of European administrators, and mainly European and Chinese commercial groups. The latter groups were involved in flows of commerce and investment, commodity processing, and in the service industries associated with the international economy. The Chinese in particular were engaged in both selling merchandise to smallholders and peasants and purchasing their produce and delivering the goods to middlemen or wholesalers. Rice in Thailand and smallholder rubber in Malaya, for instance, were handled by Chinese traders. Chinese-controlled enterprises thus facilitated domestic commerce and the retail distribution of imported manufactures and foodstuffs. Indian moneylenders in Burma and Malaya also financed peasant production of rice and rubber. Apart from the administrators and commercial groups, urban dwellers included migrant and indigenous workers employed in the commodity processing sector, public works departments, railway workshops and administration. Labour recruitment patterns mirrored the general labour systems prevailing in these countries.

In some respects the towns served as important centres for change. They were the focus of new or changing social/interest groups, a few of which represented educated or administrative groupings associated with colonial administrations. These included the administrative workforce mentioned above – the civil servants; policemen employed in the subordinate ranks; and service workers employed in public utilities such as railways and road transport departments. In industrial establishments or the railway workshops, for example, where large numbers of workers worked in close proximity, some sort of worker solidarity developed. These groups carried their own vision of justice and equality and, through their interactions with urban part-time peasants, were able to provide the link between urban and rural areas.

This chapter focuses on two major categories of workers associated with the international economy. These were the factory/mill workers employed in the processing industries and the service workers employed in the transport sector. The object here is to examine labour recruitment and labour systems in keeping with the themes of the book.

The manufacturing sector: commodity processing

Manufacturing activity in the urban centres and ports may be divided into two broad categories. The first (and more important category) included the initial processing of raw materials and food items such as rice and sugar. The second included textile manufacturing and the production of finished consumer goods. The processing of raw materials and foodstuffs in urban centres coincided with the increased use of technology, the locational shift of these activities consistent with centralisation, and the employment of mill/factory workers. These broad changes were especially noticeable in tin smelting and rice milling.

Commodity processing

The smelting of tin and rubber processing

The smelting of tin – to remove impurities and produce tin of a guaranteed level of refinement – was originally carried out in small, purpose-built furnaces on mining sites, owing to the need to process the tin ore as near to the source of supply as possible. This labour-intensive technology was efficient and economical and locally available materials were used as fuel. In 1887 two European merchants James Sword and Herman Muhlinghaus established the Straits Trading Company, initially constructing a modern smelter in Singapore, followed by another in Penang in 1901. The Straits Trading Company soon dominated smelting and both Chinese ownership and employment in this sector declined. The Company subsequently took over the smelting of tin from Chinese miners in southern Thailand, Tonkin, and Bangka and Belitung, and by 1911 was smelting about one-third of the world's tin ore.

The Straits Trading Company relied on a predominantly Chinese labour force, which was initially recruited under the indenture contract system, and then under the contractor system. Wages and conditions of work paralleled those in the tin mining industry. As modern technology replaced labour-intensive methods there was an overall reduction in the labour force employed in smelting. Concurrently, the labour force which was consolidated in the two ports of Singapore and Penang to facilitate both the import and re-export of refined tin, was transformed into an urban labour force.

Unlike tin-smelting, rubber processing did not undergo centralisation due to the nature of the product and consequently no locational change of factory workers occurred. Rubber factories were located on the plantations near the source of supply since impurities (for example, moisture in the rubber sheet), made transport over extended distances uneconomic due to loss of weight. Rubber factory workers were not considered a separate work-force, though they were remunerated differently.

Food processing

The other major change occurred in rice milling. The milling of rice was originally carried out on individual peasant farms using family labour. The expansion of rice cultivation and the emergence of large-scale rice export industries coincided with the specialisation of tasks and the establishment of numerous small steam mills. In the three main rice-producing countries, large steam mills were located principally in the main ports – Rangoon and Bassein (Burma); Bangkok (Thailand); and Saigon-Cholon (Indochina). In Bangkok the first steam mill was built in 1858 and by 1910 there were 59 steam mills. In Rangoon the first steam mill was built in 1860 and by 1898 there were 47 steam rice mills. In Saigon-Cholon there were 27 large mechanised rice mills in the 1930s (Brown 1997:204). These mills necessitated investment in expensive processing equipment and, in the early phase of the expansion of the rice industry, were largely European-owned. In Thailand rice milling soon passed into Chinese hands and by 1898 Chinese firms accounted for 83 per cent of Thailand's rice mills. In Burma, European capital and enterprise dominated in rice milling until the early twentieth century. In 1898 Europeans owned fewer than 60 per cent of the rice mills and by 1929 the percentage had dropped to 39 per cent.

The rice mills employed a substantial workforce, most of which was hired on a seasonal basis during the milling months from about December to June. For example, four rice mills in Bangkok employed over 1000 workers in the 1900s; 27 mills in Burma at the end of the 1930s employed almost 11 000 workers, while the Saigon-Cholon mills at the end of the 1930s employed more than 3000 workers during the milling season (Brown 1997:204–5). The workforce also comprised predominantly migrant workers. In Bangkok the workers were mainly Chinese while the Saigon-Cholon mills recruited workers either from the city (Chinese as well as indigenous) or from the surrounding rural districts. In Burma the mill workforce, which employed about a third of the workers engaged in industry, was predominantly Indian. According to a 1934 survey (industrial census), 74.4 per cent of the skilled and 80.9 per cent of the unskilled rice mill workers were Indian. The Indians were especially dominant in the large mills of Rangoon and the surrounding regions, but also had a strong presence in the smaller, up-country rice mills (Adas 1974:179).

Rice mill workers were free wage workers, mainly adult males, and were employed on short-term contracts and on a seasonal basis. In Burma Indian workers alternated between work on the rice fields and employment in the mills. The breakdown of their tasks is listed in Table 6.1.

The seasonal nature of their employment and the availability of employment opportunities determined their labour status since employers did not need to tie them down to their jobs.

Sugar factories have almost always been associated with foreign capitalist enterprise, principally because of the heavy capital outlay required in processing technology. As noted in Chapter 5, mill workers in the sugar industry in Java formed part of the permanent staff. But this permanent staff comprised mainly administrative and chemical workers and skilled workers. Thus a large group of workers were hired on a casual basis. Women were the lowest paid among this group, performing tasks that

Table 6.1 Cropping Operations and Industrial Agriculture in Burma

Month	*Operation*	*Labour*
February to May	*Kazin* (bund) repair	Indians, hired individually
May to mid-July	Ploughing and nursery planting	Burmese, occasionally Indians, hired in teams
Mid-July to August	Transplanting or sowing	Burmese, employed in two sets, one which pulled up and transported the paddy plants and another which planted them out
August to November or December	Herding	Indians, hired individually
	Weeding and grass cutting	Burmese or Indians, hired individually
November to February	Harvesting	Indian or Burmese reapers, hired in gangs
	Threshing	Burmese teams
	Winnowing	Burmese teams or individuals
	Carting	Indians and Burmese in teams

Sources: *Hanthawaddy Settlement Report (1907–10)*, pp. 6–7; Furnivall, *Political Economy*, p. 74; Furnivall, "Industrial Agriculture", *Journal of the Burma Research Society*, 48, no. 1 (June 1965):95–7, cited in M. Adas, *The Burma Delta*, p. 134.

males refused to undertake. For example, 80 per cent of the female work force in the sugar industry was employed in the centrifuge section of the factories where the sugar granules were produced (Ingleson 1986:31). Overall, the unskilled, casual workers comprised more than two-thirds of the total workforce employed in the industry (Ingleson 1986:28–9). In the early 1880s there were over 200 sugar mills in Java with an annual production of around 300 million kilograms. In the 1920s the number of working mills fell to about 180 (this was partly due to the replacement of water mills by more efficient steam mills) while total annual production averaged 3000 kilograms at the end of the decade (Brown 1997:205). But by 1940 there were only 85 working mills, production stood at 1600 million kilograms and employment fell sharply. According to Brown, the sugar mills employed about 74 550 workers in 1921, 88 512 in 1929 and 40 893 in 1940 (Brown 1997:206). The decline in worker numbers reflected the fluctuating fortunes of the industry.

The conditions of work varied with the employment status of the workers. Permanent workers were hired on a monthly basis, provided with accommodation, and were given bonuses and paid annual leave while temporary workers were hired on a casual basis on the cheaper day wage (in practice paid on a monthly basis). Since the sugar mills were located in the heavily populated areas, there was an almost inexhaustible supply of labour and workers rarely moved from one town to another because of the transport costs involved and the absence of extended networks. All these factors impacted on the working conditions of casual workers.

In the Philippines the sugar industry was managed on different lines on Luzon and Negros Islands, with workers at the latter island worse off than workers on the former. Coercion was the order of the day and the workers on Negros Occidental, though paid a nominal day wage, were held captive through the practice of debt bondage and the use of paramilitary force. According to McCoy, in the 1920s the sugar mills in Negros had a workforce of approximately a thousand men each and the 'mills became akin to free industrial towns set down amidst the uniform baronial oppression of the *haciendas*' (McCoy 1992:128).

The general picture that emerges of industrial wage employment in either the raw material processing industries or the food processing industries is that workers were no better off than their counterparts in primary commodity production. A key feature of employment in the processing industries was the reliance on contractors and sub-contractors for labour recruitment. Minimal government intervention reflected not only the relative unimportance and size of this sector (compared to the plantation sector, for example), but also the dominance of smaller capitalist interests. The employment of workers through intermediaries also freed employers from the need to deal directly with workers and manage them, and also from providing them with basic housing and food. To take the case of housing, for example, seasonal Indian workers in the rural areas of Burma were sometimes provided with huts which housed three or four people. But urban workers lived in very crowded tenements provided by the *maistry*. They preferred to sleep outside on the streets, except during the rains. Caste considerations also 'complicated the situation'. Thompson states that in 1937 Rangoon had the 'highest incidence of tuberculosis of any urban area in the world' (Thompson 1947:48).

The majority of workers were paid on a daily or piece-rate basis, which added to the casual nature of their employment. Moreover, the varying terms of employment, which were also based on ethnic considerations, made meaningful comparisons of levels of remuneration difficult. Since rice formed an important component of the daily food requirements, Bassino and van der Eng's estimates for rice wages for unskilled male workers, mainly in urban centres, for the period 1913–38, are listed in Table 6.2.

Apart from Vietnam, all the other countries recorded an increase in rice wages. Nevertheless, in the case of Malaya for instance, Drabble states that the unit cost of rice imported into the FMS tripled in 1920. He further adds

Table 6.2 Daily Rice Wages of Male Unskilled Workers in Selected Southeast Asian Countries, 1913–38 (in kilograms of rice)

	1913	*1922*	*1938*
Burma	6.5	6.6	7.6
Java	2.9	2.9	3.2
Malaya	3.3	1.9	6.0
The Philippines	5.6	5.0	7.2
Thailand	7.5	7.8	10.3
Vietnam, North	4.2	4.4	3.0
Vietnam, South	7.8	8.2	5.9

Source: Bassino and van der Eng, 'Economic Divergence in East Asia', 2002, p. 10.

that in Singapore the cost of living index on the 'Asiatic standard' had more than doubled between 1914 and 1920 (Drabble 2000:116). Bassino and van der Eng also caution that rice wages 'take no account' of other household products, the range of which increases with economic prosperity.

In summary, industrial production in Southeast Asia was primarily based on the processing of mineral and agricultural commodities for export, or the milling of sugar and rice. Although there was some production of cement in Indonesia, Thailand and Indochina, it was on a small scale. Similarly, textile production was also small. In the 1930s steps were taken by colonial governments to expand industry, though these measures were largely in response to the economic distress caused by the Great Depression, and also to raise living standards in the colonies. The industrialisation drive in the 1930s has also been viewed as an attempt by various capitalist interests to diversify into other activities. The percentage of workers employed in this sector was very small – the share of the economically active population in the secondary sector in 1931 being only 12.7 per cent in Malaya; 12.1 per cent in Indonesia; 3.9 per cent in Thailand; and 8.7 per cent in the Philippines (Brown 1994: Table 12.4).

The service sector: railway workers

In the absence of widespread industrialisation and the creation of a large industrial workforce, a predominantly service population emerged in the ports and urban centres. A significant proportion of this service population was employed in the transport sector, since transportation systems connected Southeast Asian towns and ports to Europe, and facilitated the productive capacities of colonies as sources of raw materials and food crops (see Kaur 1985). The railways in particular enabled the efficient carriage of people and commodities, and also had a direct and integrative effect upon most economies in the region. In all countries large numbers of workers were hired to construct, maintain, and run the railways and tramways. The railway workshops also brought substantial numbers of workers under one roof. Railway workers will here serve as the type case of service workers in colonial towns for two reasons. First, they were employed in a sector whose revenue-earning capacity was heavily influenced by market conditions and this impacted on their wages and employment conditions. Second, they worked in close proximity with workers of different ethnic groups and in the process acquired some sort of labour solidarity that transcended ethnicity.

Railways and tramways in Java and Malaya

In Java rail and tram development was associated mainly with the sugar industry. The first railway concessions were granted in 1863 and 1864, and resulted in the completion of a railroad from Batavia to Bogor and a second line from Semarang to Solo and Yogyakarta in 1872. A third railroad linking Surabaya, Pasuruan and Malang was completed in 1879 and, subsequently, the network was extended all over the island. Beginning in 1884 an increasing number of narrow tramways were built as feeder lines to serve the sugar industry. Each company operated its own dedicated workshops to service the tramways. The largest of these workshops was operated by the State Railways.

In Malaya, three phases of railway development may be distinguished which coincided approximately with the three stages of British political involvement in the country. In the first period (1880–96) short latitudinal lines were built in the western half of the peninsula to serve the tin-mining areas. These lines linked inland producing centres with coastal ports. The localised nature of economic penetration was compatible with the piecemeal development of the railway. The second period of railway development (1897–1909) was marked by the construction of a north-south trunk line which connected the original latitudinal lines. This process of railway amalgamation had its political counterpart in the consolidation of British rule in the four western Malay states of Perak, Selangor, Negeri Sembilan and Pahang with the creation of the Federation in 1896. Railway development in the final stage (1910–31) served the needs of the plantation sector, which was not locationally specific to the western part of the peninsula. Politically this period marked the greatest extension of British influence in the country (Kaur 1985). The consolidation of the different state railways necessitated the establishment of central workshops and the employment of a 'permanent', large labour force.

Java

Labour recruitment for the railways mirrored the general labour recruitment patterns in Java since the availability of large migratory pools of workers meant that unskilled labour was easy to mobilise. There were five broad staff categories: administrative personnel (including station masters); railway personnel (engine drivers and train conductors); workshop staff (artisans and other skilled labour); foremen; and labourers. The foreman, as in the sugar factories, played a key role in the recruiting of indigenous staff. Here too, the foreman was an important source of patronage and power. He paid the workers, enforced discipline and organised the distribution of jobs. Skilled labour was largely trained on the job. The labourers, who were responsible for line maintenance, weeding and general cleaning, were classified as temporary workers and were paid on a daily basis with no security of employment or other benefits.

Turning to the issue of racial or ethnic identification with specific job categories, in the late nineteenth century the administrative personnel, engine drivers, train conductors and stationmasters were invariably European. Subsequently, the expansion of the railway in the first quarter of the twentieth century saw Indonesians being hired as engine-drivers, station masters and conductors. This growing availability of a pool of skilled Indonesians was largely due to the establishment of trade schools by the Dutch under the Ethical Policy in the first decade of the twentieth century. The Dutch established trade schools in Batavia, Semarang and Surabaya, followed by a school in Yogyakarta. Moreover, Christian missionary societies also established trade schools in the major urban centres. The trade schools offered courses in metalworking and woodworking and thus provided some form of vocational education for Indonesians. The State Railways workshops in the main urban centres also provided training for Indonesians and Chinese through the informal apprenticeship system.

By 1915 only the State Railways employed some European engine drivers. According to Ingleson, the First World War was a watershed in European recruitment for the railways and other departments. The shortage of Europeans meant that an increasing number of Indonesians were employed by the railways department. By 1930 the rail and tram networks employed around 60 000 free wage workers, most of whom were in the skilled labour category. About 16 per cent of workers employed in the State Railways and in the private network system were day-wage unskilled labourers or largely unskilled workers (Ingleson 1992:146–7; 153).

Malaya

In Malaya the pattern of occupational differentiation evident elsewhere was also created and maintained by the Federated Malay States Railways (FMS Railways). Labour was recruited both directly and indirectly. Indians, Jaffna Tamils, Eurasians and, later, Malays, were hired directly while Chinese were hired indirectly through the contractor system. The job categories also reflected the ethnic divisions in the country. The senior administrative staff were Europeans; stationmasters were invariably Jaffna Tamils and North Indians; while drivers, signalmen, pointsmen and conductors were South Indians or Jaffna Tamils. Jaffna Tamils formed a large segment of the educated workforce that had migrated to Malaya, particularly in the first quarter of the twentieth century. Technical staff (surveyors, draughtsmen) and artisans comprised Chinese, South Indians and Jaffna Tamils. The clerical section was monopolised by Jaffna Tamils and Malayalees from Kerala in India. North Indians, especially Sikhs, dominated the railway police department or security services division.

The size and composition of the labour force varied with the different stages of railway construction. Malays were initially employed on a temporary basis to fell the trees and clear the jungle as the railhead advanced in the different states. Javanese were hired as construction workers under indenture contracts, while Chinese were recruited locally through contractors for the initial earthwork construction. Chinese were also employed in the clerical, mechanical and transportation sectors. The foundry workers in the main Sentul Railway workshops were Chinese who worked under their own contractors.

In the case of the Indians, most of the educated Indians who served in the clerical section were hired directly. The police force comprised North Indians who came to Malaya under a different recruitment scheme from the South Indians (Kaur 1974). South Indian Tamils dominated the construction and maintenance sections of the FMS Railways. Prior to 1910 the majority of them had been hired under the indenture system but after 1910 they were recruited under the *kangani* recruitment system. The colonial government was one of the largest employers of *kangani*-recruited labour for the public works department and the railways. It also recruited free labour directly under the aegis of the IIC and the Tamil Immigration Fund

Employment figures for Asians in the FMS Railways for 1903 and 1922 are given in Table 6.3.

Table 6.3 FMS Railway Workers by Ethnic Group, 1903 and 1922

Year	*Indian*	*Chinese*	*Malay*	*Eurasian*
1903	5819	1078	278	n.a.
1922	2058	288	107	50

Source: 1903 – *Hindu Organ*, 30 December 1903; 1922 – *Selangor State Secretariat Files* No. 3103/1922.

By 1922 there was a decline in the number of workers because by that date the major lines had been completed and increasing road-rail competition resulted in staff reductions (Kaur 1990b).

The First World War also led to a change in labour recruitment policy. As noted above, the War had precipitated the increased recruitment of Indonesians in senior positions in Java. In Malaya the depressed conditions of the early 1920s, the Great Depression, and the Decentralisation Policy marked a watershed for increased recruitment of Malays in subordinate administrative positions. The colonial authorities aimed at hiring Malays at a 'judicious' rate and provided them with training for various positions. Malays were regarded as most suitable for the traffic section and, from 1923, were placed as probationers under the tutelage of station masters. The latter were paid a bonus for each Malay candidate who succeeded in passing the qualifying examination for a stationmaster within a period of 18 months. Concurrently, a training school was established to provide instruction in theory while an apprenticeship system was initiated to provide training on the job. Priority in enrolment was given to Malays but both schemes were also open to children of railway employees. The success of these schemes – the increasing number of some Asians at senior levels and the growing number of Malay recruits – is captured in Table 6.4.

The most important change was the employment of Malays in the engineering, mechanical and transportation sections. The reduced role of the railway police also saw a major decline in Indian (and Ceylonese) and Malay employment in this section (Kaur 1990b).

Java and Malaya – a comparison

In both Java and Malaya, railway staff were provided with housing either along the rail/tramline or within individual station perimeters (compounds) because of the nature of the undertaking. In Java the State Railways and private tram companies owned *kampung* (villages) where they built houses for rental to permanent railway employees. There were different grades of housing for the different occupational categories. The housing was woefully inadequate. In Cirebon the State Railways *kampung* had only one well for about 50 people and communal toilets; and each house consisted of one room measuring only nine square metres (Ingleson 1986:43). In Malaya the housing for unskilled workers was similar to the housing provided on plantations – labour lines strung along the railway track, or in the vicinity of stations. This compound accommodation was rather basic – it had communal kitchens, bathrooms and toilet facilities. Accommodation in the workshop areas, which were practically little townships on their own, was more centrally planned and constructed. There were different levels of housing catering for the different grades of staff. Inevitably, there was a toddy shop nearby for the workers. The European staff had brick houses set in pleasant gardens.

Railway workers in the lower grades (especially maintenance) were invariably Indian males, but increasingly, women were employed in these categories from the second and third decades of the twentieth century. These women, often spouses of Indian male labourers, worked as railway servants. In 1921 there were 80 women workers (compared to 7929 men). In 1931 the figure rose to 178 women workers (compared to 7083 men) and 244 women in 1947 (compared to 5111 men). These figures do not include women employed as administrative personnel and in other clerical/skilled categories (Kaur 1990b: 106).

The minimum wage paid to male unskilled railway workers was set by the basic wage paid to Indian male rubber estate workers (see Chapter 4 for

Table 6.4 FMS Railway Staff by Ethnic Group, 1932, 1939, 1946

	Europeans			*Eurasians*			*Indians and Ceylonese*			*Chinese*			*Malays*		
Department	*1932*	*1939*	*1946*	*1932*	*1939*	*1946*	*1932*	*1939*	*1946*	*1932*	*1939*	*1946*	*1932*	*1939*	*1946*
Management (including administration)	6	4	6	–	–	3	25	15	13	6	3	6	7	6	11
Engineering	39	20	21	12	10	14	4719	4444	4286	186	80	270	365	385	578
Mechanical	22	17	17	17	29	35	1229	1073	1215	455	501	450	195	295	473
Transportation	52	36	37	84	145	184	3803	3469	3359	398	378	344	693	1024	1293
Accounts	12	9	6	3	8	10	91	85	91	33	31	37	42	47	52
Stores	6	4	4	2	2	–	133	94	131	1	2	6	71	47	41
Police	3	–	–	2	1	1	250	12	11	5	4	7	157	5	3
Health	1	–	–	–	–	–	92	100	147	2	2	1	2	3	10
Total	141	90	91	120	195	247	10 342	9292	9253	1086	1001	1121	1532	1812	2461

Source: *Annual Reports, FMS Railways, 1932, 1939, 1946.*

details). This reflected the importance of the railway department in the international economy. This policy also served to reduce a large turnover among workers. Chinese workers, who were hired through contractors, were paid higher wages, as in the rubber industry. Malay wages were comparable to Indian wages.

In common with the other export-oriented sectors of the economy, a downturn in the market was usually followed by retrenchment of workers, particularly in the unskilled categories, in both countries. Indeed, not only were the Asian staff paid subsistence wages, but were also the first to be fired. Unlike Java, where the unemployed workers retreated to their villages, the Indian labourers were repatriated to India. In 1932, for example, 467 monthly paid workers and 1603 daily paid workers were made redundant in Malaya. Those who were retained in the daily-paid category (the lower categories) had their wages cut initially by 15 per cent, but following protests by workers, this was reduced to 10 per cent (Kaur 1990b:120). In Java workers who were laid off and regarded themselves as permanent urban dwellers as opposed to circular migrants, stayed on to take whatever they could find in the towns (Ingleson 1992:156).

Summary

Workers in urban centres and ports had diverse ethnic origins, and few were willing to shed their distinctiveness. This was principally due to three main factors: the often temporary nature of their residence; their geographic and social isolation, as, for example, in the public works labour lines accommodation; and the highly visible linguistic, cultural and religious differences between the races. Some cities – Singapore and Penang – were largely Chinese. The low level of social and economic mobility in colonial society also contributed to the maintenance of plural societies.

Although small numbers of Asians rose to positions as white-collar workers in the technical and administrative fields, they were socially constrained. Nevertheless, the integration of Southeast Asian economies into the world economy exposed migrant communities to the processes of modernisation and social mobilisation. The extension of educational opportunities also increased individual mobility, inter-ethnic contact, and inter-ethnic competition for employment opportunities, previously regarded as the preserve of specific communities. This competition was particularly evident during times of economic slump. The Second World War had even more far-reaching consequences for all groups. The disruptions brought about in the economic sector; the enforced isolation from the home countries; and political organisation and awakening made the various groups more aware of their identity. This also made it easier for labour leaders to mobilise the various economic groups and foster the growth of common values required for worker integration.

7

Labour and the Colonial State: The Socio-Economic and Political Bases of the Labour Movement

The state, labour relations and labour legislation

Labour relations in Southeast Asia prior to the Second World War cannot be studied as a self-contained field of inquiry. They need to be understood in the context of labour systems as well as the broader socio-economic and political structures. These include government regulations and the management of labour recruitment, working conditions, and employment security. The distinguishing feature of the labour market in Southeast Asia was that it remained in a state of flux. In all labour systems, labour continued to be on the move because employment was essentially permanently casual, conditioned by short-term arrangements, and contingent on economic conditions. Flexibility in work organisation and labour supply manipulation were regarded as the key sources of competitive advantage in the export sector.

Colonial regimes played a crucial role in labour mobilisation, and were thus instrumental in determining industrial relations structures. Three important factors contributed to the continuance of labour relations structures during this period. These were: the often temporary nature of migrant labour's residence overseas or in neighbouring areas; the geographic and social isolation of migrant workers on plantations, mines or in urban labour lines; and the physical, linguistic, cultural and religious differences between migrant workers and indigenous populations. These factors also enabled colonial governments and employers to use economic and extra-economic instruments to maintain low wage bills, and sustain occupational differentiation based on ethnicity. They also resulted in vertical cleavages of ethnicity, kinship and religion, and facilitated the substitution of one worker group by another.

Labour relations policies were grounded on four tenets. The first was the mobilisation of a cheap and plentiful labour supply to develop the export industries in an open market situation. The whole process of labour market functioning and organisation was regulated through immigration rules, recruitment systems, and laws which served largely to protect employer interests and maintain work force fragmentation. In most countries in the region the state itself was a major recruiter of labour and, consequently, recruitment was tightly regulated through specific institutions (such as the Indian Immigration Committee in Malaya). Immigration controls were also used to deport labour activists and 'trouble-makers'.

Moreover, the labour recruitment systems, such as the indenture system, also served as instruments for control of workers. Most workers were contracted either through advance payments, binding them to employers or intermediaries, or were bound to systems of delayed payment which permitted them to leave only at the end of the contract or when a particular season was over. The contract was usually a written one but verbal agreements (especially in the case of contract Chinese workers) were quite common. Most migrants signed these contracts in ignorance of the terms or under coercion. Breaches of written contracts were regarded as criminal, not civil offences. Recruitment through intermediaries, such as the *kangani*, *maistry*, *cai*, or contractor, whereby foremen or labourers of standing recruited new workers often within their local communities on the basis of family and village connections, also led to abuse of workers and indebtedness to the recruiters. Furthermore, recruitment expenses, though borne by employers in some cases, meant that overseas migrant workers were tied to their places of employment for long periods.

The second tenet was the provision of a limited amount of protection for workers by the state. This was achieved principally through the creation of agencies such as Labour Departments, Labour Inspectorates and Chinese Protectorates. The role of these agencies centred primarily on the supervision of migration, mainly to satisfy governments of source countries; the adherence to labour contracts; and the conduct of comprehensive medical examinations on workers. Moreover, the legitimation of colonial rule was ensured through the provision of a limited range of health services and periodic checks on places of employment by health inspectors. Records were thus maintained for source countries and at the same time infectious diseases were kept in check.

The third tenet was the establishment of wage rates in consultation with employers. These wage rates, which ensured flexibility in work organisation, invariably favoured employers. When the prices of commodities fell, there was a reduction in wages and some groups of workers were assisted to return to their places of origin. During the 1930s commodity prices fell in most parts of Southeast Asia, with the deflation being most acute in Java. When prices were restored in nominal terms in the latter part of the decade, this did not result in an increase in real wages, nor an improvement in the socio-economic position of labour. Moreover, the continuance of a policy of divide and rule, whereby workers were divided along lines of ethnicity, kinship and patronage, allowed employers to pay differential wage rates, even within the same industry. This precluded any co-operation among workers for a united stand on wage bargaining and fixing. In addition, employers were permitted to hire replacement strike-breaker labour in the event of a strike, thus reducing effective collective action.

The fourth tenet was the assurance of docility and discipline among workers through the organisational structures of labour systems. Coercive control by the (largely) foreign management, whose authority could not be questioned, or through their intermediaries, meant that compliance and obedience were central to the work ethic. Thus, even after the abolition of indenture, the free and unfettered labour contract was nullified by the hold of foremen and contractors over workers. This hold was based on kinship links, village ties, the debt relationship and power relations.

Moreover, at the next level in the administrative hierarchy, the European supervisors had at their disposal an extensive system of fines that invariably led to wage deductions. Physical punishment for infractions and violations of factory, mining or plantation rules was also common. In the case of plantations and mines, which were located in remote areas, workers were largely separated from social contact with the outside world. They thus lived in enclaves or micro-societies with strict hierarchical divisions. Their working conditions contrasted sharply with those of the management, but the threat of losing their livelihood and accommodation kept the workers captive and immobile.

Individual and collective responses by workers, and organised labour

The development of labour organisation in colonial Southeast Asia must be understood in the light of the labour market then prevailing. First, unskilled labour was in elastic supply, whether from China or India, or from the large population reserves of Java and Tonkin. The relatively 'free' flow of labour undercut the organisation of workers. Second, the 'foreign' origins of workers also impacted on worker organisation. The recruitment and administration of labour along ethnic lines meant that workers were subjected to different employment conditions which worked against attempts to improve wages and working conditions through collective action. Third, the 'foreign' origin of the workforce and different employment conditions contributed to the uneven development of the labour movement in most countries. Notwithstanding the above, the emergence of a more stable workforce in the 1930s saw some attempts by workers to improve their employment conditions. Real improvement in working conditions only came after 1960 and was largely confined to those countries where labour demand was increasing faster than supply, such as in Malaysia and Thailand.

Forms of labour unrest

Workers were not compliant or docile all of the time, nor did they submit to the arbitrary rules of the colonial state or employers without some sort of a struggle. On the whole they avoided direct and open confrontations against those who harassed and exploited them. Invariably, they relied on what one scholar has termed as 'everyday forms of resistance' (Scott 1985). The nature and character of these largely spontaneous actions show a remarkable similarity in most countries owing to the fact that they were substantially defensive acts. Moreover, they required little or no co-operation and were not meant to directly challenge the power of the plantation or mine management. Essentially, the workers wished to vent their frustration; to ensure their survival; and also to wreak some revenge. Their actions thus often took the form of destruction of property, rubber trees or equipment, or the burning of cane. Desertion was also a popular choice. Nevertheless, these acts by their very nature had their limitations.

In contrast to these defensive acts, strike action by workers was an offensive strategy. First, it represented collective action on the part of the workers in challenging particular structures. Second, it involved a much greater calculated risk because it meant a temporary halt to production with its attendant retaliation by management. Third, there was a clear connection between economic conditions, the necessity to fight for social justice, and labour militancy. Nevertheless, it must be stated at the outset that neither sector-wide nor nation-wide militancy was characteristic of this period.

Labour militancy must also be viewed within the larger political and economic context. Key factors influencing workers' consciousness were nationalism, the urban experience, Western education and economic conditions during the interwar years. Three case studies that typify different labour systems, economic sectors, and the colonial experience, are discussed below to provide a general overview of workers' struggles and workers' consciousness during this period. Two of the case studies involve railway workers in Indonesia and Malaya, principally because the transport sector was an important employer of labour and because railways provided the essential interconnections for expanding global capitalism prior to the Second World War. Moreover, the timing of railway growth, the logic of its spatial location, and the labour recruitment systems adopted, although different from one colonial setting to another, were all intimately related to the economic and social functions railways performed for European colonialism. Critically, the colonial contexts in which railways operated had some bearing on workers' political orientation, and in both Malaya and Indonesia, railway workers appeared frequently at the forefront of labour movements and undertook broader forms of collective action. The third case study centres on plantation workers in Malaya.

The labour movement in Java

Prior to the creation of modern labour unions in colonial Java, the village was the main provider of social security for urban workers. In the 1890s a large percentage of urban workers in the four major cities of Batavia, Semarang, Surabaya, and Bandung were circular migrants, who maintained households in their villages and worked in the cities for about half a year. The expansion of transportation networks increased accessibility and mobility and facilitated this circular migration. These workers were less open to ideas of labour organisation because of their largely transient status; nor did they look to the state as a provider of social welfare and social services.

In the first three decades of the twentieth century, there were major economic and social changes in Java. The population of the four big cities increased between two- and three-fold, principally because of the closing of the land frontier in the inland districts. The growth of the administrative labour force – in railways, the civil service, and technical services – was consistent with the expansion of the export sector. Moreover, increased provision of Western primary and secondary education and the establishment of trade schools saw an increasing number of Indonesians passing out from these schools. Job opportunities expanded along with these changes and a wide range of jobs, previously the preserve of the Dutch, were now open to Indonesians.

This trend increased during the First World War period when there were fewer Dutch recruits owing to shipping problems associated with the War. Thus a larger number of Indonesians entered the urban labour market at a time when there was a greater sense of race and worker consciousness, engendered through the vernacular press, mutual benefit societies and socio-economic organisations. The mutual benefit societies, socio-economic organisations, labour unions and political parties all emerged at the same time and were part of the broader anti-colonial movement that emerged in urban Java. The leaders of the labour union were also leaders of the nationalist parties (Ingleson 2000:475–7).

Although the first labour union for Indonesian workers was formed in 1908, and subsequently hundreds of labour unions were formed, these unions faced several problems: recruiting new members; a membership that did not pay its dues on a regular basis; and organisational and leadership problems. External constraints included opposition from the Dutch – the *Netherlands Indies Penal Code* permitted limited rights of association only – and the right to strike was severely restricted. Workers were also constrained by the fact that colonial authorities and employers could call upon the services of the town police, the political intelligence service, the bureaucracy and the territorial army to protect the workplace; control workers at their workplace; or bring in strike breakers.

As noted earlier, most Indonesian workers were recruited indirectly through intermediaries such as labour recruiters or foremen, who not only exercised considerable influence over workers' lives, but also were a major obstacle to the spread of unionism among workers (Ingleson 1987:144–60). The structure of the workplace was another constraining/inhibiting factor since workers were grouped and categorised by job classification, place of origin/village, and religion, and these were barriers to solidarity among workers. Furthermore, worker management policies and methods also inhibited worker solidarity and joint action. The provision of company housing and other services tied workers to their workplace and deterred them from getting involved in industrial action.

The state also ensured labour discipline through the establishment of fingerprinting bureaus where workers' fingerprints were kept on file, and 'troublemakers' were threatened with possible discrimination in future job applications. A system of identity cards was another deterrent to concerted action by workers. In view of the above, ordinary unions found it hard to survive, and the only enduring labour unions were those whose membership comprised skilled and educated workers who had fewer direct links with their villagers, or who had less to lose, and therefore depended on their unions for access to social welfare and mutual-aid funds (Ingleson 2000:478–9).

Antecedents of labour activism

Turning now to direct action, the first strikes took place in the first decade of the twentieth century. These were short-lived, spontaneous protests by small groups of workers, and usually arose from their perceived grievances. These strikes also showed an absence of class consciousness or class organisation. After 1912, following the founding of Sarekat Islam (Islamic Union), an Islamic nationalist organisation, strikes became more commonplace. This intensified after 1917 when the Sarekat Islam began to organise workers directly and workers saw the Sarekat Islam as an organisation to which they could turn to in their fight against injustice and oppression. Workers thus became more aware of their own rights and refused to tolerate unacceptable treatment by employers.

Three phases may be identified in urban workers' struggles during the colonial period which coincided with the changing economic conditions in the country. The first phase (up to 1925) was one of industrial militancy and was associated with the expansion of the export sector. During the second phase (1926–30), unions emphasised social security in a period when the colonial authorities clamped down on industrial unrest. The third phase (1930s), was consistent with the attempts of unions to survive during the depression period and to consolidate their position as the economy recovered (Ingleson 2000).

The first phase (up to 1925)

As noted previously, until 1925 the state tolerated the mushrooming voluntary organisations that were formed in the 1910s. These organisations included religious associations, political parties, rural and urban welfare groups, co-operatives and labour unions. The labour unions thus organised in a relatively benign legal framework. Strikes were also a common feature in the 1910s. Major strikes occurred in the pawnshops, the railways and the harbours between 1918 and 1920. These strikes in the post World War One period have been attributed to low wages and the impoverishment of workers. They were followed by a city-wide strike in Surabaya in late 1925–early 1926. Following these strikes, several commissions were formed to investigate social and economic issues. One such commission recommended minimum wage rates. Although the commission's recommendations were not adopted, the colonial authorities exerted pressure on employers to raise wages.

During this period the larger unions comprised State employees. For example, the railway and tramway sector was the largest employer of urban wage labour, and in 1930 employed about 60 000 people. These workers were employed in a large number of railway towns and most of them were permanent employees. The railway and tramway sector also employed temporary workers and about 16 per cent of them were casual, daily paid workers. Even prior to establishing the union, these workers had formed mutual help associations to provide some sort of social security. European workers formed the first union for railway workers (Vereeniging voor Spoor en Tramweg Personeel – VSTP) in 1908, but by 1918 the VSTP almost entirely consisted of Indonesians. In the meantime, the European employees left the VSTP to form their own union. Initially, almost all the union's central leadership comprised Dutch socialists, who later became core members of the Indies Social Democratic Party, formed in 1914. The VSTP's prime objective was the improvement of wages and working conditions. Nevertheless, social security was also an objective, particularly since the union comprised predominantly skilled permanent workers with weaker connections to their villages and who had limited or no access to village social security provisions.

Most union members during this period comprised government employees, many of whom were Western-educated and had shared experiences among them. These workers were also members of political parties. Labour unions for workers in the private sector were small and were city- or workplace-specific. They also had fluctuating memberships and were consequently unable to develop social welfare objectives on a sustained scale.

The government responded to the wave of strikes by imposing new legislation that empowered it to intervene in disputes which disrupted or threatened the economy. Subsequently, changes to the Penal Code in 1920 strengthened the State's powers of preventive detention. The creation of a

Labour Office in 1921 further enabled the government to collect detailed information on working conditions and report on major strikes. At the same time major employers of labour began to cooperate with one another to introduce measures to control Indonesian workers.

These restrictive measures resulted in the imprisonment of leaders, large-scale worker dismissals and huge reductions in union membership. Political parties like the Perserikatan Kommunis di India (PKI, Indies Communist Party), which had played an active role in mobilising labour unions, were banned from holding public meetings. The VSTP and other communist-led unions were also barred from holding public meetings, and union members who were PKI members were kept under close surveillance. Subsequently, the colonial authorities banned government employees from membership in the PKI. Other repressive policies directed at nationalist parties and labour unions, irrespective of their ideological leanings, meant that the militant phase of unionism effectively ended. Moreover, the oversupply of urban labour rendered the strike weapon ineffective (Ingleson 1986:170–99, 224–6, 239–42, 266–315).

The second phase, 1926–30

The more stringent conditions of the Penal Code and the destruction of the PKI were accompanied by a change in strategy by the unions. During this period, therefore, the unions placed social welfare firmly on the agenda in order to attract and retain members. Another focus was to form labour unions for private sector workers in the major cities. The political climate ensured that the number of the strikes was kept down. In 1927 Partai Nasional Indonesia (PNI, Indonesian National Party) was also outlawed and a number of its leaders arrested. Nevertheless, Boomgaard asserts that there was a growth in cooperative and non-radical unions that comprised government sector employees, especially towards the end of the decade. In 1926 the number of unions was 54 and there were small annual increases subsequently. In 1932 the number reached 126. Membership increased from slightly more than 20 000 in 1926 to about 110 000 in 1931 (Boomgaard 2000:4. [Ingleson's figure is slightly lower – 100 000 in 1931 – Ingleson 2000:399]).

The third phase, the 1930s

Union membership declined after 1931 as many unskilled workers returned to their villages and concentrated on food production during the Depression. This period was also marked by an increase in the number of landless peasants. There was also a growth in small-scale cottage or workshop production of cheap goods, made from locally-produced materials. Significant changes in labour recruitment included an increase of male workers over female workers as labour supply increased, and there was a further decline in the value attached to female labour compared to the value of male labour (Boomgaard 2000:8; See also Elliot 2000: ch. 6).

After 1936 the larger public sector unions prospered again. Nevertheless, social welfare activities and cooperatives remained core activities as before. Attempts to organise private sector workers continued, especially by the major nationalist political parties. Some new industry specific unions were formed but most of them were shortlived.

In summary, the successful labour unions among urban wage workers comprised permanent workers in government employment and large private undertakings such as the railways. The scale of these undertakings ensured a fairly large membership that ensured the survival of the unions through continued membership dues. These workers also had fewer ties with their villages of origin and looked to the unions for social welfare benefits and security. Prior to 1925 some of these unions exhibited various degrees of militancy, but the repressive political climate resulted in a severe curtailment of these sorts of activities. The 1930s was a quiet period in view of falling commodity prices and unemployment, and political and social confrontations were rare. Hence the unions' main focus changed to social welfare and cooperative activities. Although there were incidents of localised unrest, these largely reflected specific grievances or the deteriorating living standards of the population. This period was thus marked by the lack of social and political leverage among workers in Java.

The labour movement in Malaya

As noted previously, British labour policy had resulted in occupational differentiation, with diverse ethnic groups occupying specific niches in the economy. Equally significant was the fact that this racial division was also present within the one enterprise or undertaking through the use of differential pay scales. This had implications for staggered, uneven and ethnic-based industrial action, both in urban areas and the plantations. Consequently, the forging of working-class alliances in Malaya was an even more difficult task compared to the urban working-class milieu in Java.

The specific characteristics of the Malayan economy impacted on the growth of the working class and the development of labour organisations in several different ways. First, worker action was circumscribed by the lack of labour mobility among the different racial groups. The spatial location of the two main export sectors – tin and rubber – intensified the situation. Second, the adoption of an education policy which provided different educational streams – English, Malay, Chinese and Tamil – meant that there was little or no intermingling among the different ethnic groups, and the absence of a common language hindered effective communication among workers. Third, most of the protests in the country were initially directed against colonial rule, rather than originating from specific work-related grievances or deteriorating living standards. These nationalistic expressions were also race-specific and fostered competitiveness. The main ideology of the Chinese leaned towards communism while that of the Indians leaned towards Gandhian philosophy and populism. The Malays were largely influenced by events in Indonesia. It is therefore not surprising that labour activism in the country occurred mainly in the 1930s, when both external forces (depressed economic conditions and nationalist feelings) combined with internal developments to impact on the course and consequences of labour activism.

Antecedents of labour activism

The economic experience of the most vulnerable strata of society – the workers – during the Great Depression was the major cause of labour unrest in Malaya between 1934–41. Internal changes in the country affecting labour also enabled labour activism to assume new forms and shape the course of labour organisation. The first change was the decline in assisted labour migration and the greater number of free wage workers entering the labour market. This development coincided with decreasing state involvement in labour recruitment; a decline in authoritarianism and paternalism; and reduced reliance upon official bodies (for example, the Labour Department) to protect labour's interests.

The second change was the domiciling of, and the increasing reproduction of the Indian and Chinese labour force in Malaya. In the 1920s the Indian government's stipulation of an improved gender ratio for Indian migrant labour resulted in more Indian women workers coming to Malaya, either as spouses with families, or as single women. Moreover, while colonial authorities restricted Chinese male labour migration in the 1920s and 1930s, they allowed the migration of Chinese women and children, thus enabling the reconstitution of families and the emergence of a more stable Chinese labour force. These measures coincided with efforts to promote settlement during depressed economic conditions while awaiting the return of better market conditions.

Settlement was also a consequence of measures taken to inculcate self-sufficiency in food among workers. As noted previously, the semi-peasant status of the plantation worker was a feature of the plantation labour system. The colonial authorities introduced legislation providing for small land allotments for workers on plantations and some plantations even leased land to their workers to grow food crops. Tin miners also became squatters in larger numbers on the fringes of mining areas and helped expand the pool of settled workers. Workers were thus able to reduce their total dependence on the wage economy of the plantation and mining sectors. When the economy improved workers realised that they were not getting their share of the new prosperity and made attempts to organise themselves for more effective action.

The third change was the emergence of vernacular newspapers and the mushrooming of cultural organisations and social action groups among the different ethnic groups during this period, reflecting the impact of rising nationalisms and more permanent involvement in Malaya. In the 1930s, therefore, Chinese, and to a lesser extent, Indian workers, became more conscious of their class interests. Labour organisations were formed and strikes occurred in a number of industries and enterprises employing Indian labour separately and those working alongside Chinese workers. The apparent boldness of semi-skilled and skilled Indian workers, particularly in urban centres, can be attributed to the fact that they enjoyed greater mobility. They were therefore more willing to cooperate with the more militant Chinese in joint-strike actions to demand better working conditions. Such activities soon spread to the plantation sector.

A conspicuous feature of worker organisation was that it took different forms and proceeded unevenly, reflecting the circumstances of the workers (race, occupation, spatial locality) and the power of intermediaries. Generally, the labour movement originated in the socio-economic grievances of workers who were dissatisfied with low wages and exploitation. The first organisations were usually small, mainly confined to the Chinese, and were formed through trade guilds (based on linguistic ties), secret societies and mutual benefit groups. It has been argued that earlier, overt class antagonism among the Chinese workers had largely been avoided through the maintenance of various social mechanisms and practices within the community, including opium smoking and gambling. During the 1930s, however, the militancy and violence of the labour strikes among the Chinese community in particular were directly related to Chinese nationalism and political events in China. Local branches of the Communist Party of Malaya (CPM) helped organise Chinese labour principally for their own political ends (Yeo 1976; Tai 2000: ch. 2).

Railway workers in Malaya

Railway workers are the type case here because of the large numbers of both Chinese and Indian workers employed in the railway establishment, particularly in the railway workshops in the urban centres. Chinese and Indian workers in the Railway Workshops in Kuala Lumpur in particular worked in close proximity and this contributed to the emergence of a specific type of class loyalty and occupational identification. More than any other occupational group, the railway workers identified themselves with the state or national undertaking. These labour concentrations in the workshops were not only multiracial but their urban location meant greater mobility for the workers. (Estate labour, by comparison, had little mobility because estates were isolated units and workers on one estate had virtually no contact with workers on other estates). Two urban labour concentrations in Kuala Lumpur, appropriately near the Central and Sentul workshops, were Brickfields and Sentul respectively. These labour concentrations fostered greater contact among workers, and conditions were thus created which led to the development of organisation among workers.

The railway workforce was characterised by a three-tier occupational structure based on task and job classification: the managerial elite; the subordinate technical and clerical staff; and the railway workers. The managerial elite, which comprised mainly European staff, was paid on a monthly basis. The subordinate technical and clerical staff, comprising mainly Jaffna Tamils, was also paid on a monthly basis. Together these two groups ran the FMS Railways. The last stratum comprised skilled workers, semi-skilled workers and unskilled labourers. The skilled workers were predominantly Chinese who were employed as mechanics, fitters, sheet-metal workers, polishers, welders, blacksmiths and electricians. The semi-skilled workers, mainly Indians, were plate-layers, signalmen, lampmen and pointsmen. The labourers, who were predominantly South Indians, maintained the railway tracks. This third group of railway employees was paid on a daily basis and housed in accommodation which ranged from labour lines alongside railway tracks and compound accommodation in the vicinity of the workshops. Thus railway employment was also segmented and stratified along occupational and ethnic lines.

Initially, organisation and activism among railway workers for improved working conditions was slow in developing since the paternalism of the Labour Department and the FMS Railway Administration hindered such growth. Nevertheless, given their concentration in a relatively closed environment, Indian workers acquired some of the industrial militancy of their Chinese colleagues and were prepared to shed their distinctive communal identity for the common good of railway workers. This occurred in the workshops at Sentul and Brickfields. From these areas unrest spread to other railway workers in the country and their united effort resulted in concessions being granted to them by the colonial authorities.

One of the first recorded incidents occurred in 1924 when workers at the Central Workshops went on strike for the reinstatement of the 'Saturday Concession'. This Concession was the payment made to workshop employees for eight hours of work instead of the actual six hours worked on Saturdays. Introduced in the 1910s to encourage good time keeping among the workers, it was withdrawn during the 1921–22 slump, on the understanding that it would be restored when trade recovered. When trade improved in 1924, however, the railway authorities did not honour their agreement. Consequently, the workshop employees downed tools in December 1924. The FMS Railways finally reinstated the Saturday Concession in 1925. Subsequently, in 1928 the Indian workers at the Central Workshops presented a few demands with an underlying strike threat to the Railway Administration. This led to the formation of a conciliation committee and the dispute was settled with the assistance of the Indian Agent. Nevertheless, these strikes were sporadic and poorly organised and originated in specific grievances.

The growing tendency towards agitation and industrial action was severely checked by the Depression as workers were confronted with wage reductions, dismissals and repatriation. Half of the workforce at the Central Workshops was dismissed, while wages for the remaining workers were reduced by 15 per cent, and some workers had their working week reduced to four days a week in 1932. In February 1934 when conditions began to improve, and no attempts were made to restore wages to the previous level, workers from the Central Workshops demanded that their wages be restored, citing the rising cost of living for their demand. The FMS Railway Administration then used delay tactics, but these failed to placate the workers who then stopped work on 26 April 1934. This strike soon spread to all railway stations in Malaya, with the exception of Kelantan and Kedah. The workers, however, were forced to return to work on 2 May 1934 without any concessions from the Government. The reduced railway revenues were cited as the main reason for not meeting workers' wage demands (Kaur 1990b; Tai 2000: 42–4; Leong 1999: 86–7). A few minor concessions were made by management, such as priority was to be given to workers' children in any new recruitment exercise. Although the railway workers failed to achieve their major objectives, the strike was significant for two reasons. It was the first major strike after the Depression and, although predominantly involving Indian workers, workers of other ethnic groups were also involved.

The second half of the 1930s also saw a wave of industrial unrest in the country. Although commodity prices rose, government was slow to restore wages (wages in the FMS railways were only restored in 1937). Labour also became more organised and the Communist Party of Malaya played a key role in the emergence of labour organisations during this period. Strike action by colliery workers at the Batu Arang Collieries (Kaur 1990a) also emboldened railway workers who demanded an improvement in their wages. Their demands were referred to the newly-formed Standing Labour Committee which promised to look into their grievances. Although the Committee recommended some changes in their service conditions, these were rejected by the workers.

Subsequently, in early 1939, workers in the mechanical engineering department at the Sentul Railway Workshops staged a sit-down strike, which soon spread to other departments. The railway administration made attempts to keep the workshops open by relying on non-striking workers but was forced to shut down the Sentul Workshops on 6 February 1939. Some concessions were made by the FMS Railways and on 14 February 1939 more than 1000 striking workers asked to be reinstated without loss of service, an offer that was accepted by the railway administration. The agreement was conditional on workers signing a declaration that the restoration of pre-strike service for gratuity calculation depended on their conduct in the future. By 15 February 1939 workers resumed their duties, in return for paid annual leave granted to daily-rated staff and an agreement by management to close the Central Mechanical Engineering Workshop on appropriate festival days and public holidays.

The Japanese invasion and subsequent occupation of Malaya were not without contradictions. While the Japanese administration resulted in considerable hardship for workers, at the same time it provided the political environment for the politicisation of all communities. Such politicisation emanated not only from the deteriorating material conditions, but for the Indians, also as a result of the activities of the Indian Independence League and its military arm, the Indian National Army. The anti-Western nature and wide appeal of the League inculcated a sense of unity among the Indians and had a lasting impact. More importantly, the potential released during this time was to assist the Indian working class in the formation of radical trade unionism in the post-war period. The Chinese joined the Malayan People's Anti-Japanese Army and many Indians later joined this organisation as well. Thus the Japanese Occupation period prepared the railway workers for concerted collective action when the British returned after World War Two.

In summary, the railway workers' prime achievement was their struggle to secure a steady improvement of wages and conditions of service. It was this struggle that brought the different state railway unions together. Common interests united the Indian, Chinese and Malay railway workers as they shed their communal identities to work for the common good. Unlike other trade unions, which were mainly ethnic-based, the railway unions were multiracial in character. The leadership was predominantly Indian and the workers' demands had their origins in the need to improve their working conditions rather than from their political ambitions. In Malaya, therefore, the railway workers stand out as one of the few groups that exhibited some class consciousness prior to the Second World War (Kaur 1990b).

Plantation workers

Organisation and solidarity among plantation workers was comparatively slower to develop for several reasons. First, plantations were located in remote areas, isolated both from the outside world and other plantations, and did not lend themselves to organised action. Second, the workforce was divided on the basis of ethnicity, skills and tasks, and differential pay scales. The wage structure for Indians, which was based on the principle of a standard wage pegged to the cost of living index, was determined by the Indian Immigration Committee. The wage structure for the Chinese fluctuated with labour supply, market forces and the price of rubber. Javanese workers' wage structure was based on the Indian wage structure. Hence there were fundamental differences in the wage structures of the two main groups of workers that were not conducive to joint action. Third, there was little mixing or co-operation among workers – Indian and Javanese workers lived in compound accommodation, while Chinese workers were housed by their contractors in communal *kongsi* accommodation which was ringed by security fences and patrolled by security guards. The various ethnic groups were not only physically and racially different from one another, but their cultural, religious and linguistic differences also kept them apart.

As noted earlier, Chinese immigrants in Malaya were heavily influenced by political changes in China and the Chinese labouring community was one of the earliest Chinese groups to respond to this nationalist fervour. Chinese communist agents established a network of illegal labour unions throughout Malaya to disseminate anti-capitalist and anti-imperialist propaganda. The Communist Party of Malaya (CPM) also mobilised workers through its front organisation, the Malayan General Labour Union. Between 1934–37, the CPM formed unions among Chinese construction workers, transport workers and mechanics. In 1936 the CPM established trade unions among rubber tappers, miners and factory workers. Through these unions Chinese workers were encouraged to form mutual help societies that prepared them for negotiation and arbitration in industrial disputes.

The fragmented Indian labouring community had no organisation like the CPM to assist with mobilisation among Indian workers. Although the CPM had intended to mobilise recruits from among all the different ethnic groups in the country, it did not have the financial resources, nor the personnel, to carry out this task. Indian workers thus had no recourse to any particular organisation to represent class interests, apart from caste associations, which were exclusive by their very nature.

During the 1930s, the influence of the Indian nationalist movement spread among the Indian migrant communities in Malaya. Many Indian associations realised the necessity of engendering not only communal solidarity but also identifying themselves with Indian workers to raise the status of the Indian community in Malaya. The formation of the Central Indian Association of Malaya (CIAM) in 1936, which aimed at improving the status of all Indians, was thus a first step towards this direction. The CIAM criticised the exploitation of Indian workers and urged the Malayan Government to look into workers' grievances stemming from low wages and their exploitation by management. During the Great Depression the fall in the price of rubber had led to a 40 to 60 per cent wage reduction for Indian plantation workers. Approximately 130 000 Indian workers had also been repatriated, after work had been spread as thinly as possible among workers. By 1934 immigration had resumed but by then a surplus labour force had built up and wages remained considerably below 1929 levels (Parmer 1960:42–5, 259). Between 1933 and 1936, the price of rubber rose by over 250 per cent but planters resisted calls to restore wages to the pre-Depression level (Stenson 1970:15). Emboldened by the action of Chinese workers, Indian workers sought an improvement in their wages through sporadic strikes. There were 10 strikes in 1934, three in 1936 and a number in 1937 and 1938 (Ramasamy 1992:102).

The first major militant strike by plantation workers was organised by Chinese rubber workers in 1937 in the Ulu Langat district of Selangor. This was followed by a wave of labour unrest in Selangor, and Indian and Javanese workers participated in some of these strikes, which were organised by the Malayan General Labour Union (Ramasamy 1992:95–6). A rubber plantation workers' union was also formed. Plantation workers' demands included a reduction of workloads, improved accommodation facilities and benefits for pregnant women (Ramasamy 1992:96). The most notable example of organised Indian labour activity was the Klang district strikes of 1941. All these strikes, which involved thousands of workers, were uncharacteristically militant and violent and workers' demands included higher wages and better living conditions.

The colonial authorities resorted to police and military action to restore order in the state. The police were called in to quell the strikes by the Chinese, while Indian troops were deployed to end the strike by the Indians. The strikes resulted in five deaths and a number of casualties. The colonial authorities detained labour leaders; restricted a number of them to certain districts; and deported the rest to India and China. Blame for the strikes was apportioned either to the CPM or Indian nationalist agitators (Ramasamy 1992:96–7, 103–4). These strikes played a decisive role in changing official attitudes towards workers' associations, which were now regarded as an avenue in averting labour conflict in the country.

Following this period of labour unrest, and because employers were opposed to the formal recognition of trade unions, the colonial government allowed organisations to be established for religious activities only. Labour unions and working-class based and politically-oriented groups, however, were prohibited. Earlier, the government had believed that the conciliatory roles of the Labour Department and the Chinese Protectorate were adequate for the resolution of labour disputes and for maintaining stable industrial relations, but it now realised that this was no longer the case. Nevertheless, the government did not take any immediate measures to review labour legislation. It was only towards the end of the decade that trade unionism was accepted reluctantly '… because of the labour shortages caused by the "turning off" of the immigration tap, and under the concerted pressure of labour unrest and Colonial Office advice from London' (Morgan 1977:153).

The Second World War; the influence of Gandhi and the Indian National Congress; a succession of Labour Party and Labour Coalition governments in Britain; and Britain's desire to improve its colonial image allowed the possibility of trade unions in the Colonies. The *Colonial Development and Welfare Act* was introduced and specified that funds had to be made available to promote social progress in the Empire and, subsequently, the *Trades Union Ordinance* was passed in Malaya in 1940. The Ordinance stipulated compulsory registration of unions; emphasised conciliation procedures; denied workers the right to picket; and prohibited political and sympathy strikes.

Although the Malayan administration was obliged to recognise trade unions, it nevertheless bound them to restrictive rules. Indeed, the Ordinance of 1940 was aimed at preventing external agitators from outside the plantation sector from using plantation workers for their own political ends, rather than protecting workers' interests. Moreover, the government's patronising attitude towards Indian labour meant that there were differences in the organisational independence and political expression of the two main groups of workers – Chinese and Indian.

In the period after the Second World War, the labour movement in Malaya gathered momentum in the context of global struggles and independence movements in colonial territories. In Malaya, over 25 per cent of wage workers and 85 per cent of unions were federated under the new Pan-Malayan General Labour Union (PMGLU) between 1945 and 1947 (Missen 1992:196). Several factors account for this upsurge in the labour movement. They include, for example, British loss of prestige following the Japanese Occupation of Malaya; and on the plantations, a reaction to the quite repressive conditions the Indian managers, who had replaced British employers during the war, imposed on labour. But, unquestionably, the widespread poverty impacting on food supply, health, education, and housing facilities, and the subsequent rise in the cost of living and the decline in real wages were responsible for much of worker unrest. For instance, the cost of living index rose from 100 in 1939 to 340 for the Malays and 328 for both Chinese and Indians in 1948, while real wages declined from 100 to 77 overall between 1939 and 1949 (Morgan 1977:163).

A spate of strikes after 1945 resulted in further repressive measures by employers and the colonial administration, resulting in more draconian labour legislation. Subsequently, in 1948 the government enacted emergency legislation to deal with the communist insurgency, which 'in effect destroyed Malayan trade unionism' by, for example, confining executive positions in unions to persons in crafts and with a minimum of three years experience, and prohibiting federations other than those within occupational or industrial groupings (Morgan 1977:163). This anti-union movement was played out against the background of the communist menace and the discovery of a new source of cheap labour – Malay – which meant that employers and the Government did not have to be forced into the continued improvement of working conditions of migrant wage labour. The emerging Chinese/Indian working-class alliance was broken under the Emergency regulations and any vestiges of militant unionism in the plantation sector were weeded out.

During this period, therefore, the colonial authorities and the planters succeeded in restoring the restrictive paternalism of the pre-war period. Employer authority was enhanced; workers were, in effect, hamletised within their labour lines and compound accommodation, and outsiders were barred from entering plantations. The government's Trade Union Adviser, John Brazier, initiated a policy aimed at establishing trade unions on the plantations that would be amenable to government regulation. Other plans included the integration of the various state plantation workers' unions into a single union to enable the colonial authorities to steer labour along the lines of co-operation rather than conflict. Additionally, with the help of compliant union leaders, regional plantation workers' unions were amalgamated into the National Union of Plantation Workers (NUPW) in 1954.

The NUPW stood above all for accommodation and did not threaten the plantation productive system. According to Jain, 'its most important manifestation … [was] the centralised control of the Union and the absence of grass-roots leadership' (1970:353). The urbanised union bureaucracy was largely divorced from the lives of the union members, who remained somewhat servile and effectively bonded to labouring on the estates as before. The union leaders' connections with the Malayan authorities and employers thus left workers in a state of dependency (Ramasamy 1996: ch. 5). Consequently, while the NUPW provided a vehicle for collective worker representation, it was weak and inhibited worker unity and militancy.

Organised labour in perspective

The historical events and circumstances of labour, whether from within the region, or from China and India, had three important consequences for worker alliance and organisation in most Southeast Asian countries. First, colonial policy and practice ensured that migrant workers both retained and maintained their identity, principally because of the temporary nature of their sojourn overseas; their geographic and social isolation in foreign enclaves; and their religious, cultural and physical differences. Second, the development and maintenance of plural societies established barriers against social cohesion and the emergence of a common social will among the different groups of workers, and also formed a major obstacle to worker alliance and unity. Third, the greater integration of Southeast Asia into the international economy nevertheless exposed workers to the vagaries of the market economy and to the insecurity of their own jobs.

The Great Depression, in particular, impacted on workers' lives in several ways. Thousands of migrant workers returned to their countries of origin, or to their villages, or, in the case of Java, migrated to other islands. Many became squatters, or reverted to their part-worker, part-peasant status. At the same time, the breaking down of isolation through improved communications, the role of intermediaries from the urban elite, and access to newspapers facilitated contact among the different groups of wage earners.

It was these developments, despite the lack of a unifying educational system or common language, which sparked sympathy among workers – not any real class consciousness. The Second World War, however, had far-reaching consequences because of disruptions in the economic sector; increased political organisation; anti-Japanese movements; and an enhanced self-esteem among workers. Thus there was a greater sense of worker solidarity after the Second World War, and this was manifested in worker alliances across occupational groupings.

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Part 3

Southeast Asia since World War Two: Globalisation, Trade Liberalisation and the New International Division of Labour

'The … [Southeast] Asian miracle … is largely a result of globalisation.'

George Yeo, Singapore Trade and Industry Minister, 2000

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8
Newly-Industrialising Countries (NICs), the New International Division of Labour and Manufacturing Labour Systems

Setting the scene

After the Second World War, the formal colonial structure in Southeast Asia was effectively dismantled consistent with decolonisation and the changing international environment. Formal control of territories was also no longer regarded as essential in the context of a global institutional structure. A major political shift occurred in the international economy, with former colonial powers like Great Britain losing their key positions in world trade, finance, and production to the United States. The interests of international capital became increasingly identified with the United States, coinciding with American and European initiatives in the establishment of global economic institutions such as the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), commonly known as the World Bank. The major trading countries also agreed on provisional rules for reducing tariffs under the General Agreement on Tariffs and Trade (GATT), now the World Trade Organisation (WTO).

While several important economies in the region such as Indonesia, Burma and Vietnam effectively 'de-linked' from the world economy in the immediate post-independence phase, others like Singapore, Malaya, the Philippines (and later, Thailand) embraced greater economic integration. Industrialisation, which was identified with modernisation, became their mantra and each country sought to make the transition to industrialisation. Concurrently, the redistribution and reorganisation of production contributed to the globalisation of production and the New International Division of Labour. The basis of global trade moved away from an exchange of primary products, largely from the developing countries, with manufactured goods from the developed countries, towards a much more complex multilateral network.

For the second group of countries, the drawbacks of reliance on a limited range of primary export commodities or trade only was clear. Some adopted a broadly interventionist role in the economy, which was expressed in the formulation of development plans and the adoption of industrialisation strategies. These were initially based on import-substitution (ISI) to protect their import competing industries. Subsequently, they sought export opportunities through export-oriented industrialisation (EOI) to exploit their comparative advantage in labour-intensive manufacturing production. Globalisation thus facilitated the mobility of industrial capital seeking out locations where resources such as land, services and labour were relatively cheap; where there was political stability; and where governments offered free-trade conditions and a liberal regulatory environment. The industries that were established specialised in electronics and electrical components, textiles and apparel, and footwear. These industries had a low technology threshold, were labour-intensive and produced consumer goods. They were also extremely vulnerable to consumer demand and market forces. Consequently, a new labour-intensive form of manufacturing emerged in Southeast Asia, where young, largely single women were hired for repetitive, low-skilled jobs. Indeed, the labour system in these niche production sectors had many characteristics in common with earlier wage labour systems in the region.

This chapter examines global economic integration, EOI, and job creation in the labour-intensive manufacturing sector in Southeast Asia since the 1960s and 1970s. The first section reviews the period of economic adjustment in Southeast Asia from 1945–60. The second section discusses the impact of trade liberalisation strategies on manufacturing labour systems and globalisation and gender.

Economic adjustment, 1945–60 – an overview

The years 1945–60 were dominated by the varied experiences of World War Two and post-war independence struggles. These impacted on the types of policies pursued by the newly independent states, policies that were often affected by ideology. The reviving international economy also impacted on Southeast Asian economies – exporters of some products (tin and rubber) did better comparatively than exporters of other products (rice). In this uncertain period currency issues were also important. Countries in the sterling area, like Malaya for example, benefited from preferential treatment in the British market.

Destruction and dislocation were probably least in Malaya and Thailand. Both countries and Singapore were occupied by the Japanese, whilst the Thais were in nominal alliance with Japan until towards the end of the war. There was, however, no massive destruction, although there was a rundown of investment and considerable hardship. More significantly, neither country experienced violence after the war. Due to the post-war needs for Malayan products such as rubber, tin, copra, and palm oil, Malaya was soon able to return to its pre-war level of production, achieving this around 1947–48. Thailand similarly was soon able to restore pre-war levels, reaching this level at around the same period. In Malaya a Communist insurgency in 1948 led to a 12-year emergency, 1948–60, which straddled independence, but this was not a widespread uprising after the early years, and did not check the recovery and growth of the Malayan economy. Singapore obtained internal self-government in 1959 while Britain retained control of defence and foreign policy.

Events in Indonesia, Burma, and Indochina were, however, much more disruptive and long-term. Indonesian nationalism had been spurred by the Japanese Occupation, and independence was proclaimed in 1945. The actual occupation had resulted in relatively little damage, but the Dutch resisted Indonesian independence and did not recognise it until 1949. The resulting bitterness meant that the Indonesians were not prepared to let the Dutch return to their former privileged positions in administration, plantation production, and commerce. As a result Indonesian output and foreign trade was slow to develop. Only in 1953 did the country reach its pre-war level of output again, and pre-war per capita output was reached only in 1957. In 1958 came more problems with civil war between the Java-centred regime and rebels from the Outer Islands (who feared domination from Jakarta). One result was the expulsion of the Dutch from the country, which once again caused declining production. In 1963–65 came Confrontation with newly established Malaysia, again delaying economic growth and recovery.

Burma, too, faced difficulties which effectively checked growth and eventually led to Burma's withdrawal from the international economy. Severe wartime damage to Burma was worsened in 1947, prior to independence, when civil war broke out. There was damage to mines, agriculture, and communications, and the Burmese turned against the Indian migrant communities, many of whom returned to India. Such communal unrest was characteristic not only of Burma but also of several other countries in the region in the postwar years, including Malaysia and Indonesia. One problem, as noted previously, was that former colonial powers had governed on the principle of divide and rule. Another problem was that some minorities, such as the Indians in Burma or the Chinese in Indonesia, were seen as holding a concentration of wealth and influence which exploited the indigenous population. Hardly surprisingly, pre-war output was not attained in Burma until 1957, and per capita output until the 1970s (if then). In 1962 a military coup led to an inward-looking revolutionary socialism which meant nationalisation of foreign interests, and state control over distribution and internal trade, and virtual exclusion from foreign trade.

Indochina experienced a long period of warfare after World War Two which destroyed much of the country's capacity for trade and growth. World War Two itself caused little damage (the Japanese controlled the country for only six months in 1945), but afterwards came war against France until 1954. By this time the countries of North Vietnam (Communist-led), South Vietnam (pro-Western), Cambodia, and Laos had appeared. In 1958 came renewal of fighting between North and South Vietnam which eventually became the Vietnam War of the 1960s and resulted in all the territories of what had been Indochina suffering enormous damage. Neither North nor South Vietnam had recovered their pre-war levels of production by 1958.

The situation in the Philippines was different. A phased-out programme of increased Filipino involvement in government had been established in the 1935 commonwealth constitution to give independence in 1945. In view of the Japanese Occupation, this programme was delayed by a year to 1946, after a short reconstruction period. Unlike the other Southeast Asian countries, the Philippines remained tied to American political and economic interests. Relations with the US in the 1960s remained substantially similar to those prior to World War Two.

Briefly, therefore, in the period before 1960 recovery was quickest in those countries where the pre-war pattern of economic development was re-established soonest. In Indonesia and Burma exports were stagnant and recovery slow while in Malaya and Thailand there was rapid recovery as shown in Table 8.1.

Table 8.1 Economic Growth in Selected Countries in Southeast Asia, 1958–60

	1958–60, Exports as % of 1937 (volumes)	1960 Aggregate real income as % of pre-war
The Philippines	163	201
Thailand	149	191
Malaya	167	164
Indonesia	121	111
Burma	48	111

Source: Douglas S. Paauw, 'Economic Progress in Southeast Asia', in Robert O. Tilman (ed.), *Man, State and Society in Contemporary Southeast Asia* (London: Pall Mall Press, 1969), Tables 9 and 12.

Moreover, for almost every Southeast Asian country, connections with the wider world beyond the region had been of greater importance than intra-Southeast Asian relations. Since these countries had also been defined in terms of their colonial status, there was a problem with national cohesion. The nationalist forces unleashed in the immediate post-independence period therefore had a profound impact on national development policies.

Who wants globalisation?

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. 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. This was not necessarily due to the policies of the political regimes, however, for Indochina in particular had suffered terribly from the Vietnam War and civil upheaval.

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 assumed a dominant position – Singapore, Malaysia, Indonesia and Thailand – merit detailed discussion.

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 (especially Singapore and Malaysia), 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 technological advances in transportation (container ships, cargo aircraft) and communications.

Why did changes in the patterns of trade and economic structures result in these countries specialising in niche production markets and why did these changes facilitate the rapid entry of women in the paid workforce?

A number of general points need to be made on the international environment during this period. First, following World War Two, the United States, Britain, and other Western European countries saw the need to remove restrictions on international trade that had been set up, particularly in the 1930s; to manage the monetary system through the IMF; and to revive 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 GATT with the objective of reducing tariffs, and creating an international environment conducive to trade expansion. Under 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 was favourable to late industrialisers.

Nevertheless, it must be stated at the outset that the gains from post-war trade liberalisation benefited the industrialised countries – the Organisation for Economic Cooperation and Development (OECD) – most. The United States led the way, consistent with the interests of international capital becoming increasingly identified with that country. Moreover, while GATT explicitly excused 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. Consequently, developing countries had to make trade concessions of their own at successive multilateral trade negotiations.

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. After 1964, for example, the United States was lending more than $3 billion a year. 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 (MNCs). 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 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 – 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.

What was the impact of these transformations on the Southeast Asian region?

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 and labour-intensive manufacturing export markets. 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 economies sought export opportunities and became more concerned with gaining access to the markets of the major industrial countries. Pressure for accelerated growth through the development of export markets also came from international agencies.

Table 8.2 Southeast Asia: Structural Change in the Economies by Percentage Share of Gross Domestic Product (GDP), 1965–86

	Agriculture		*Industry*		*Services*	
	1965	*1986*	*1965*	*1986*	*1965*	*1986*
Indonesia	56	26	13	32	31	42
Malaysia	28	20	25	35	47	45
The Philippines	26	26	28	32	46	42
Singapore	3	1	24	38	73	62
Thailand	35	17	23	30	42	53
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.

Economic transformation in these countries and the decline in the relative importance of agriculture in the economy are shown in Table 8.2.

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 Philippines' share of agriculture in GDP showed no change, however, compared to the other four countries.

The globalisation of production

The redistribution and reorganisation of production led to the globalisation of production and promoted industrialisation in developing countries. 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 free trade policies, a reliance on foreign direct 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, Singapore's export-oriented industrialisation (E01) strategy 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 (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 ISI. 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 6 per cent per annum, and in Singapore and Thailand it averaged 6 per cent and 8 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 8.3.

Table 8.3 GDP Annual Average Percentage Growth Rates, 1970–96

	1970–79	*1980–89*	*1990–96*
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 in the table, 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 8.4, 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 8.2). At the same time the contribution of agriculture to employment also fell, as shown in Table 8.5. As also indicated in the table, the four focus countries recorded the fastest change.

Globalisation and gender

Why did the manufacturing of labour-intensive consumer goods pass into the hands of developing countries in Southeast Asia and elsewhere? The broad answer is that the creation of global markets, which led to increased global competition, resulted in industry in the United States, Europe and Japan 'assembling' itself to lower costs while improving profits to remain competitive. This trend coincided with the outsourcing of non-core activity, mass customisation, and the blurring of the distinction between manufacturing and services. It also made sense to source lower-priced components from foreign countries and to expand worldwide operations. In turn, as the developing countries moved up the development ladder, they were also able to move forward on the production and process continuum, from high-labour content products to more complex, lower-labour content manufactures.

A global restructuring for manufacturing, whatever the industry, had been happening in the developed countries for quite some time, gathering momentum following the expansion of world trade. The establishment of an international regulatory system gave a further impetus to global capital markets. Foreign direct investment represented more than simply international capital seeking out the highest returns. Firms went multi- or transnational when they wished to locate activities in more than one country. It also made sense to conduct these activities within the firm rather than through the market place. Moreover, overseas production by workers who accepted lower wages made it possible to reduce operating costs. The substantial set-up costs in producing abroad were no longer a problem since production could be decomposed; the new transport and communications technology led to a further reduction in transport costs; and the establishment of manufacturing enclaves in the form of export-processing zones facilitated the relocation of industry.

The period from the 1950s onward had witnessed postwar reconstruction and a long economic boom in Western Europe. The boom conditions of the 1950s and 1960s saw rising wage levels and improved

Table 8.4 Southeast Asia, Growth of the Economy, 1980–99 (average annual % growth)

	Gross domestic product		*Agriculture value added*		*Industry value added*		*Services value added*	
	1980–90	*1990–99*	*1980–90*	*1990–99*	*1980–90*	*1990–99*	*1980–90*	*1990–99*
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.

Table 8.5 Southeast Asia: Structural Change in the Economies by Percentage Share of the Official Labour Force, 1950–90

Country	*Sector*	*1950*			*1960*			*1970*			*1980*			*1990*		
		M	*F*	*B*	*M*	*F*	*B*	*M*	*F*	*B*	*M*	*F*	*B*	*M*	*F*	*B*
	Agriculture	38.3	65.23	43.14	28.82	55.41	33.56	9.87	18.66	11.56	4.73	6.28	5.09	2.23	1.65	2.04
Brunei	Industry	41.38	10.93	35.91	40.70	10.59	35.33	39.33	10.96	33.87	37.28	11.02	31.14	31.67	8.94	24.33
	Services	20.32	23.84	n.a.	30.48	34.00	31.11	50.80	70.38	54.57	57.99	3.65	63.77	66.10	89.41	73.62
	Agriculture	79.9	89.35	84.53	77.2	88.35	82.67	73.8	84.55	79.09	70.3	80.00	75.67	68.69	78.29	73.83
Cambodia	Industry	2.55	0.85	1.72	4.658	1.90	3.30	5.35	2.60	4.00	6.80	6.50	6.63	7.47	7.52	7.50
	Services	17.55	9.8	13.76	18.15	9.75	14.03	20.85	12.85	16.91	22.90	13.50	17.7	23.84	14.19	18.68
	Agriculture	79.40	77.9	79.01	75.20	73.70	74.80	66.75	65.25	66.30	58.95	55.75	57.84	54.41	56.41	55.17
Indonesia	Industry	6.30	6.45	6.34	7.65	7.60	7.64	10.40	9.95	10.26	11.90	12.42	12.08	14.28	12.54	13.62
	Services	14.30	15.65	14.65	17.15	18.70	17.57	22.85	24.80	23.44	29.15	31.83	30.08	31.31	31.05	31.21
	Agriculture	82.10	86.26.	83.94	80.49	84.93	82.46	78.89	83.60	81.01	77.28	82.28	79.55	75.68	80.95	78.14
Laos	Industry	3.80	2.22	3.10	4.7	2.91	3.90	5.60	3.61	4.71	6.50	4.30	5.50	7.40	5.00	6.28
	Services	14.10	11.52	12.96	14.81	12.16	13.63	15.51	12.79	14.29	16.22	13.42	14.95	16.92	14.05	15.58
	Agriculture	62.35	82.00	67.35	56.65	80.50	63.26	48.05	66.40	53.74	36.44	49.33	40.78	28.33	25.56	27.36
Malaysia	Industry	11.40	6.4	10.13	13.95	5.75	11.68	16.25	9.90	14.28	19.31	17.69	18.76	23.39	22.68	23.14
	Services	26.25	11.60	22.52	29.40	13.75	25.06	35.70	23.70	31.98	11.50	32.98	40.45	48.28	51.76	49.50
	Agriculture	79.37	88.55	83.52	77.03	85.79	80.95	74.68	83.03	78.39	72.34	80.28	75.82	69.99	77.52	73.25
Myanmar	Industry	3.72	3.09	3.44	5.46	4.50	5.03	7.20	5.91	6.63	8.93	7.33	8.23	10.67	8.74	9.83
	Services	16.91	8.36	13.04	17.51	9.71	14.02	18.12	11.06	14.98	18.73	12.39	15.95	19.34	7.75	16.91
	Agriculture	75.91	60.20	71.11	72.84	43.80	63.64	66.70	40.00	57.89	60.55	37.00	52.37	54.40	30.78	45.78
The Philippines	Industry	10.07	15.30	11.67	10.96	21.15	14.19	12.76	19.00	14.82	14.55	16.00	15.05	16.34	13.62	15.35
	Services	14.02	24.50	17.23	16.20	35.05	22.17	20.54	41.00	27.29	24.90	47.00	32.58	29.26	55.60	38.88
	Agriculture	7.75	10.25	8.21	6.05	13.40	7.40	3.55	3.10	3.43	1.76	1.18	1.56	0.50	0.15	0.36

Table 8.5 Southeast Asia: Structural Change in the Economies by Percentage Share of the Official Labour Force, 1950–90 – *Continued*

Country	*Sector*	*1950*			*1960*			*1970*			*1980*			*1990*		
		M	*F*	*B*	*M*	*F*	*B*	*M*	*F*	*B*	*M*	*F*	*B*	*M*	*F*	*B*
Singapore	Industry	21.05	17.50	20.04	23.55	20.90	23.06	29.05	33.70	30.25	34.41	55.32	41.65	36.76	33.95	35.67
	Services	71.20	72.25	71.39	70.40	65.70	69.54	67.40	63.20	66.31	63.83	43.50	56.79	62.74	32.34	63.97
	Agriculture	82.90	86.60	84.68	80.20	87.55	83.71	76.25	83.65	79.78	67.95	74.20	70.92	63.17	65.07	64.07
Thailand	Industry	3.60	1.90	2.78	5.70	2.95	4.39	7.45	4.45	6.02	12.50	7.75	10.24	15.52	12.24	13.97
	Services	13.50	11.50	12.54	14.10	9.50	11.91	16.30	11.90	14.20	19.55	18.05	18.84	21.31	22.69	10.15
	Agriculture	81.30	85.89	83.41	78.70	84.79	81.47	75.10	80.05	77.37	71.24	75.31	73.10	69.60	73.11	71.24
Vietnam	Industry	4.00	2.52	3.32	6.05	3.53	4.90	7.35	6.75	7.07	16.15	9.96	13.33	17.13	10.85	14.101
	Services	14.70	11.59	13.27	15.25	11.68	13.63	17.55	13.20	15.56	12.61	14.73	13.58	13.37	16.04	14.66

M = Male, F = Female, B = Both sexes
Source: ILO Laborsta database (http://laborsta/ilo.org).

working conditions for labour in the OECD countries. Concurrently, favourable conditions were created for trade unions and the rise of social democratic political parties. The former successfully achieved improved working conditions for their membership while the latter extended welfare legislation, both of which drove up the cost of labour. European integration also led to wage convergence, and unskilled labour at the bottom of the distribution chain became scarce and expensive. Some have argued that large corporations in the OECD countries reacted to the rising wage levels by relocating production facilities, especially to East Asia (Frobel *et al*. 1978). The targeted consumer industries were those requiring a large, essentially unskilled work force, such as the textile and electronics industries.

This relocation was a consequence of three main factors. The first was the development of a worldwide reservoir of potential labour arising from population growth and surplus labour from the traditional sector in developing countries. The bulk of the 'new' work force therefore was derived from the latent over-population in rural areas that had emerged as a consequence of improvements and mechanisation in agriculture, including the Green Revolution. These workers, who were forced to migrate to urban areas, thus constituted an almost inexhaustible supply of available labour, their labour cost (including social overhead costs) a mere 20 to 30 per cent of that paid to workers in the older industrial countries (Froebal *et al*. 1978).

The total labour force increased very significantly in the four Southeast Asian countries during the period. What factors attracted workers into the manufacturing sector? The increase in the manufacturing labour force had to come from four main sources: a redistribution among the sectoral shares; entry into the labour force of previously unused sections of the population; national population growth; and immigration. Undoubtedly, there was rapid demographic change in parallel with economic growth up to 1970. In all countries, there was rapid population growth in excess of two per cent, sometimes three per cent in the period after 1945. This growth was a result of the decline in mortality, improved access to modern medicine and major public health initiatives such as the eradication of malaria through the use of DDT. Increased life expectancy was thus a natural outcome.

It has been noted previously that labour migration, a characteristic feature of the period prior to World War Two, had effectively ended in the late 1930s and was no longer an option in the immediate post-independence period. By the 1970s off-farm activities in Indonesia and Malaysia had absorbed an increasing share of the growing population. At the same time, the four countries experienced fertility reduction in the decade 1970–80, and there was a substantial difference in the fertility trends during the period prior to 1970. Singapore reduced its fertility rate by 50 per cent in the period mid-1960s to mid-1970s. Thailand's total fertility rate dropped by more than 50 per cent during the period 1965–70 to 1985–90. Indonesia and Malaysia also experienced a steady fertility decline consistent with the expansion of family-planning services in these countries (Ogawa and Tsuyu 1993:31–2). In Malaysia the pace of decline accelerated in the 1970s and 1980s, particularly among the Chinese and Indian communities. In 1982 the then Prime Minister, Dr Mahathir Mohamad, announced a population goal of 70 million. This represented almost a five-fold increase in population. However, this policy later became a long-term goal, requiring 'a slackening in the earlier rate of decline in population growth rates, not a rise in these rates' (Jones 1999:19, 27). Singapore also reversed its population policy in the 1990s, encouraging women to have more children.

Population size, growth rates and population density in Southeast Asia for the period 1975–95, are shown in Table 8.6.

Concurrently, changes in educational policy, which meant that there was provision for educational opportunities for girls as well as boys, impacted on population growth. As levels of schooling among girls rose, population growth tended to decline as people opted for smaller families. Thus the hitherto inactive group of women workers was a potential source of the manufacturing labour force supply in these countries.

A related factor was the low wage costs in developing countries. For the Asian countries in particular where the stimulus for export-market

Table 8.6 Southeast Asia: Population Size, Growth Rates and Population Density, 1975–95

	Population (millions)			*Population growth rates (Average Annual)*		*Population density (persons per sq. km)*
	1975	*1985*	*1995*	*1975–85*	*1985–95*	*1995*
Brunei	0.2	0.2	0.3	3.7	4.1	51
Cambodia	7.1	7.4	10	0.4	3.1	55
Indonesia	135.7	166.5	198.3	2.1	1.8	104
Laos	3.0	3.6	4.9	1.8	3.1	21
Malaysia	12.3	15.4	20.1	2.3	2.7	61
Myanmar (Burma)	30.4	37.5	45.1	2.1	1.9	67
The Philippines	42.6	55.1	67.8	2.6	2.1	226
Singapore	2.3	2.6	3.3	1.2	2.4	5384
Thailand	41.4	51.6	58.2	2.2	1.2	114
Vietnam	48	59.9	73.8	2.2	2.1	222

Source: Gavin Jones, *The Population of South-East Asia*, Working Papers in Demography No. 81 (Canberra: ANU, 1999), p. 26.

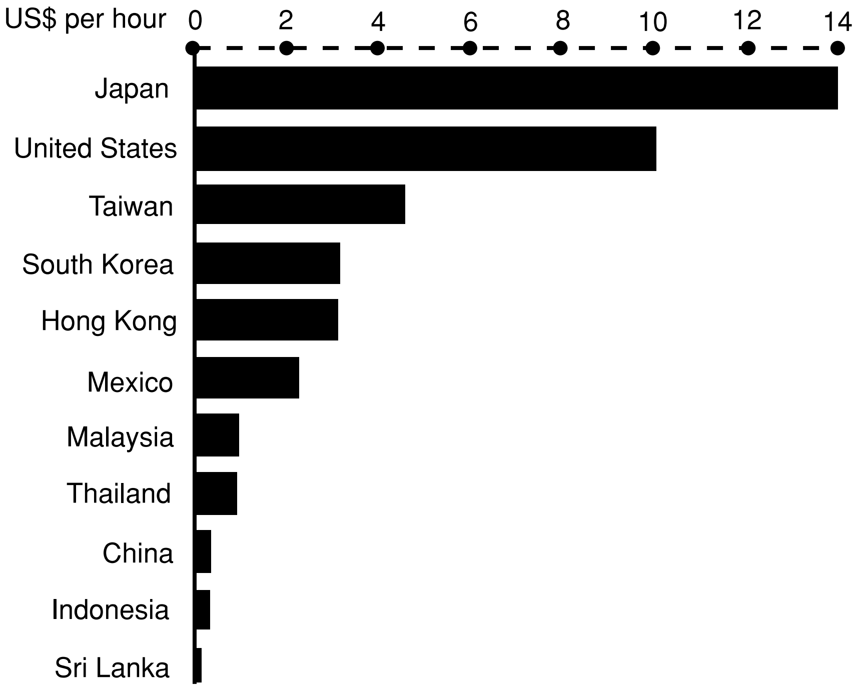


Figure 8.1 Hourly Labour Costs in the Textile Industry in Selected Countries, 1990

Source: World Bank 1990.

expansion came from foreign demand, and where opportunities lay in labour-intensive export manufactures, low wages represented their main attraction. Market forces thus pushed the lowest value-added part of the supply chain to areas where wages were lowest. A comparison of labour costs in the textile industry in Asian and other countries in 1990 is captured in Figure 8.1.

As shown above, Indonesia had the lowest hourly wage cost in Southeast Asia in 1990.

A comparison of hourly wage costs in selected Asian countries in the garment sector 10 years later shows that Indonesia retained this position and wage costs in this sector were only slightly higher than in Vietnam, China and major South Asian countries, as listed in Table 8.7.

Under the new International Division of Labour, therefore, the importance of labour cost as a determinant of the international location of production is best exemplified by Japan's investment push into Southeast Asia during this period. The first generation of Japanese foreign direct investment (FDI) in Southeast Asia took place during the 1960s. It was mainly based around utilising either local raw materials for export pro-

Table 8.7 Hourly Wage Costs in the Garment Sector in Selected Asian Countries, 2000

Country	*Hourly wage cost ($US)*
Malaysia	0.77
Thailand	0.71
The Philippines	0.53
Indonesia	0.28
Sri Lanka	0.35
India	0.27
Pakistan	0.27
Vietnam	0.26
China	0.25
Bangladesh	0.16

Source: Syeda Sharmin Absar, 'Economic Diplomacy for Bangladesh: A Prescription for LDCs in the WTO Era', *South Asia*, 26, 3 (December 2003): 349–357. ([special issue, [eds] Amarjit Kaur and Ian Metcalfe, 'Globalisation and Development in Bangladesh: Labour and Environmental Issues'].)

duction (timber, rubber products) or for import-substitution production in view of the high tariffs levied on imported durable consumer goods. Multinational enterprises including Sony and Matsushita set up joint-venture subsidiaries during the period with only medium-scale capacity to produce electronic goods and components for local markets. In the 1970s, these and other MNCs also set up parts and component companies. Additionally, there was an expansion into export-oriented integrated circuit assembly, especially in Malaysia and Singapore. This first generation of FDI involved assembly-line low value-added production (Edgington 1991, 1993).

Following the 1985 Plaza Accords, the appreciation of the yen and the currency alignments that followed, a new wave of relocation of manufacturing took place, principally involving television and video-cassette recorder production in Singapore and Malaysia. Thus the decline in international competitiveness, coupled with the increasing use of voluntary export restraints, was consistent with Japanese firms moving labour-intensive production to cheaper offshore sites in the region. Between 1985 and 1990 Japanese foreign investment totalling US$15 billion flowed into the region (Bello 1998:10). The growth in Japanese investment in Southeast Asia for the period 1973–92 is shown in Table 8.8.

As shown in the table, investment flows generally increased during the 1980s and early 1990s. This investment was aimed at creating a Japanese production base within Asia to produce manufactured exports for Japan's markets in North America, Europe and the Asian region.

Total cumulative FDI into the four countries for the period 1980–91 is shown in Figure 8.2.

Table 8.8 Japanese FDI in Selected Countries in the Asia Pacific, 1973–92 (US$m)

Period	*Singapore*	*Thailand*	*Malaysia*	*Indonesia*	*The Philippines*
1973–76	146	71	156	550	78
1977–80	467	120	251	843	143
1981–82	323	99	77	476	55
1983–84	342	118	227	268	20
1985–86	198	112	97	93	57
1987	268	210	148	295	n.a.
1988	179	625	346	298	n.a.
1989	678	784	471	167	n.a.
1990	270	714	592	536	n.a.
1991	240	807	880	576	100
1992	210	657	704	610	60

Source: Japanese Ministry of Finance (1992)

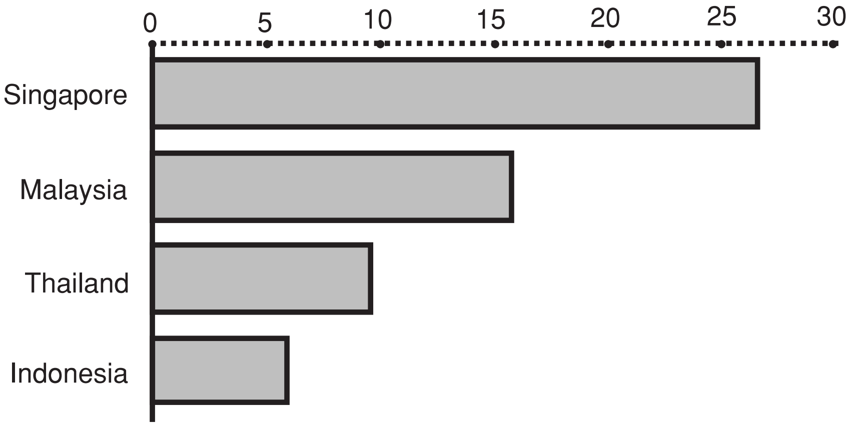


Figure 8.2 Singapore, Malaysia, Thailand and Indonesia: Inward Foreign Direct Investment, 1980–91 (cumulative total, US $bn)

Source: IMF

As shown above, Singapore and Malaysia got the largest share of FDI during this period.

The first-tier NICs also faced a decline in their international competitiveness when they were 'coerced' by the United States to allow their currencies to float upwards against the US dollar. Thus first Japan lost competitiveness to South Korea and Taiwan, and then South Korea and Taiwan lost competitiveness to the second-tier NICs. The growth in investment from Taiwan and South Korea in the second-tier newly-industrialising countries of Malaysia, Indonesia and Thailand was impressive, at times surpassing the volume of Japanese investment and reflecting the former countries' appreciating currencies and rapidly rising labour costs. (In South Korea this was largely caused by the growing militancy of the workforce, while in Taiwan a labour shortage loomed). Electronics was the single largest sector experiencing rising labour costs. Increased pressure for industrial pollution controls in Japan, South Korea and Taiwan was also crucial in the relocation of polluting industries from these countries to the second-tier NICs.

Another related factor was the role of the United Nations Conference on Trade and Development (UNCTAD) in pushing for the liberalisation of economies to eradicate poverty in return for trade privileges. Countries were advised to free their exchange and interest rates, cut regulations on prices and markets for goods and generally dismantle trade barriers. Subsequently, developing countries won a major victory when developed countries agreed to introduce GSP privileges (see above) for developing countries, whereby the latter permitted duty-free entry of a select list of manufactured imports produced in 'designated' developing countries. These privileges were not permanent, and as South Korea and Taiwan 'graduated' to bilateral trade surpluses with the United States, they lost their access to the United States's GSP in 1988. The export-led growth of the second-tier Southeast Asian NICs, followed by China, India and Bangladesh, was thus based on the same strategy of growing and industrialising on a similar basis.

Turning now to textile, apparel and footwear production, textile and footwear enterprises are mainly large and medium-sized firms. Readymade garment factories, on the other hand, can range from large to medium and small sized firms. Garment factories also rely heavily on sub-contracting and small-batch production networks and home-based work. All these enterprises are reliant on large numbers of semi-skilled and unskilled workers. The industry therefore migrated from high wage (the United States, European and, later, Japan) to low wage countries in East, South and Southeast Asia.

As noted previously, a comprehensive scheme covering all textiles, the Multi-Fibre Arrangement (MFA), was implemented in 1974 to regulate the expansion of trade in textile production in developing countries. The MFA in fact served as an umbrella under which importing countries negotiated bilateral agreements with exporting countries to limit trade in textiles and apparel on a country-by-country, product-by-product basis. Developing countries were granted quotas based on their status either as developing or least developed countries and their textile and apparel industries have grown on the basis of the global textile and apparel supply chains. Hong Kong plays a key role in the global textile and apparel industry. Firms in Hong Kong relocated their factories to developing countries to 'disguise' their origins, and set up an international network of textile and apparel manufacture. The central functions of product development and marketing are based in Hong Kong while the actual production is carried out in various countries. This sort of distributed manufacturing is replicated in the footwear and other industries, though footwear is not protected by quotas set by the MFA.

The global manufacturing enclaves

Any discussion of the globalisation of production must take into account the role of the manufacturing enclaves – the export processing zones (EPZs) or free trade zones – in the global manufacturing structure. The EPZs, which are often defined as fenced-in industrial estates specialising in export-manufactures, offer free-trade conditions and a liberal regulatory environment in host countries. Moreover, there are advantages in clustering since economies of scale are achieved. The export-processing zone promoted by the United Nations Industrial Development Organisation (UNIDO) fits this description. In the Asian region, it was pioneered in South Korea and Taiwan and contributed to the inflow of foreign investment and expansion of the manufacturing sector.

The EPZs were aimed principally at attracting foreign investors with a package of incentives that included duty-free imports of raw materials and capital equipment, tax concessions and simplified customs procedures. The main condition governing the operation of the enterprises in the EPZ was that they should export (again free of duty) at least 80 per cent of output. This definition however is too restrictive. In some countries, firms are not geographically constrained in industrial estates. In others they are allowed to sell more than 20 per cent of their output in the domestic market.

In theory, EPZs represent a sub-optimal mechanism to integrate a country with world markets. In Malaysia, for example, the model was adapted to include single enterprises to operate as Licensed Manufacturing Warehouses or Bonded Factories (or Zones) located outside the designated EPZ, and these have greater flexibility since they can be located on sites that are strategically and geographically more advantageous. They also have different equity and minimum capital investment requirements depending on their export percentage.

In Malaysia and Singapore, the EPZs were established by the State while the Indonesian and Thai governments also allowed the development of privately established EPZs that offered the same or a similar package of incentives. The zone enterprises are allowed to re-import between 20 per cent (Malaysia) to 25 per cent (Indonesia) of their products into the host country. The number of EPZ and EPZ-style zones in the four Southeast countries in 1990 are shown in Table 8.9.

The EPZ/free trade zones are a key feature in Malaysia and Singapore, where political stability and greater labour productivity saw a succession of semiconductor firms being established there in the 1980s.

Table 8.9 Export Processing Zones in Southeast Asia, 1990

Country	*No. of zones*
Indonesia	1 EPZ; 5 Bonded Zones
Malaysia	15 EPZs; 3 Commercial Zones; 9 Free Industrial Estates
The Philippines	5 EPZs
Singapore	6 Free Trade Zones: 5 at Port, 1 Changi Airport
Thailand	5 Industrial Estates, 4 with EPZs; 2 privately-owned estates

Source: Donella Caspersz, 'The Implications of Export-Processing Zones of Labour in Malaysia: Some Analytical Considerations', Paper presented at the ASAA Conference, La Trobe University, Australia, 1996, p. 14.

Apart from the EPZs, the Southeast Asian countries also developed industrial parks outside of the main city/town areas and in the hinterland, to reduce rural/urban disparities and to provide employment in rural areas. Numbers of EPZ or its varieties have thus grown since 1990. In Thailand, for example, the Industrial Estate Authority reported in 1998 that there were 21 industrial estates in the country, with six more under construction (Theobold 2002:134).

Irrespective of their presumed merits, export processing zones and industrial parks have been a powerful engine of employment generation in the Southeast Asian countries. The stimulus for labour-intensive export manufacturing came from foreign demand and operated also as the main mechanism through which the capitalist sector expanded in these countries. Indeed, the EPZs and industrial parks served as prerequisites to attract investment to particular sectors – electronics and electrical components companies, textiles and garments, footwear, plastics, foodstuffs and rubber goods enterprises. Nevertheless, few textile and garment factories are located in the EPZ, depending as they do on subcontracting networks. This also has a bearing on the flexible work arrangements in this sector.

The production system in these particular sectors is based on a low technology, labour-intensive niche in the global factory. It is consistent with the employment of cheap, unskilled women workers in a patriarchal labour regime. More significantly, the EPZ also enables the host Southeast Asian countries to practice and justify specific labour management practices on the basis that the EPZ and EPZ-style enterprises are not part of the mainstream economy.

Women workers and the global factory

At the heart of any discussion about international competitiveness is the cost of production. If the prices of the inputs to the production process (that is, factors of production – land, capital and labour) increase in price, this has a direct bearing on output prices, and in the competitiveness of firms and the economy as a whole. Of these factors of production, it is the price of labour that attracts the most attention. The cost of labour is also central to any discussion of women's increased labour force participation in the manufacturing sector. For the 'low labour costs' economies of Southeast Asia, trade liberalisation brought greater opportunities for industrial expansion through the production of labour-intensive export manufactures. The combination of technology, low wages, and a highly elastic labour supply produces a high rate of profit for foreign firms. These firms, which had their headquarters in the United States, Europe, or Japan, also had access to channels and outlets for their goods – an access which was assured through trade preferences given to developing countries by developed countries. Thus in the New International Division of Labour, the importance of labour cost as a key factor in determining location and expanding industrial production widened women's opportunities for employment in the industrial sector (see Krugman 1995).

In the import-substitution manufacturing phase in developing countries men were the preferred labour force. However, women were targeted as a key work force in specific sectors in the export-oriented industrialisation phase because the very nature of the production niches – assembly-line factory work, subcontracted and small-batch production and home-based work – relied on female labour. From this perspective, it is clear why the labour market is one of the main channels through which globalisation has impacted on women workers in developing countries.

The labour-intensive goods or components to be produced in these niche sectors require relatively high proportions of direct labour in their production or processing. These goods or components are limited in number and are largely confined to two narrow ranges forming part of international commodity chains. In the first range, garments, textiles and footwear predominate. These goods can be produced with minimal technology and investment according to specifications and designs originating in developed countries and outsourced through middlemen-brokers in Hong Kong to the lower-wage developing countries (*Asiaweek*, 12 October 2001:42–4). The second range predominantly comprises electronic components and consumer electronic goods for the product lines that were developed on the basis of the microchip, and electrical goods. Here, only the labour-intensive part of the production process, that is assembly of the components, is relocated to the lower-wage regions.

The dispersal or fragmentation of the manufacturing process renders a stable workforce unnecessary. Rather, because these niche industries are consumption- or demand-driven, they are not only highly competitive but also fluid. On another score, labour-market flexibility also underpins the decision to outsource manufacturing to cheaper climes. Where women workers are concerned, it appears that 'flexibility' applies particularly to labour laws (in export-processing zones, for example) and working conditions. The current global average for outsourcing production by electronics companies is between 15 to 20 per cent (*Fortune*, 2 September 2002:40).

It is thus not surprising to see why the semiconductor industry shifted production to Southeast Asia in the 1980s. The competitive labour costs in the semiconductor industry in East Asia are captured in Table 8.10.

Looking at Table 8.10, Indonesia represents one of the cheapest locations for global capital. But labour cost is not the only factor determining location of labour-intensive export manufactures. Other important considerations include political stability, good infrastructure and import-export procedures, labour productivity and discipline, security of property guaranteed by law, and other labour issues, such as the absence of labour unrest. Singapore and Malaysia, for instance, attracted investment in electronics in the 1970s and 1980s because they 'met' the above conditions. In the 1990s Thailand too began to get a larger share of investment in electronics. At the other end of the scale, Indonesia attracted investment in garments and toys, which requires less capital, and employs fewer trained workers. Footwear, another industry not overly dependent on good infrastructure and highly efficient import-export procedures, moved to Indonesia in the 1980s.

The importance of these sectors in the Indonesian economy is shown in Table 8.11. In 1980 these industries formed 57 per cent of all manufactures. Twelve years later the percentage had risen to 62. In 1996 Indonesia made 38 per cent of all Nike shoes. The country's share shrunk to 30 per cent in 2002 while China's share rose to 38 per cent in 2002, compared with 34 per cent in 1996 (*FEER*, 12 September 2002:47). China, Vietnam, Bangladesh and India have now become the main 'beneficiaries' of outsourcing in garments, toys and footwear because they are considered lower-cost producers, provide greater political security and there are fewer labour issues.

Table 8.10 Hourly Wage Rates in the Semiconductor Industry in East Asia, 1982 (US dollars)

	Wage	*Wage & fringe benefits*
Hong Kong	$1.15	$1.20
Singapore	0.79	1.25
South Korea	0.63	2.00
Taiwan	0.53	0.80
Malaysia	0.48	0.60
The Philippines	0.48	0.50
Indonesia	0.19	0.35

Source: *Semiconductor International*, February 1982, cited in Annette Fuentes and Barbara Ehrenreich, *Women in the Global Factory* (New York: Institute for New Communications and South End Press, 1983), p. 9.

Table 8.11 Indonesia: Major Manufactured Exports, 1980–92 (US$ millions or %)

	1980	*1982*	*1984*	*1986*	*1988*	*1990*	*1992*
Labour-intensive							
Total	287	323	826	1054	2061	4634	9963
Percentage of all manufactures	57	40	45	40	38	51	62
Major items							
Clothing (84)	98	116	296	522	797	1646	3164
Woven fabrics (652–9)	43	43	183	287	571	1132	2494
Footwear (85)	1	3	5	8	82	570	1324
Electronics (76–77)	94	117	214	29	41	204	935
Furniture (82)	3	2	5	9	70	286	491
Yarn (651)	3	1	17	20	109	109	344
Toys and sporting goods (894)	n	n	n	n	n	57	218
Glass and glassware (664–5)	3	3	10	13	75	80	101
Resource-intensive							
Total	119	354	832	1209	27575	3324	4131
Percentage of all manufactures	24	44	45	46	47	37	26
Major items							
Plywood (634)	68	316	791	1127	2368	2791	3501
Cement (661)	26	8	13	4180	100	114	
Leather (611)	6	7	7	15	68	64	61
Capital-intensive							
Total	97	131	181	377	839	1083	2023
Percentage of all manufactures	19	16	10	14	15	12	13
Major items							
Paper products (64)	5	2	20	33	128	154	341
Steel products (672–9)	8	8	7	58	269	188	230
Fertiliser (562)	35	10	37	127	134	193	184
Rubber tyres (625)	n	n	2	11	45	66	96

Table 8.11 Indonesia: Major Manufactured Exports, 1980–92 (US$ millions or %) – *Continued*

	1980	*1982*	*1984*	*1986*	*1988*	*1990*	*1992*
Total, all manufactures	501	809	1839	2639	5476	9041	16 061
Three largest as % of total	52	68	71	73	68	61	57
Manufactures as % of total exports	2	4	8	18	28	35	48

Notes: 1. The following definitions are used:
Resource-intensive-SITC items 61, 63, 66 (excluding 664–6), 671. Labour-intensive-SITC items 54, 55, 65, 664–6, 695–7, 749, 76–7, 793, 81–5, 89. Capital-intensive-SITC items 5 (excluding 54 and 55), 62, 64, 67 (excluding 671), 69 (excluding 695–7), 7 (excluding 76–8), 86–8. This classification was developed by Krause (1982), and subsequently modified by Ariff and Hill (1985) for ASEAN, and by the author for Indonesia.
2. SITC codes for the major exports are in parentheses.
3. "n" indicates less than $1 million. Numbers do not always add, owing to rounding.

Source: Hal Hill, *The Indonesian Economy since 1966* (Cambridge: Cambridge University Press, 1996), Table 8.3, p. 163.

Explanations of the impact of economic globalisation on women's employment are varied, but a comprehensive picture is missing. It has been oft-repeated that women were the preferred labour force because of the work involved in the manufacturing processes described above – that is, repetitive work requiring high levels of accuracy, manual dexterity, and a light touch – embody the kinds of tasks traditionally carried out by women. Women's psychological make-up, passivity, docility, controllability and a capacity for hard work have also been cited as contributory factors (Kaur 2001). It is argued here that the labour-intensive-manufacturing system itself plays a pivotal role in determining women's employment. The production niche is a low technology one, involving the standardised (mass) production of consumer garments, footwear and appliances. It is based on low wage costs. The predominant reason for employing women is therefore an economic one. Since women's wage levels are lower than those of men employed in comparable occupations, the preferred labour force is likely to be women since they represent the lowest cost in the production process.

Generally, women's earnings varied between 50–66 per cent of men's in most Southeast Asian countries in the decade 1980–90 (World Bank 1996:21). While the wage gap may be explained by differences in educational attainment and the work experience between men and women, there is also differential access to jobs, interruptions in women's careers due to child rearing and household responsibilities, and the seniority system.

The ratio of female to male earnings in textiles and electronics in selected countries for the period 1993–4 is listed in Table 8.12 below.

As shown below, women were paid lower wages than men, even in the narrowly defined categories of work that have traditionally been regarded as women's occupations. Moreover, productivity in these production niches is dependent on the labour of the workers, rather than the efficiency and capacity of the technology involved. The types of tasks involved

Table 8.12 Ratio of Female to Male Earnings in Textile and Electronics Manufacturing in Selected Asian Countries, 1993–94

	Electronic equipment assembler	*Spinning, weaving and finishing textiles labourer*
China	46.1	75.5
Hong Kong	70.2	85.3
South Korea	69.0	68.4
Malaysia	73.6	84.1
Singapore	–	87.7

Note: Ratios are either of wage rates or reported earnings
Source: International Labour Office, *Statistics on Occupational Wages and Hours of Work and on Food Prices, October Inquiry Results, 1993 and 1994* (Geneva, 1995), cited in F.B. Tipton, *The Rise of Asia* (Basingstoke: Macmillan, 1998), p. 385.

included sewing in zip fasteners, buttonholes, etching electronic circuits, tasks in which women are more efficient and reliable because they have been socialised into similar tasks in the household production unit. Additionally, women also had skills in textile production and assembly work from their cottage industry experience and were used to repetitive work from their traditional role in agricultural production, mainly in planting and harvesting tasks.

On another score, in developing countries industrialisation has meant not only the introduction of new technologies but also of new forms of work and organisation, quite different from the work conditions in the traditional sector. Adjustment to factory discipline is important to the success of the enterprise. Owing to the specific ways in which gender relations are constructed through socio-cultural and religious processes, women are considered more likely to submit to directive discipline and a patriarchal labour regime since they are regarded as non-political and less prone to union participation compared to men, all of which are regarded desirable traits in factory assembly-line production.

Dynamics of women's labour force participation in the manufacturing sector

Women's increased labour force participation in the paid workforce has to be understood in the context of both labour supply and demand. On the supply side, key factors were an increase in the labour supply; employment opportunities arising from increased economic development; demographic change; cultural values and state education policies. On the demand side were the production niches of these countries, centred on labour-intensive, low-wage employment and labour market flexibility. Women's increased participation in the paid workforce is thus consistent with the conventional hypothesis that the labour force participation of women increases during the course of economic development. As a great range of jobs became available in manufacturing and the tertiary sectors, more opportunities were also available for women. The extent of this participation has also depended on the interaction of economy, demography and family.

The growth of employment opportunities in the manufacturing sector in urban areas in both absolute and relative terms produced a change in migrational patterns, with women migrating independently of their families and impacting on household structures. Cultural values were an important determinant in this shift and relate to the dynamics of Asian families where there is an attachment to the family as an institution and a general expectation that offspring, whether male or female, will provide for their parents. As this commitment to the well-being and prosperity of the family includes maintaining the family as a unit, it facilitated women's migration to urban areas in search of employment.

State educational policies also impacted on women's entry into the paid workforce. Educational reforms and the provision of increased educational facilities resulted in a rising level of educational attainment among girls in particular. Education also brought greater access to modern forms of birth control, while improved levels in health and education and a greater degree of urbanisation also impacted on family size. As has been well documented in *World Population Profile 1996*, there was a close correlation between effective government-funded family planning programmes, the provision of education for girls beyond the primary level, and family size in developing countries. This finding is consistent with evidence from surveys which show that Southeast Asian women with some education themselves often delayed marriage and had fewer children in order to take up the opportunities provided by the expanding economies.

A related demographic trend relevant to social change was the increasing urbanisation in these countries. Developments in transport and communications helped break down the isolation of rural areas, and made urban areas more accessible; while the radio and television provided access to general news, employment opportunities and fostered a spirit of consumerism.

To take the case of Thailand, the growing population put pressure on existing forms of subsistence, resulting in migration to seek urban jobs rather than seek new land (Falkus 2000:177). Not surprisingly, various studies have shown that women's labour force participation in the manufacturing sector was higher in East Asia and the four Southeast Asian countries compared to other countries (excepting planned economies in Eastern Europe).

The labour force structure in selected Southeast Asian countries for this period is provided in Table 8.13.

Table 8.13 Southeast Asia: Labour Force Structure, 1980–98 (15 years and older)

Country	*Total (millions)*		*Average annual growth rate (%)*		*Female labour force (%)*	
	1980	*1998*	*1980–98*	*1998–2010 (projected)*	*1980*	*1998*
Cambodia	4	6	2.7	2.2	55.4	51.9
Indonesia	58	98	2.9	2.0	35.2	40.4
Malaysia	5	9	3.1	2.7	33.7	37.5
Myanmar	17	24	1.7	1.6	43.7	43.4
The Philippines	19	32	2.9	2.4	35.0	37.6
Singapore	1	2	2.3	0.7	34.6	39.0
Thailand	24	37	2.3	1.2	47.4	46.3
Vietnam	26	39	2.3	1.7	48.1	49.1

Source: World Bank, *World Development Indicators 2000* (Washington DC: World Bank, 2000), pp. 46–8.

As shown in the table there was an overall increase in women's labour force participation rate (LFPR) in the focus countries during the period 1980–98. Thailand showed a slight decline while Indonesia recorded the highest increase. For Malaysia, the start of the period was marked by the global depression of the early 1980s which substantially slowed the growth of the manufacturing sector and led to widespread lay-offs among women electronics workers (Kaur 2000). The general recovery of the manufacturing sector in the later 1980s as world conditions improved, again led to the growth of the electrical/electronic goods sector. Moreover, just over 95 per cent of new jobs created in manufacturing from 1980–86/87 were taken up by women (Kaur 2000:226).

The 1997–98 financial and economic crisis also impacted on women's LFPR in Java and men's labour market experiences differed from those of women. Cameron states that women's LFPR in Java declined just before the crisis period and then rose 'quite sharply' from 48.9 per cent in 1997 to 51.4 per cent in 1998 and 52.2 per cent in 1999 (Cameron 2002:146). Other studies on the impact of the crisis on the labour market in Indonesia have also shown that labour market participation rates increased for both men and women, and that women's LFPR increased more than men's principally due to the large decreases in real labour income. Urban areas were also more affected than rural areas, and the increase in labour market participation was greater for women than men. A greater percentage of men than women were engaged in the formal sector. Women were also concentrated in textiles, garments and footwear, where they comprised about 80 per cent of the labour force, and these three sub-sectors accounted for about 55 per cent of Indonesia's industrial export value in the 1990s (Tjandraningsih 2000:258).

Given that my main concern in this chapter is the manufacturing labour systems consistent with trade liberalisation strategies and the global production system, emphasis is placed on the two sub-sectors that clearly illustrate this process. These are the electronics (factory production) and the textile and apparel (sub-contracting and small-batch production) sub-sectors.

Factory workers: the electronics sub-sector

Women workers dominate in electronics production in Singapore, Malaysia and Thailand. The majority of these women are single, young, and mainly from rural areas. In Malaysia Malay women now predominate in the factories, but there are Chinese and Indian women workers as well. Most Malay factory workers expect to stop working after marriage. They also aspire to better-paid or white-collar jobs, partly because factory work is not highly regarded in Malaysia. By comparison, women factory workers in Thailand, Indonesia and the Philippines appear to be more committed to their jobs because factory work is highly regarded in these countries and there are fewer alternatives. Moreover, high unemployment and low wages for men make continued female employment after marriage an economic necessity. In Malaysia, where reportedly approximately a quarter of the labour force at the time of writing is comprised of migrant labour owing to labour shortages in the country, there are more employment opportunities for working-class males.

Working conditions

In the global electronics factory, working conditions vary according to the location of the factory and market or business demand. The working week is six days while the workers typically work 12-hour shifts, with two or three breaks. Overtime is prevalent in times of high demand, but the industry is also subject to wide fluctuation in demand. Shift work is the norm, following the introduction of automated equipment. In some countries, such as Malaysia and Singapore, existing legislation prohibiting night work for women was waived to allow electronics companies to introduce rotating shift work and permanent night shifts. In fact, in some factories on average, workers have to switch between night and day shift every week or every fortnight. These long working periods and the rotating shifts take their toll on workers' health. The work processes are also fairly regimented, punctuality is emphasised, and toilet trips are monitored. Most factories also have a system of diligence pay to promote maximum attendance, and a bonus system to increase output and maximise competition between workers. The latter has had a detrimental role in fostering class solidarity among factory workers.

Factory work is characterised by its flexibility and the hierarchical system in place is central to maintaining work discipline. The workforce is divided into two main groups: those workers integral to the system (accountants, managers); and the flexible group (the production operators). The strict hierarchy of positions is reinforced through both covert and overt means at the factory. Occupational differentials are also based along lines of ethnicity, gender and age. With more migrant workers recruited for factory work, nationality also plays a role in power relations structures. The migrant women are positioned at the bottom of the hierarchical system which is shaped by foreign industrial relations systems.

Moreover, factory work and organisation replicate the patriarchal structure of society. Male managers supervise women, enforce discipline, and the male control of women is but a reaffirmation of gender roles accompanying the transformation of capitalist relations of production. Factory work is also characterised by short contracts and insecurity of tenure (the women work either on fixed contracts or on a sub-contractual basis). In the factory structures, they are often dismissed to avoid payment of seniority wages when they reach a certain age. The wages of women workers vary across the region, with Thai women paid lower wages than their Singaporean and Malaysian counterparts.

By virtue of their concentration in these industries women workers are also the most vulnerable to dismissal/unemployment during an economic downturn as, for example, between 1983 and 1985 when more than 50 per cent of employees were laid off in the electronics and textile industries in Malaysia (Lim 1993:184; Ariffin *et al*. 1996:207–43). The history of Seagate Technology's involvement in Malaysia and Singapore in recent decades is a classic example of a demand-driven consumer industry. The company, the largest disk-drive manufacturer in the world, moved to Southeast Asia in the early 1980s to increase its share of the microchip industry. This shift (and the shifting of other disk-drive companies) to the region resulted in labour's share of the production cost dropping from 25 per cent to less than five per cent. In 1986–87, Seagate employed 24 000 workers in Malaysia, of whom about 85 per cent were women. The number of workers was reduced to 5500 in 2002. In Singapore, Seagate's workforce declined from 20 000 in 1998 to 9000 in 2002 and the 'relentless cost-cutting … is unlikely to abate, spelling darker days for its … workforce' (*FEER*, 2 May 2002:39). Women workers thus lack stability and economic security because the production niches in which they are employed are more vulnerable to falling consumer demand and increased supply competition on a world-, rather than on merely a national-scale.

Furthermore, alongside the lack of job tenure, women workers have little access to training programmes to improve their skills and many have been denied access to promotion. Most multinational corporations do not allocate funds for the training of their permanently casual workforce. Training is normally provided on the job and learning curves are relatively short. Since the skills learned from one job cannot be easily transferred to a position with another company within that industry, the job marketability/mobility of women workers is further reduced (Kaur 2000).

The manufacturing production system therefore has brought both benefits and costs to women workers. On the one hand, women have obtained material benefits through their immediate earned income which has given them some independence from the family compared to existing conditions. Additionally, there has been some improvement in their working conditions and absolute wages over time. On the other hand, they have encountered occupational segregation and lacked access to advancement. Their wages are lower than those of their male counterparts, and they have fewer opportunities to upgrade their skills. They thus remain a peripheral workforce in consumer-driven industries and continue to be the first to bear the brunt of cost-cutting strategies by management.

Sub-contracting, small batch production and home-based workers: the textile and apparel sub-sector

The practice of sub-contracting and small-batch production, which in turn has spawned home-based work, is consistent with the expansion of cross-border production networks. These production networks are associated with cost-cutting considerations and the demand for flexibility in production output. Turning now to the textile and apparel industries, producers of textiles and clothing prior to the 1980s initially tended to be small Chinese-owned firms located in the main urban centres. As noted previously, the Multi-fibre Arrangement was implemented to ensure the expansion of trade in textile production in developing countries. The MFA in fact served as an umbrella under which importing countries negotiated bilateral agreements with exporting countries to limit trade in textiles and apparel on a country-by-country, product-by-product basis. Since developing countries were granted quotas based on their status as developing nations, the more 'advanced' East Asian countries – Hong Kong, Taiwan and Singapore – sought to exploit Malaysia's, Thailand's and Indonesia's lower labour costs and loopholes in global export quotas set by the MFA, and these industries migrated to Southeast Asia. Subsequently, the Southeast Asian countries became major exporters of ready-made garments in the 1980s.

The manufacturing of garments and textiles is characterised by dualism, which in turn has impacted on the type of labour systems used in these industries. The larger textile industries are mostly foreign-owned and, since the early 1990s, relocated to rural areas to take advantage of the labour pool available there. The workers employed there are factory women producing yarn and fabric. The garment or apparel industry, on the other hand, comprises small-to-medium factories or small backyard industries and is concentrated predominantly in the urban areas. In Malaysia, these are owned and operated largely by Chinese, and the workforce is predominantly composed of married Chinese women. The garment industry is a mix of factory and home production since it is demand-driven and subject to the whims of fashion and taste and it is extremely competitive. For its continued survival, it is reliant on the creation of demand as well as the satisfaction of that demand. Different groups play key roles, including retailers, fashion houses and of course, the customers.

The garment industry relies heavily on patronage/family/friendship circles for labour recruitment. In Malaysia and Singapore it is largely dominated by Chinese outworkers operating in small backyard factories or in their own homes. Loh states that a large percentage of the workers in Malaysia were previously employed in garment factories but left after marriage and childbirth and were drawn into small-batch production under sub-contracting arrangements. These workers are paid on a piece-rate basis and have no superannuation, no leave accrual and no provisions for overtime or occupational health and safety. Factory owners use these workers to clear bottlenecks or backlogs in factory production, often supplying them with machines. Some of the sub-contractors normally rely on middlewomen to recruit other workers. The practice of payment by piece allows the sub-contractor to manipulate payments to these workers. Costs are thus minimised while a flexible and undemanding labour force enables the sub-contractor to respond quickly to changes in demand (Loh 2002).

The sub-contractor delivers bags of fabric to the home-based workers who sew a particular part of each garment. Workers are compensated for the expenses related to production (electricity costs, thread) and sometimes for the costs involved in transporting the finished garments. The organisation of work relations between firms and homeworkers vary – some homeworkers have to go to the firms to pick up orders, or transport finished products themselves. Sometimes the finished garments are picked up by a middle-woman and delivered to the clothing manufacturer. Work is dependent on consumer demand. During periods of high demand, homeworkers are regarded as annexes to the factory. While homework gives women a greater flexibility in their work situation, since it is compensated on a piecework basis, employers/subcontractors are able to manoeuvre around legislation. In addition, there is no provision for monitoring working conditions.

In both Indonesia and Thailand, the expansion of the textile, garment and footwear industries, which had traditionally been a core manufacturing activity in the 1980s, coincided with the relocation of Japanese textile and garment firms from Hong Kong and Taiwan. In Thailand, some of the Japanese textile firms were joint ventures with Thai partners, and since the mid-1980s, the latter have gradually taken over operations. Some of the Taiwanese garment manufactures use computerised technology in production. During the same period there were about 2000 garment firms producing under sub-contracting and putting out systems. Tjandraningsih asserts that in Indonesia these sub-sectors are a 'conduit through which women enter and participate in industrialisation processes and global markets' (2000:258). Niche-export market focused 'cottage' garment industries are located in Central Java and Bali, while the modern textile and garment industry is concentrated in Greater Jakarta and West Java.

The share of textile and garment production in the overall structure of manufacturing production for both Thailand and Indonesia in 1992 was 16 per cent (World Bank 1995). Their share in the export trade of Indonesia and Thailand is provided in Table 8.14. As in Malaysia, there is segmentation of the industry between production for the domestic market and production for export.

Factory workers face long working hours, earn low wages and there is no monitoring of occupational health and safety standards. Textile factory workers are normally paid on a daily basis while garment workers in the cottage industries are invariably paid on a piece-rate basis. The income provided is small and is usually on a temporary basis. According to Wolf, the wages paid in Indonesia did not even cover the cost of subsistence of women factory workers. Their parents had to subsidise their employment, principally because it provided cash wages which were otherwise unobtainable in rural subsistence economies. The garment workers are regarded as a flexible

Table 8.14 Textile and Garments from Thailand and Indonesia, 1989–93 (US$ billions and %)

Year	*Textile and garments exports*	*Total exports*	*Textile and garments as % of total*
Thailand			
1989	3.14	20.09	15.6
1990	3.61	23.05	15.6
1991	4.68	28.44	16.4
1992	4.86	32.47	15.0
1993	5.12	36.79	13.9
Growth Rates (%)			
1989–91	49	42	
1991–93	9	29	
Indonesia			
1989	2.00	22.16	9.0
1990	2.93	25.68	11.4
1991	4.08	29.14	14.0
1992	6.06	33.97	17.8
1993	6.18	36.82	16.9
Growth Rates (%)			
1989–91	104	32	
1991–93	52	26	

Sources: Central Bureau of Statistics, *Indikator Ekonomi* (Jakarta), various issues; Bank of Thailand, *Quarterly Bulletin* (Bangkok, various issues, cited in Anne Booth, 'Southeast Asian Economic Growth: Can the Momentum be Maintained?' *Southeast Asian Affairs 1995* (Singapore: Institute of Southeast Asian Studies, 1995), p. 37.

workforce and are hired on short-term individual contracts. Work relations tend to be on a casual and informal basis. Moreover, employers rarely comply with the government's minimum wage legislation or overtime regulations (Tjandraningsih 2000:263).

In summary, sub-contracting arrangements have become the preferred choice of production of MNCs and local firms in developing countries. These arrangements have facilitated both labour flexibility and the feminisation of labour in major sub-sectors of manufacturing production. A point worth emphasising is that the entire production process is not sub-contracted, since it is in the firms' interests to maintain a formal workplace for key aspects of the production process. Sub-contracting, small-batch production and outwork are thus the preferred modes where maximum advantage may be obtained by firms. This is true whether of the international, national or local commodity chains. In the process, not only is the work casualised but it also becomes informalised, since employment opportunities are dependent on personal relationships and networks and 'friendships'. This presents both a dilemma and a challenge to the state and workers alike.

9

The Global Labour Market: International Labour Migration in Southeast Asia since the 1980s

The 'new' labour migration and guest workers

The cross-border movement of people, associated with the increased integration of economies and ongoing changes in the international division of labour, forms an essential component of the globalisation process. A sharp increase in labour mobility has coincided with official recruitment agencies and private entrepreneurs providing all sorts of services to migrant workers in exchange for fees. Yet while trade and financial flows are welcomed by nations, labour flows raise concerns about possible influxes of both documented and illegal migrants, the potential erosion of national sovereignty; and, since September 11, 2001, fears of terrorism. This has resulted in more stringent immigration policies and border controls by the state. Migration has thus become a major domestic and international political issue in the Southeast Asian region.

Migration and labour mobility in the region are not new. What is new about the current migration patterns is that the labour mobility associated with the global restructuring of production is consistent with the New International Division of Labour. Economic migration is also due to demographic differences, differing levels and rates of economic growth between countries in the region, and structural change. Furthermore, international labour migration (ILM) since the 1980s needs to be placed in the context of transnational economic developments. These are essential to any analysis of the relationship of globalisation to migration, since much of the labour migration does not operate spontaneously, but takes place within networks, both within the source and receiving countries. Chain migration, for example, within family, extended kinship, or close-knit village-based groups, plays a key role in disseminating information about opportunities available in Malaysia and Singapore, the main receiving countries. Moreover, it minimises both financial and removal disruption costs that migrants face. This cost minimising factor is critical for two reasons. First, unlike the colonial period, ethnicity and social class have become even more pronounced in migration patterns, and there is both overt and covert hostility to migrants by governments and certain segments of the populations in receiving countries. Additionally, the migrants are forced into segmented labour markets that are characterised by wage discrimination, and this has led to social tensions. Second, and more importantly, migrants, their families and prospective employers have to bear the bulk of the financial and social costs associated with migration.

Migration patterns

Seven main features have characterised the new migration patterns. First, although poverty is not the principal determinant of migration, many migrants from Indonesia and the Philippines going to Malaysia and elsewhere came from very poor areas such as Lombok in Indonesia. But they are not from the 'poorest' category, as they have to put up substantial amounts of money to get to their destinations. The three main source or sending countries in Southeast Asia are Indonesia, the Philippines, and Thailand, all of which recorded strong economic growth in the last three decades of the twentieth century up to 1997. Migrants from these labour-surplus countries and elsewhere acquired the means to move to countries like Malaysia and Singapore which experienced sustained and robust economic growth and where there were labour-shortages and substantial differences in wage rates for both skilled and unskilled workers. Migrant workers from Indonesia, the Philippines and Thailand comprised between 20–25 per cent of the labour force in Malaysia and Singapore prior to 1998, and are predominantly unskilled or semi-skilled workers.

Second, faced with labour shortages, Singapore and Malaysia formulated policies and introduced mechanisms for foreign labour intake targets in consultation with large national employer associations, and in co-operation with governments of sending countries. Their policies are aimed at managing foreign labour flows and at the same time facilitating growth by targeting an appropriate skills mix. Nevertheless, owing to the administrative costs involved, and the insertion of quotas especially for unskilled contract labour intakes, illegal migration constitutes an important part of the migration streams. Policing people-smugglers and illegal migrants thus represents an important element in the complex and multicentred migration processes in these countries.

Third, some countries, such as Indonesia and the Philippines, see labour emigration as a means of easing domestic unemployment pressures and earning foreign exchange. Indonesia, for example, has included targets for sending workers overseas in its Five-year Plans. In recent years in the Philippines, the much sought-after women migrants for domestic work (and the entertainment industry), are regarded as the 'new heroes' who bring in significant amounts of foreign exchange through their remittances. Indeed, it has been asserted that 'migrant worker remittances represent the second biggest international monetary trade flow, exceeded only by petroleum exports' (Director-General ILO 2000).

Fourth, unlike the labour migration of the colonial period, when migrants were directed largely to the plantation and mining sectors, the new unskilled migrant workers are concentrated predominantly in the tertiary sector in manual and service employment, with little direct foreign capital involvement. They are employed in four main sectors: agriculture and forestry; construction; services, especially entertainment and domestic work; and manufacturing. This pattern is consistent with the expansion of tourism and the service industries and is associated with rising levels of prosperity and consumerism among the middle classes in Southeast Asia. Skilled migrants (for example, professionals and technicians) interact differently with the labour market. They also receive preferential treatment in the host countries (in Singapore they are able to obtain permanent residence after a period of two years).

A fifth significant feature is the growing interconnections between traditional cross-border flows and the more recent forms of migration in areas where there are shared land borders. The phenomenon of daily commuting workers has existed on the Singapore-Johor and Malaysia-Thailand borders since the 1950s at least. In recent years, the Malaysian government has sought to restrict movement along the Thai-Malaysian border (a 27-kilometre wall was built in the late 1990s to stop Thai migrants from entering Malaysia without valid documents); and also the movement of undocumented Indonesian workers by sea. Notwithstanding this, the dynamics of demography and development between Sarawak and Kalimantan have resulted in the two governments cooperating in the establishment of a number of large projects at the Entikong-Tebedu border post area (Agustiar 2000:235). This development is part of the growth triangle sub-regional economic zone arrangements involving Indonesia, Malaysia and Southern Philippines (Mindanao).

Sixth, unlike the earlier globalisation era, when migrant workers were predominantly young, adult males who migrated without dependants, a large percentage of the new migrant workers comprises women. This feminisation of the new migrant labour may be attributed to two main factors. The first is linked to general changes in the labour markets in Southeast Asia and the production niches (mass-customisation products – electronics, textiles, garments) of Southeast Asian states. The New International Division of Labour, which facilitated the increased labour force participation of women in the labour-intensive manufacturing sector, was consistent with modernisation of the agricultural sector and rural-urban migration, principally of women. There was also a trend towards migration abroad since women's employment in the urban labour market was often impermanent, irregular, and insecure. The second factor is related to the maturing of the labour markets in Singapore and Malaysia, coinciding with relatively high labour force participation rates of women, and general labour shortages in these countries. This in turn has created an increased demand for domestic work and childcare services, which has been met by migrant women workers from the lower-income Southeast Asian countries. Thus the specific labour needs in the receiving countries for domestic workers largely shaped and continue to shape women's migration in Southeast Asia.

Finally, a significant characteristic of the new labour migration is that this migration (particularly of unskilled workers) is short term and contract-bound, not unlike the labour migration of the colonial period. However, the main difference is that this migration is the migration of free persons, whether dependent on networks or organised through intermediaries. All documented workers have to pay hefty fees – agency fees (including a one-way air ticket); insurance fees, a bank guarantee – in both countries, but they cannot stay on in the receiving countries on completion of their contracts. They are therefore precluded from making the transition from sojourning to settlement under the complex guest worker recruitment system. Employers pay their return tickets and face heavy fines if workers are not sent back. In Singapore and Malaysia, unskilled workers who overstay are often physically punished. As noted above, skilled migrants face fewer problems, given their qualifications and bargaining power.

The highly visible presence of the state in regulating and policing guest workers in particular has led to emergence of a new labour recruitment system. This system has some elements of the contractor system, discussed in Chapters 3 and 4, but involves both the state and private agencies in receiving and sending countries acting as intermediaries. Unskilled guest workers also lead largely isolated lives whether on remote plantations, fishing villages, or makeshift hovels on construction sites. Their social isolation places them at the mercy of employers and crew bosses, and there are few avenues for organisation among them.

This chapter first explores the economic and demographic divide in the region which has created links between source and receiving countries. Migration is thus viewed as both a network-depending and network-creating process. Second, it examines migration streams, recruitment patterns and state regulatory processes. Third, it focuses on the labour systems of a key group of workers to draw out a specific example of service employment in Singapore and Malaysia.

Divided we move

As noted previously in Chapter 8, the record of the capitalist Southeast Asian countries has been remarkable since the 1970s and 1980s. These countries' economic growth was based on three interconnected factors. First, all of them had access to the North American markets, particularly that of the United States. This market access provided, and continues to provide, the demand for their products, which enabled them to make the economic advances and sustain growth. Closer ties through strategic and security relationships between them and the United States also helped. Second, the strengthening of regional ties through the Association of Southeast Asian Nations (ASEAN) and growth triangles, or sub-regional economic zones, have also helped the emergence of a regional economy. More important, however, has been the fostering of Asia-Pacific ties through the Asia Pacific Economic Co-operation (APEC) forum, which embraces Australia, New Zealand and other countries like Japan. Third, the capitalist Southeast Asian countries benefited from trade liberalisation policies and FDI flows, consistent with the international economic environment.

Not all have benefited equally, of course. Moreover this growth was accompanied by job expansion in all the countries. In Singapore, Malaysia and Thailand the increase in labour market participation by women was a source of workforce expansion in the short an medium term, though not at the same rate.

The economic performance of these countries has been compared previously and will only be touched upon briefly here. By 1995 only Singapore had made the transition to developed country status with the others lagging behind, as shown in Table 9.1 below.

Table 9.1 GDP Per Capita in Selected Southeast Asian Countries, 1995 (at 1995 PPP equivalents)

	GDP per capita (US $)
Singapore	22 600
Malaysia	10 400
Thailand	8000
Indonesia	3800
The Philippines	2800

Source: World Bank, *World Development Indicators 2000/2001: Attacking Poverty* (New York: Oxford University Press, 2000).

At the same time there were striking demographic differences between these countries. Singapore and Malaysia had undergone demographic transition (followed later by Thailand) and experienced a significant tightening of their labour markets. As shown earlier in Chapter 8, in 1995 the population of the five countries was as follows: Singapore, 3.3 million; Malaysia, 20.1 million; Thailand, 58.2 million; Indonesia, 166.5 million and the Philippines 67.8 million. Unemployment rates for the five countries for the period 1985 to 1995 are listed in Table 9.2.

Table 9.2 Unemployment Rates in Selected Southeast Asian Countries, 1985 and 1995 (%)

	Unemployment rate	
	1985	*1995*
Thailand	3.7	1.1
Malaysia	6.9	3.1
Singapore	4.1	2.7
Indonesia	2.1	7.2
The Philippines	7.1	8.4

Source: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries, 2002* (ADB, 2002).

The demographic differences between the five countries were crucial to changing labour circumstances in the region. Indonesia and the Philippines not only had larger populations compared with Singapore, Malaysia and Thailand but also had higher levels of landlessness, rural poverty and unemployment. Indonesia, moreover, also had low levels of development in terms of specific social indicators such as education. The problems of a high proportion of employment in low-productivity agriculture, rural poverty and land scarcity in Indonesia and the Phillipines therefore led to varying labour market conditions in the region. International labour migration has therefore proved once again to be of great economic and social significance to countries facing labour shortages. The region, and labour thus had an incentive to move from Indonesia and the Phillipines (and, to a lesser extent, Thailand), to Singapore, Malaysia and elsewhere.

The question then arises: Have these labour processes become more and more part of a chain of interconnecting links in Southeast Asia's development experience? Is the Asia-Pacific region the 'newest migratory pole' (OECD 1992; Salt 1992). The historical record clearly indicates this development. As noted earlier, by the mid 1990s, foreign migrant workers accounted for almost a quarter of Malaysia's labour force (Kaur 2000a). Crucially, certain occupations or types of economic activity rely on foreign workers for their continued operation. Domestic work, for example, is typical of the labour market segmentation associated with growing prosperity in countries like Malaysia and Singapore. Jobs at the lower rungs of the skill and wage distribution categories are shunned by locals and are filled by foreign migrant workers. Consequently, this reliance on foreign workers is due to structural factors rather than being cyclical in nature (Athukorala and Manning 1999:2; Manning 2002). Indeed, Southeast Asian economies appear to function in a complementary sense, arising from inter-country demographic contrasts; the incidence of labour surplus or shortage; disparities in demand and wages; and worker education and skills, all of which have created strong incentives for intra-Southeast Asian migration. An important feature of this labour migration is the institutionalisation of that movement by the countries involved and the growth of an immigration industry (Hugo 1993a, 1993b; Ball 1997). Moreover, Singapore and Malaysia admit skilled and unskilled workers as a regular policy, and in the case of the latter category, impose levies on companies hiring foreign workers to discourage excessive reliance on them.

The Asian economic and financial crisis and ILM

How did the Asian economic and financial crisis of 1997–98 impact on international labour migration in Southeast Asia? Indonesia, Malaysia and Thailand were particularly hard hit by the economic crisis. Of the three, Indonesia was a major labour-sending country. Capital outflows, business failures and rising local unemployment and worker layoffs in Malaysia impacted on foreign worker employment. The construction sector in Malaysia was badly affected and the Malaysian government announced plans to deport undocumented workers and stop the renewal of work permits for documented workers. Thus unemployment rates tended to rise more among foreign migrant workers, particularly undocumented workers. Nevertheless, as noted by Manning (2002) and Battistella and Asis (1998), these policies had limited success. According to the latter, the repatriations and deportations were 'not as high as expected'. Malaysia sent back about 200 000 Indonesian workers formerly employed in the services and construction sectors in 1998, while Thailand also repatriated about 200 000 Myanmar workers by the end of 1998. The Philippines, which had 'diversified' the receiving countries, was largely unaffected by the crisis. These observations and the statistics provided in Table 9.3 underscore the structural change within the region.

Thus even though unemployment rates rose in Malaysia and Thailand, labour shortages were reported in some sectors. Foreign worker permit fees were also raised. In both Malaysia and Thailand there was opposition to the migrant flows cutbacks. Singapore and Malaysia, hosts to a large migrant worker population, are the type cases for receiving countries to explore the various migration issues outlined above. Domestic workers have also been selected as a case study of foreign workers at the bottom end of the skill and wage distribution categories.

Singapore

Singapore has experienced sustained and rapid economic growth since the mid 1960s. Real GNP increased thirteen-fold between 1960 and 1992 and full employment was attained from 1973. Manufacturing's share in total output grew from 16.6 per cent in 1960 to 29.4 per cent in 1979. Additionally, in 1992 manufacturing contributed 27.6 per cent of GDP and accounted for 27.5 per cent of employment. Attention has focused on 'models' of development to explain the rapid growth rates. What is less well known is that the state has

Table 9.3 Estimated Stock of Migrant Workers Before, During and After the Economic Crisis, Malaysia and Thailand, 1996–99[1]

	1996	*1997*		*1998*	*1999*[2]
Malaysia					
Legal/with permits	745	1470		1130	900
Illegal/apprehended	(590)	(460)		(60?)[3]	(55?)[3]
Total	1535	1930		1190?	955?
Repatriated/Deported			188		
Thailand					
Legal/with permits	n.a.	n.a.		294	89
Illegal/apprehended	n.a.	n.a.		693	563
Total	710	940		987	652
Repatriated/Deported			334		

Notes: 1 The number of illegals/apprehended workers is a very rough estimate and probably is a minimum estimate of the total number of illegal workers in each country. The figures on illegal migrants to Malaysia are based on official data on registration of migrants during amnesties in 1996–97 as well as special operations to apprehend illegal immigrants each year.
2 Data are for August–September in both Malaysia and Thailand.
3 Data on the numbers of illegal/apprehended migrants for 1998 and 1999 refer to the number of illegal migrants apprehended only, and understate the total number of illegal migrants.

Sources: C. Manning, 'Structural Change, Economic Crisis and International Labour Migration in East Asia', *The World Economy*, 25, 3 (March 2002):374.

relied considerably on foreign labour. By the late 1960s Singapore was already facing labour shortages and the government allowed the recruitment of foreign workers to alleviate the upward pressure on wages. The entry of married women into the labour market to augment the workforce was also encouraged and the employment of foreign domestic workers first began in 1978. Additionally, a policy of encouraging skilled foreign workers to settle in Singapore was adopted to enable the state to better its economic performance. Subsequently, in 1993 the retirement age in the country was raised from 55 to 60 to ease pressure on the labour market.

From the start, Singapore adopted a tightly regulated policy and introduced mechanisms to manage its foreign labour population. Foreign worker employment is regulated through annual levies and the levy for unskilled workers is higher than that for skilled workers. There are also dependency ceilings or ratios of local to foreign workers that vary by sector. Despite the strict regulations, some 7600 illegal migrants were arrested in the country in 1997 (*Migration News*, Vol. 5, No. 8 August 1998). During the Asian Crisis, in 1998, mandatory caning for both illegal immigrants and 'people who abet[ed] illegal entry' was introduced. Identity cards carrying fingerprints were also introduced (*Migration News*, Vol. 5, No. 11, November 1998).

Foreign labour is managed through immigration regulations in the form of work permits or employment related visas. These work permits which enable the government to control both the quantity and quality of foreign workers, are differentiated by skill level; source or sending country; duration of contract and sector/occupational category. The annual levy varies according to the classification of the worker. As mentioned above, the levy is subject to a dependency ceiling or ratio. There are three main employment-related work permits or work visas known as P, Q and R employment visas/work passes. In addition there is a fourth category known as the entry/re-entry permit. This classification of foreign workers by employment pass/work permit categories is briefly described below.

(i) P pass (employment pass). These passes are for administrators, professionals, managers, entrepreneurs, investors and 'specialist talent such as world-class musicians and artists', with professional or tertiary qualifications. The original salary of over S$2000 per month was raised to S$3500 per month in September 1998. Employment passes are valid for five years and are renewable. Employment pass holders are permitted to bring their spouses and children, as well as parents and parents-in-law, and are eligible for permanent residence after six months. No dependency ceilings are imposed, nor are there any limits to personal freedoms. More significantly, although a security bond of S$5000 is required, no fee is charged to obtain an employment pass.

(ii) Q pass: work permit for skilled workers. Workers who come under this category earn between S$2000 to S$3500 per month (up from the original cap of S$2000). They are eligible for work permits of up to three years duration that are renewable up to a total of 10 years. Although skilled workers were originally allowed to bring their parents and parents-in-law to Singapore on long-term social visit passes, in 1998 this was disallowed. Nevertheless, they are still eligible to apply for dependent's passes (DP) for their spouses and children. A sub-category Q2 was also introduced for skilled workers who did not meet the monthly income cap or education criteria. However, those who fall under this Q2 category are not permitted to bring their family to Singapore. These skilled workers and technicians, employed in the construction, marine and harbour craft sectors, are subject to the same sectoral dependency ratios for workers in the unskilled category (iii) below. The permit fees are as follows: S$200 per month in marine and harbour craft firms and S$100 in the construction sector. Employers are also exempt from paying the permit fee for permits of three years.

(iii) R pass: work permit for semi-skilled and unskilled workers. Work permits are granted to semi-skilled/unskilled workers who fall below the maximum

salary cap equal to S$2000 per month. Workers are eligible for work permits for up to two years and these can be renewed up to a total of four years. The monthly fee for an unskilled worker under this work permit category started at S$330 for service and harbour craft sectors, domestic workers and manufacturing firms whose dependency ratio was under 40 per cent. Higher fees were charged where the dependency ratio was high, and the maximum was applied to construction workers. Employers of workers in the semi-skilled/unskilled category are also required to post a security bond of S$5000. The bond is used to guarantee repatriation of workers upon expiry of the work permit.

(iv) Entry/re-entry permit. This category is applicable to permanent residents or skilled workers holding work permits or employment passes (P and Q employment visas), who can be issued an entry/re-entry permit that is valid for up to five years. It is also renewable. This permit also applies to skilled and professional staff of foreign firms choosing to relocate to Singapore. No security bond is required, nor are any fees charged (*Migration News*, various issues, 1994–2003; Ruppert 1998; Chew and Chew 1995).

Turning now to the number of foreign workers in Singapore, in August 1998 there were 450 000 migrant workers in Singapore, as shown in Table 9.4, and the share of foreign workers doubled between 1992 and 1998, from 12 to 25 per cent.

Of the 450 000 workers there were 100 000 Filipino domestic workers and 80 000 foreign professionals. It is estimated that by 2010 foreign workers will comprise 44 per cent of the workforce, if current trends continue (*Migration News*, Vol. 5, No. 8 August 1998).

The largest percentage of migrant workers in Singapore thus fall into the semi-skilled/unskilled category and are employed on work permits in low-

Table 9.4 Total Employed and Number of Foreign Workers in Singapore, 1985–94

Year	*Total employed*	*Number of foreign workers*
1985	1 135 000	100 000
1988	1 332 000	150 000
1992	1 576 000	200 000
1994	1 680 000[1]	300 000
1998 (August)	1 800 000[1]	450 000[2]

Notes: Data for the period prior to 1985 are not available.

1. Estimates
2. *Migration News*, Vol. 5, No. 8 (August 1998). The figure recorded in November 1998 was 530 000 (*Migration News*, Vol. 5, No. 11 (November 1998).

Source: Ministry of Labour, Singapore, cited in Chew Soon-Beng and Rosalind Chew, 'Immigration and Foreign Labour in Singapore', *ASEAN Economic Bulletin*, 12, 2 (November 1995), p. 197.

paying jobs such as domestic service and factory production. Unskilled foreign workers also face additional restrictions in the form of limits to personal freedoms. Reunion of workers' dependents are prohibited, as is marriage to a Singapore national, without the prior permission of the Singapore government. Workers also have to leave the country within seven days of permit expiry. Female domestic workers, who earn between S$200 to S$250 a month, must pay about S$600, or three months salary to recruitment agents to get contracts. They have to undergo mandatory pregnancy tests and are deported if they become pregnant. Skilled workers on employment passes on the other hand are granted access to subsidised health care, education and housing. They are also eligible to apply for citizenship after a period of two to ten years. Singapore also requires foreign workers to contribute to its Central Provident Fund (CPF).

An estimated 200 000 Malaysians commuted either daily or weekly to jobs in Singapore in 1998. Despite the close historical ties, relations are not smooth between the two governments. For example, Malaysian workers from Peninsular Malaysia are allowed to withdraw their CPF savings when they reach 55, but those from Sabah and Sarawak are not permitted to do so (*Migration News*, Vol. 5, No. 9, September 1998).

Malaysia

Contemporary ILM in Malaysia has to be understood in the context of its economic success and its geo-political situation. Malaysia shares borders with Singapore, Thailand and Indonesia and is geographically close to the Philippines. It also has cultural and religious affinities with these states. Historically too, there has been a long history of labour immigration from South Asia, China and Indonesia. Malaysia also went from double digit unemployment to full employment in a relatively short period. The *1968 Employment Restrictions Act*, which required Malaysian employers to obtain work permits for non-citizen workers (primarily Chinese and Indian workers who had not acquired citizenship after independence), had disastrous consequences for the labour market. The 'forced' departure of these workers created labour shortages in the country, the full impact of which became patently obvious in the 1980s. As manufacturing expanded in the 1980s, and wages in the manufacturing sector rose, workers abandoned the rubber and oil palm plantations to seek employment in manufacturing. By the 1980s the plantation and construction sectors experienced labour shortages and were permitted to recruit foreign workers, both through legal and illegal channels, for employment in the plantation and construction sectors (see NUPW and University of Malaya 1988). Initially, the presence of undocumented workers was tolerated, then viewed with alarm, and in 1984–85 the Malaysian government made agreements with Indonesia, the Philippines, Bangladesh, India and Pakistan to recruit documented foreign workers to resolve the labour shortage problem in the country.

In 1999 Malaysia ranked as the 'largest employer of foreign labour' in Asia (Jones 2000:3). The two million foreign workers, who comprised about 25 per cent of the workforce, consist of both legal and illegal (undocumented) workers employed predominantly in the plantation, construction and service sectors. According to most sources, about half the foreign workers in Malaysia are undocumented workers (Pillai 1992:14; Kassim 1997:50). Malaysia is unique for several reasons. First, it is a significant exporter and importer of unskilled foreign workers. Second, within a relatively short period – 1987 to 1993 – Malaysia was transformed from a net labour exporter to a labour importer. This transition was also very rapid. Third, unlike other countries in the Asian region – Japan, Korea and Taiwan – the migration transition occurred long before Malaysia achieved full employment and when its GNP per capita was only about US$1800 (Lim 1996:319, 327). More significantly, Malaysia's dependence on migrant labour has occurred and is occurring against the background of a pronatalist population policy and a domestic labour force growth rate of between two and three per cent. This domestic labour force growth rate was significantly higher than in most other Southeast Asian countries, as captured in Table 9.5.

Apart from the *1968 Employment Restrictions Act*, observers have also attributed the labour shortages in Malaysia to the implementation of the New Economic Policy (NEP) in 1970. The NEP was formulated by the

Table 9.5 Average Labour Force Growth Rates in Asia

	1980–90	*1990–2000^{e}*	*2000–10^{e}*
Japan and NIEs			
Japan	0.9	0.4	0.4
Singapore	1.6	0.6	0.3
South Korea	2.8	1.8	1.1
Taiwan	3.5	1.7	0.7
China	2.4	1.2	0.9
Southeast Asia			
Indonesia	2.7	2.4	1.7
Malaysia	3.2	2.9	2.6
The Philippines	2.8	2.8	2.6
Thailand	2.5	1.8	1.0
South Asia			
Bangladesh	3.5	3.6	3.3
India	2.2	2.1	2.0
Nepal	2.4	2.7	2.5
Pakistan	3.9	3.7	4.3

Note: *e* = estimates
Source: Manolo I. Abella, 'Recent Trends in Asian Labour Migration: A Review of Major Issues', *Asian Migrant*, Vol. 4, No. 3 (July–September 1991), p. 74.

Malaysian government following the 13 May 1969 race riots in the country (see Kaur 2001a:165, 220–1). The two principal objectives of the NEP were the reduction and eventual eradication of poverty, irrespective of race; and the elimination of the identification of race with economic function. The second objective primarily implied reducing the concentration of Malays in subsistence agriculture and increasing their employment in the modern agricultural and urban sectors of the economy. Consequently, the state enlarged the bureaucracy, creating white-collar jobs for Malays, increased state participation in the economy, and created a whole range of occupations for Malays. The NEP coincided with an expansion in educational facilities, and the tightening of the labour market. The prospect of better-paid urban jobs also led to a change in attitude among the Malays towards remaining in rural areas. Total employment in the primary sector rose from 1.7 million in 1970 to 2 million in 1982, but then fell to 1.8 million by 1990 (Drabble 2000:248).

For the Chinese and Indians, these discriminatory policies had two main consequences. First, there was a growing trend towards smaller family size among the two groups partly as a reaction to a perceived cut in their slice of the cake. Second, those who had the means chose to migrate overseas to countries like Japan, Singapore, or Taiwan, where there were better employment opportunities. Others went to developed countries like Canada and Australia as permanent migrants. At the end of the 1980s too, the main labour constraints facing Malaysia lay in shortages in the professional and technical fields (*FEER*, 6 January 1994).

Turning to the number of foreign workers in Malaysia, the most commonly quoted figure at the end of the millennium was two million workers (Jones 2000:3; see also Kaur 2000b). This represented approximately 9.5 per cent of the total population of 21 million and a quarter of the total labour force of eight million. Migrant workers in Malaysia are concentrated mainly in the following sectors: construction (30 per cent); agriculture and forestry (30 per cent); non-governmental services including domestic service and retail trade (30 per cent) and manufacturing and others (10 per cent) (Pillai 1992:9–10, 14). Where distribution by state is concerned, foreign workers are concentrated in four Malaysian states: Selangor, Johor, Pahang and Sabah. In Selangor (and Kuala Lumpur) the real estate and infrastructure boom also absorbed a large percentage of migrant workers. Selangor and Johor also had, and continue to have, huge numbers of foreign workers in the plantation sector, while in Sabah migrant workers are found mainly in the agricultural and forestry sectors.

Foreign worker management policy in Malaysia

Like Singapore, the Malaysian government has sought to manage foreign labour flows while at the same time facilitating growth. This has been achieved through targeting an appropriate skills mix. Semi-skilled and unskilled foreign workers are recruited on temporary contracts while skilled workers can remain on longer-term contracts. However, unlike Singapore, the permit fees for skilled workers are higher than those for unskilled workers. This is also consistent with the huge labour shortages in the plantation and construction sectors. Moreover, the Malaysian government also turned initially to Indonesia as a primary labour source for semi-skilled/unskilled foreign workers on the assumption that the Indonesians would more readily assimilate with Malaysian (that is, Malay) society.

Essentially, employment/work permits are of three types, consistent with skill profile. These include: a visit pass for temporary employment; a visit pass for professional employment; and an employment pass. Employers had to first liase with local Employment Services Officers to seek local workers. If local workers were not available, the Ministry of Human Resources certified the employer's need for foreign workers. Employers then had to identify the prospective employees and specify the job to be done. The duration of the job also had to be specified. Registered agents or labour contractors then had to provide the names of the foreign workers (Indonesians or Bangladeshis) who were allowed to be brought into Malaysia. Consequently, permits are firm- and job-specific and are non-transferable. Additionally, foreign workers are subject to age and nationality restrictions, and these are also subject to change. In recent years, this recruitment exercise has been transferred to the Home Ministry.

(i) Visit pass for temporary employment. Unskilled and semi-skilled workers receive one-year work permits, which are renewable up to five years (1 + 5). Skilled workers can also come under this category if they fall below the salary cap of RM1200 per month. There are age restrictions: workers must be between 18 and 45 years and are not allowed to bring dependents. Consequently, no resettlement of dependents is allowed. The visit pass for temporary employment covers the following sectors – manufacturing; construction; plantation; and service. For the four sectors, nationals from Bangladesh, the Philippines, Indonesia, Pakistan and Thailand were allowed to be hired. For domestic work (which comes under the service sector), only nationals from the Philippines, Indonesia and Thailand were allowed. These regulations have now been amended for all categories. Bangladeshis are now no longer allowed entry (2003), while workers from India and Myanmar are permitted to enter the country on a visit pass for temporary employment. In the case of domestic workers, Sri Lankan women can also be brought in by prospective employers though agents.

A security deposit is required to cover the cost of repatriation following permit expiry. Levies are also imposed depending on skill differentials. Visit pass levies range from RM840 per annum for unskilled jobs in the manufacturing sector, to RM1200 for semi-skilled jobs and RM1800 for skilled workers in the manufacturing sector. There are minimum income requirements for households to employ domestic workers (see below).

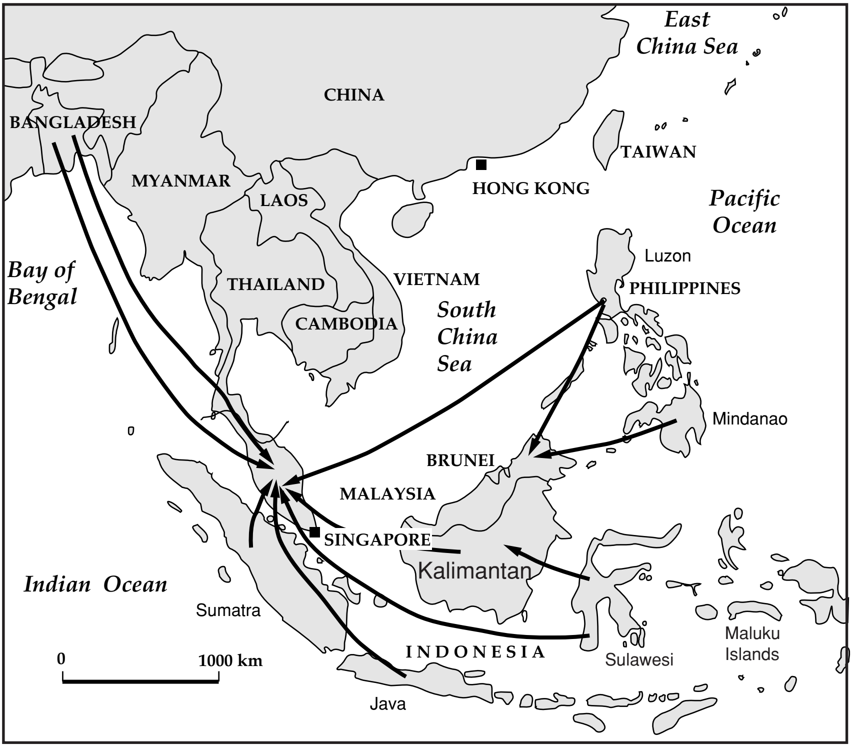
(ii) Visit pass for professional employment. Workers with professional qualifications come on short-term contracts with an agency. These contracts are normally for up to one year. No dependents may accompany those on short-term contracts and resettlement of families is not permitted. A security bond is also required by employers who employ foreign workers under this type of pass.

(iii) Employment pass. Skilled workers with a minimum salary requirement of RM1200 per annum are given an employment pass of at least two years duration. This category includes three groups: technical personnel; professionals and middle managers; and upper level managers. The levies for these three groups range from RM2400; RM3600 and RM4800 respectively. Employment passes are renewable up to five years (2 + 5). Workers who come under this category are permitted to bring dependents on dependent visas (Ruppert 1998:8–10; *Migration News*, Vol. 1, No. 4, April 1994; personal interviews conducted by author in Malaysia).

International labour flows, source and employment sector

ILM flows to Malaysia, shown in Map 9.1, indicate that the migration networks, which cover a large number of countries in the region, are consistent with the growing cross-national income inequality between countries in the region, and also show the historical links between source and receiving countries. This movement has coincided with reduced barriers to trade and investment and underlines the disparities between groups that can cross international borders (owners of capital, skilled workers) and those that cannot (unskilled and semi-skilled workers). Globalisation has made the demand for the services of unskilled and semi-skilled workers more elastic and this category of workers can more easily be substituted by workers from other countries.

Official (documented) migration is characterised by two main features. First, the majority of legal migrants comprise women, and this labour flow is related to the flexibility of the Southeast Asian female work force. As noted in chapter 8, female labour force participation rates increased both absolutely and relative to males. Since economic factors played an important role in influencing participation rates, it is not surprising therefore that women comprise a large percentage of the migration flows. Sociocultural attitudes in Southeast Asia allowed women, most of them young and unmarried, to travel overseas in search of employment. In their adopted countries they rely on strong social networks and relationships to survive. Second, Asian women workers' migration is characterised by their



Map 9.1 Malaysia: Migrant Worker Inflows from Bangladesh, Indonesia and the Philippines, 1990s

concentration in a few occupations – domestic work, the entertainment sector, the hotel and restaurant sector and assembly-line work in manufacturing. These are very low-status jobs, shunned by Malaysian (and Singaporean) women because they offer low rewards and limited job prospects. Thus the jobs that had become bearers of gender have in turn been passed on to migrant women workers as the local women graduated to other gender-bearing jobs.

Indonesian migrant flows

Indonesian migrant workers dominate the labour flows to Malaysia. Moreover, following the Malaysian government's attempts to regulate and control labour migration, flows of undocumented workers have also increased. While the labour migration is demand-driven, nevertheless it operates within informal and formal networks. Migration flows between Indonesia and Malaysia have strong historical precedents. As noted in Chapter 4, during the colonial period Javanese were recruited as contract *coolies* for the plantation rubber sector in the western Malayan states and Sabah. There was also spontaneous migration to Malaysia during that period. Consequently, informal networks linking Malaysia and Indonesia were already in existence before the 1970s. These historical and cultural linkages played an important role in facilitating migrant flows from Indonesia to Malaysia.

The Peninsular Malaysia migration system draws workers from East Java, Bawean, Aceh, West Sumatra, Central Java, South Sulawesi and West Nusa Tenggara. Lombok is another source. East Malaysia draws workers mainly from South Sulawesi and Flores in East Nusa Tenggara. Turning to illegal migrants, the migration routes are from East Java and north-east Sumatra to Peninsular Malaysia and Flores-South Sulawesi to Sabah. Reliable details are unavailable on the age composition of these migrant workers. According to one study, about 84 per cent of the illegal immigrant contract workforce on the Malaysian Federal Land Development Authority Scheme (land settlement) plantations were aged between 20 and 30 years. The workers were generally unskilled and had limited education (Hugo 1993:45–9).

Indonesian migrant labour outflows are associated with the various development plans in instituted Indonesia since 1969. These labour flows were generated from regions where modernisation, mechanisation of agriculture and foreign investment flows encouraged trends towards rural-urban migration and international migration. Concurrently, demand for unskilled labour in Malaysia emerged in the 1980s due to labour shortages in the plantation sector, government land settlement schemes and the construction sector. Subsequently, following repeated calls from the Malaysian Agricultural Producers Association (plantation sector), the construction industry (associated with the property boom) and some state governments (notably Johor) for foreign labour recruitment, the Malaysian government approved the entry of foreign labour into the country. This approval was given despite strong opposition from the Malaysian Trades Unions Congress (MTUC), which stated that migrant worker recruitment would contribute to depressed wage levels in these sectors. In 1993 the manufacturing sector was also allowed to recruit skilled workers from abroad and to hire unskilled workers from the pool of illegal foreign workers already in the country. At the same time, labour demand in the tertiary sector, comprising the entertainment, hotel and restaurant sector and domestic service also increased rapidly, consistent with the rising affluence in the country. The demand for domestic workers corresponded with increased female labour force participation rates in the formal sector, including that of married women.

Indonesia's role as a major global source of contract migrant workers since 1969 is captured in Table 9.6.

Table 9.6 Emigration from Indonesia, 1969–94 (numbers)

Destination	*Plan 1 1969–74*	*Plan II 1974–79*	*Plan III 1979–84*	*Plan IV 1984–89*	*Plan V 1989–94*
Middle East	-	4752	60 093	226 030	390 556
Saudi Arabia	-	3817	55 976	223 573	384 822
Southeast Asia	21	3008	16 461	49 251	215 492
Malaysia	12	536	11 441	37 785	156 312
Singapore	8	2432	5007	10 537	48 896
East Asia	473	1748	2681	2308	21 569
Europe	3794	7083	14 020	7543	10 118
The Netherlands	3332	6637	10 104	4375	5515
United States	146	176	2981	6897	13 993
Others	1190	27	164	233	544
TOTAL	5624	17 042	96 410	292 262	652 272

Source: Deepak Nayyar, ‘International Migration and Structural Change in Indonesia’ (Manila: ILO/SEAPAT, 1996) cited in Rashid Amjad, ‘Philippines and Indonesia: On the Way to a Migration Transition’, *Asian and Pacific Migration Journal* 5, 2–3 (1996), p. 345.

As shown in the table, the biggest increases in Malaysia occurred after 1979 following rapid economic growth associated with the adoption of an export industrialisation strategy and the slowness of some economic sectors to restructure.

Turning to the gender dimension in Indonesian migrant labour flows, Hugo states that while some undocumented flows are dominated by women, women outnumber men among documented migrant workers (Hugo 2002:161–2). A report in *Migration News* also states that of the 1.5 million Indonesian migrants who went abroad officially between 1994 and 1999, ‘about two-thirds were women’ (*Migration News*, Vol. 9, No. 12, December 2002). The proportion of women migrants in the Indonesian emigration flows for the period 1983–84 to 1999–2000 is listed in Table 9.7.

In Malaysia and Singapore, women migrant workers are concentrated in the service sector while men are recruited primarily for the plantation and construction sectors. From 1993 women were also recruited as unskilled workers for the manufacturing sector. The documented labour intakes were augmented by illegal labour flows for reasons outlined earlier. The high costs involved in migration and the existence of networks have facilitated this flow.

Filipino migrant flows

The Philippines government sponsors migration by the country’s workers. Moreover, the government also looks after the welfare of Filipino migrants abroad. As noted previously, outstanding migrants are regarded as *Bagong Bayani* (New Heroes) and receive awards on Migrant Workers’ Day

Table 9.7 Indonesia: Overseas Workers Processed by the Ministry of Labour, 1983–2000

	Middle East		*Malaysia/Singapore*		*Other*		*Total*	*Sex ratio*
	(No.)	*(%)*	*(No.)*	*(%)*	*(No.)*	*(%)*	*(No.)*	*(Males per 100 females)*
1983–84	18 691	64	5597	19	5003	17	29 291	141
1985–86	45 024	81	6546	12	4094	7	54 297	44
1987–88	49 723	81	7916	13	3453	6	61 092	35
1989–90	60 456	72	18 488	22	5130	6	84 074	35
1991–92	88 726	59	51 631	34	9420	6	149 777	48
1993–94	102 357	64	38 453	24	19 185	12	159 995	36
1995–96	48 298	40	46 891	39	25 707	21	120 896	48
1997–98	131 734	56	71 735	30	31 806	14	235 275	20
1999–2000	153 890	38	187 643	46	62 990	16	494 523	44

Source: Adapted from Graeme Hugo, 'Women's International Labour Migration' in Robinson, K. and Sharon Bessell (eds), *Women in Indonesia* (Singapore: ISEAS, 2002), pp. 160–61 (www.poea.gov.ph). In 1975 some 35 000 Filipino migrant workers left the country. By 1995 760 091 left the country. In 2001, there were 7.3 million Filipinos overseas, of whom 1.7 million were in Malaysia, Hong Kong, Japan, Korea, Singapore and Taiwan (*Migration News*, Vol. 9, No. 12, December 2002).

There are close historical links between the East Malaysian state of Sabah, and Mindanao and Jolo in the Philippines. Filipino migrant workers went to Peninsular Malaysia and Sabah from 1985 and they accounted for almost 1.5 per cent of the total migrant worker population in Peninsula Malaysia in 1994. The majority of Filipinos in Peninsular Malaysia were recruited as domestic workers, while others were employed as musicians and entertainers at holiday resorts, and at restaurants. In Sabah, most Filipinos are employed either in the plantation or forestry sectors. There were (and are) a large number of illegal migrants as well, and in 1990 an official Sabah government estimate put the number of undocumented workers (principally Filipino) at 700 000 against a total state population of 1.7 million (*National Report on Filipino Migrant Workers, 1994*:16–17). In 1994 there were an estimated 100 000 illegal or undocumented Filipinos in Malaysia, primarily in East Malaysia (*Migration News*, Vol. 1, No. 9, September 1994).

The typical Filipino worker in Peninsular Malaysia is a woman, employed in the service sector, mostly in domestic service. The majority of women workers were mainly from the Luzon area (80 per cent). Most of them were educated, and under 30 years of age. In 1995 the Malaysian government decreed that Filipino women between the ages of 35 to 50 only would be allowed to work in Malaysia. Their security deposits were also raised (*Philippine Daily Enquirer*, 16 September 1995).

Thai migrant flows

The third largest group of migrant workers comprise Thais from southern Thailand, and their seasonal migration to the northern states of Peninsular Malaysia coincide with the rice cultivation cycle. Close cultural links between south (Muslim) Thailand and the northern states on Peninsular Malaysia have existed for centuries. The Muslim provinces are relatively poor, and during the agricultural slack period, the Thais migrate to Malaysia to work on a temporary basis. The shared border between the two countries, which was a colonial creation, facilitated this labour flow. The Thais are employed predominantly as agricultural workers (on padi farms, rubber and oil palm plantations), as construction labourers and domestic workers (Sirirat Taneerananon 1997:2).

South Asian migrant flows

Apart from these three Southeast Asian countries, the Indian subcontinent re-emerged as a major labour exporter to Malaysia in the 1990s. Most of the workers were from Bangladesh, which is one of the least developed countries in the world. In the 1980s the Bangladesh government followed development strategies similar to those of the Southeast Asian NICs – modernisation of agriculture and a shift to export-oriented industrialisation. Bangladesh became a major exporter of ready-made garments, and of the 1.0 to 1.2 million workers employed in the textile and apparel industries in 1998, 80–90 per cent were women (Wright 2000:226. See also Kaur and Metcalfe 2003). Labour-intensive export manufactures, consistent with the country's production niche, also saw growing unemployment among men. From the 1980s men migrated abroad in search of employment opportunities. Undocumented migration was also common, particularly via Bangkok and on through southern Thailand to Malaysia. The Bangladeshis are mainly employed in the plantation and construction sectors and in the service sector in urban areas.

Summary: migrant labour flows in Malaysia

The distribution of documented foreign workers by country of origin and job sector in Malaysia from 1992–97 is shown in Table 9.8. As shown in the table, the official figure for documented migrant workers was under 700 000 in 1997. These figures do not include the undocumented or illegal workers. One of the key features of the foreign worker inflows into Malaysia and elsewhere, is that the Indonesian migrants are predominantly concentrated in lower skill groups.

The percentages of the total migrant labour supplied by source countries for each of the sectors are shown in Table 9.9.

As noted in Table 9.9, Indonesia, Bangladesh, the Philippines and Thailand represent the major source countries. Their relative position as source countries can be seen from the last column of Table 9.8. Some sectoral specialisation is evident between source countries.

One final point needs to be made. The inflow of migrant labour must be viewed in the broader context of the outflow of migration from Malaysia. Generally, the outflow of skilled and semi-skilled Malaysian workers was initially confined within the region, principally to Singapore. In 1991, for example, an estimated 100 000 Malaysians, including professionals, were employed in Singapore. About 24 000 of them commuted daily across the causeway linking the two countries (*The Star*, 13 February 1991). Again, historical, geographical and economic factors largely determined this migration flow. Since the mid-1970s, following the implementation of the NEP in 1971, and a positive discrimination policy in favour of Malays, there has been a continuous outward migration of Malaysians to areas outside the ASEAN countries. This migration was largely to the United States, Canada, Australia and New Zealand and the migrants, comprising skilled and semi-skilled workers, were predominantly Chinese Malaysians. Japan and Taiwan in East Asia were two other recipient countries.

Table 9.8 Malaysia: Distribution of Documented Foreign Workers by Country of Origin and Sector, July 1992–January 1997. Numbers and percentage (in parentheses) distribution by sectors. Countries of origin arranged by descending number of foreign workers

Sector	*Domestic help*	*Agriculture*	*Construction*	*Services*	*Manufacturing*	*Others*	*Total*
Indonesia	100 324 (67)	139 701 (72)	124 777 (67)	4154 (29)	30 773 (28)	1047 (32)	400 776 (61)
Bangladesh	56 (0)	32 271 (17)	44 603 (24)	6719 (46)	76 326 (69)	316 (10)	160 291 (24)
The Philippines	44 539 (30)	49 (0)	1160 (1)	828 (6)	1401		
Thailand	3881 (3)	22 536 (12)	12 080 (6)	1534 (11)	298 (0)	748 (23)	41 077 (6)
Pakistan	53 (0)	183 (0)	1356 (1)	435 (3)	1694 (2)	3 (0)	3724 (1)
India	54 (0)	306 (0)	1347 (1)	446 (3)	198 (0)	27 (1)	2378 (0)
Myanmar	17 (0)	125 (0)	675 (0)	282 (2)	125 (1)	16 (0)	1240 (0)
Nepal	n.a. (n.a.)	25 (0)	17 (0)	97 (1)	262 (0)	n.a. (n.a.)	401 (0)
Sri Lanka	5 (0) 4 (0)	43 (0)	39 (0)	28 (0)	0 (0)	119 (0)	
Nigeria	n.a. (n.a.)	n.a. (n.a.)	n.a. (n.a.)	n.a. (n.a.)	n.a. (n.a.)	5 (0)	5 (0)
Others	7 (0)	n.a. (n.a.)	137 (0)	11 (0)	54 (0)	518 (16)	727 (0)
TOTAL	148 936 (100)	195 200 (100)	186 195 (100)	14 545 (100)	111 159 (100)	3248	659 283 (100)

Note: n.a. – not available
Source: *The Immigration Department (unpublished data)*, Division of Record and Information System, Ministry of Home Affairs, Kuala Lumpur, Malaysia, cited in Ahm Zehadul Karim, Moha Asri Abdullah and Mohd. Isa Haji Bakar, *Foreign Workers in Malaysia Issues and Implications* (Kuala Lumpur: Utusan Publications, 1999), p. 45.

Table 9.9 The Distribution of Migrants to Malaysia by Sectors According to Source Countries, 1992–97 (percentages)

	Indonesia	*Bangladesh*	*The Philippines*	*Thailand*	*All others*
Domestic help	100 324 (25)	56 (0)	44 539 (92)	3881 (9)	136 (2)
Agriculture	139 702 (35)	32 271 (20)	49 (0)	22 536 (55)	643 (7)
Construction	124 777 (31)	44 603 (28)	1160 (2)	12 080 (29)	3570 (42)
Services	4154 (1)	6719 (4)	828 (2)	1534 (4)	1310 (15)
Manufacturing	30 773 (8)	76 326 (48)	1401 (3)	298 (1)	2361 (27)
Others	1047 (0)	316 (0)	568 (1)	748 (2)	569 (7)
Total	400 776 (100)	160 291 (100)	48 545 (100)	41 077 (100)	8589 (100)

Note: Percentages may not add to 100% due to rounding.
Source: Based on data in Table 9.8.

Institutionalisation of migration and regulation of the foreign labour market

A major feature of the global mobility of labour (and the perpetuation of migration) since the 1980s is that it has largely been dominated by informal micro-level decisions made by individuals, families and kinship groups, and personal networks of co-operation. Nevertheless, as the economics of migration reasserted itself in the 1980s, the cost of travel fell but other related costs (documentation, health check-ups and loan agreements) entered the picture. These costs are associated with the institutionalisation of migration in both source and receiving countries. Additionally, receiving countries like Malaysia and Singapore have imposed a variety of restrictions on migrant labour which include exit visas, work permits, bonds, contracts, and age limits, as noted previously. All foreign workers are also required to undergo medical examinations in their home countries by Malaysian-Government sanctioned doctors. In early 2003 the Malaysian government also imposed the requirement of further medical tests for foreign workers upon arrival in Malaysia.

The specific roles of three main groups: governments of source and receiving countries; intermediaries (labour recruitment agencies/labour brokers, lawyers, people smugglers); and the migrants themselves; are crucial to an understanding of the migration industry that shaped and continues to shape the ILM process.

Governments of receiving and sending countries

Labour issues in the individual countries come under the purview of Ministries of Labour or Manpower or Labour and Social Welfare. Governments in the source countries also established lead agencies to encourage labour exports and supervise migration flows. These included the Centre for Overseas Employment (AKAN) of the Department of Manpower in Indonesia; the Philippines Overseas Employment Administration (POEA); the Thai Overseas Employment Administration Office; the Sri Lanka Bureau of Manpower Employment and Training; and the Bangladesh Bureau of Manpower Employment and Training. Special measures taken by source countries to regulate labour migration are outlined in Figure 9.1.

The Philippines, Thailand and Indonesia moreover established overseas Labour offices in the receiving countries to supervise the welfare of their workers. All source countries rely on their embassies in receiving countries to intervene in cases of flagrant labour abuse that had raised an outcry in the national press or internationally.

The Singapore and Malaysian governments also signed agreements with the specific bureaucratic institutions mentioned earlier. For example, in May 1984 the Malaysian and Indonesian governments signed the Medan Agreement to regulate the recruitment of Indonesian workers for the

Countries	Bangladesh	India	Pakistan	Sri Lanka	Indonesia	South Korea	Malaysia	The Philippines	Thailand
Recruitment and Placement									
Emigration clearance to leave country	X	X	X					X	
Ban/restriction on direct hiring		X	X			X		X	
Minimum standards for work contracts	X	X	X	X	X			X	X
Licensing/regulation of private recruiters	X	X	X	X	X		X	X	X
Operation of recruitment agency by State	X	X	X		X	X		X	X
Security Bond requirement	X	X	X	X			X	X	X
Ban/limit recruitment fee charged to worker	X	X	X	X				X	X
Contribution to Welfare Fund			X					X	
Restriction on passport issue						X		X	
Regulation of job advertising	X		X	X					
Trade test requirement	X					X			
Compulsory use national employment service									
Restriction on selected occupations	X					X		X	
No objection certificate requirement	X		X						
Compulsory service in country before departure	X							X	
Ban on female domestic workers	X		X						
Specification of transport carrier			X						
Periodic inspection recruitment establishment	X		X					X	
Pre-departure briefing			X	X				X	
Restriction on country of employment					X				
Renewal of contract clearance			X					X	

Figure 9.1 Special Measures Undertaken by Asian Governments to Regulate the Labour Migration of their Nationals

Source: M. Abella, 'Overseas Employment Administration: A Review of Policies and Procedures', in R. Owen, *Migrant Workers in the Gulf*, Report No. 68 (London: Minority Rights Group, 1985), cited in Malsiri Dias, 'Overview of Mechanisms of Migration', in Noeleen Heyzer *et al*. (eds), *The Trade in Domestic Workers. Causes, Mechanisms and Consequences of International Migration* (Kuala Lumpur: APDC, 1994), p. 137

Malaysian plantation sector. Following this, in 1985, the Filipino and Malaysian governments signed a memorandum of understanding for the importation of domestic helpers. In 1986 employers in the plantation and construction industries in Malaysia were permitted to recruit labour from Bangladesh and Thailand for the plantation and construction sectors, following agreements between Malaysia and Bangladesh and Thailand respectively (Kaur 2000b). Additionally, the Singapore and Malaysian governments have amended legislation to provide for higher penalties and stricter control of labour recruiters and people smugglers. For example in Malaysia, under tough new immigration laws that became effective from 1 August 2002, undocumented (illegal) foreign workers will be fined up to RM10 000, imprisoned for five years and receive six strokes of the cane. Stiffer penalties will also be enforced on employers of undocumented foreign workers (*Migration News*, Vol. 9, No. 9, September 2002).

Currently in Malaysia, all overseas labour recruitment has to be done through the Home Ministry. The Malaysian government has banned all private labour recruitment (except for domestic workers), and initially set up a one-stop task force. This has since been disbanded. Its opposite number in Indonesia is Bijak, a labour agency owned by the Ministry of Manpower. Bijak either supplied workers or farmed out the business to legally registered labour brokers. Numbers recruited through official recruitment channels are small, and the bulk of workers are recruited through agents in Malaysia, working in concert with their opposite numbers in Indonesia.

Turning to the legislation affecting foreign workers in Malaysia and Singapore, Malaysia ratified the *ILO Convention 1997* by which all foreigners employed in Malaysia are in principle accorded the same rights as Malaysian workers. Migrant workers in Malaysia are therefore covered by the *Employee's Provident Fund Act 1951*; *Workmen's Compensation Act 1952*; and the *Employees Social Security Act 1969*. Domestic workers, however, are not covered by these regulations. In 1987, following a ban on the recruitment of Filipino domestic workers, the Malaysian and Philippine governments came to an agreement on a standard employment contract. This employment contract now serves as a legal document to protect Filipino domestic workers. Workers are hired under two-year contracts; are to be paid a minimum monthly salary of RM540 (US$200 in 1987); have a working day of 10 hours and are to be given at least a continuous period of eight hours of sleep. They were also granted two rest days per month, a free return airfare, free medical services, and free board and lodging (Rita Raj-Hashim 1994:126–7). Following widespread publicity on the abuse of domestic workers, the Malaysian government also blacklisted employers who mistreated maids. In April 2003 the government instituted a lifetime ban on employers who physically abused their domestic workers (*Migration News*, Vol. 10, No. 2, April 2003).

Although Singapore is a member of the ILO, it has not ratified any convention that pertains directly to foreign workers. Notwithstanding this, Singapore does not discriminate against foreign workers and accords them the same rights enjoyed by Singaporean workers under the *Employment Act*. However, foreign domestic workers do not qualify for certain rights, including unemployment insurance and education of their children (Chew and Chew 1998:72–3).

Both Malaysia and Singapore have very strict restrictions on migrant workers contracting unions with locals. This is especially the case with domestic workers who are barred from marrying nationals; they are not allowed to become pregnant; and are required to undergo pregnancy tests every six months. Employers of foreign domestic workers in Singapore also have to provide security bonds of S$5000. This is higher than the bond for most other categories of foreign workers (Lim and Oishi 1996:33–4).

In Malaysia, domestic worker recruitment agencies are bound by the following conditions: they have to provide a bank guarantee of RM100 000 and a security bond; they are required to be licensed with the Department of Manpower; and they have to inform the Immigration Department if the domestic worker's service is terminated. Employers also have to meet certain conditions. These include having an average income of RM4000 per month; adherence to a standard employment contract and the provision of a bank guarantee of RM1000 to the Immigration Department. Only legally married couples with children are allowed to hire domestic workers (Rita Raj-Hashim 1994:126). These regulations have resulted in greater control by employers over domestic workers.

Intermediaries

The role of intermediaries in the migration industry is central to an understanding of the migration process. Intermediaries can be categorised into two main groups – official and private.

Official Official agencies have not been very successful in the recruitment business. For example, in Indonesia, AKAN set up the Manpower Supplier Companies (PPTKI) to handle the recruitment of all contract workers. The PPTKI had to adhere to fairly rigid selection procedures, was understaffed and was unable to compete with private agencies. Moreover, most workers preferred to use private agencies since they did not have to pay money to bribe officials to approve their suitability for jobs. Also, PPTKI's official relationship with the labour importing countries proved detrimental to workers in the long run (Dias 1994: 139–40). The Malaysian government's one-stop task force was also disbanded.

Private Although intermediaries have been involved in transporting workers from their rural locations to their ultimate destinations since the 1980s, it was the failure of state-sponsored initiatives that spawned a proliferation of private recruitment agents, brokers and middlemen in both labour-exporting and labour-importing countries. These private agencies, that currently function as the most effective instruments for labour recruitment, have a multiplicity of roles – recruiter, agent, money changer, travel agent, and moneylender. Undoubtedly, without their involvement, the trade in migrant workers would not have reached the proportions it has today.

The agencies also carry out the promotional aspects of recruitment – for example, they produce videos for their opposite number/partner agencies in the labour importing countries, which are then used by the latter to 'sell' the workers to prospective employers in Singapore or Malaysia. A newspaper advertisement (for domestic maids) in a Singapore newspaper, for example, reads thus:

> Only (name of agency deleted) deploys GREAT maids for *less*
>
> - Just returned from Indonesia
> - New Bio-data and Video clips
> - Filipino maids available
>
> Agency fee: S$188 only for Indonesian Maids
> (*Sunday Times*, 9 December 2001).

Some of these agencies offer free return air tickets; free medical checkups and free renewal of work permits. Some agencies even offer free training on 'Singapore's rules and regulations and home safety to protect the employer's S$5000 bond' (*Sunday Times*, 9 December 2001).

Private agencies are required by the state in the source countries to be licensed, which allows them to recruit and place workers. These agencies work with their counterparts in the receiving countries, who could be either individual entrepreneurs or agencies. Some of the agencies in Malaysia and Singapore visit their counterparts/opposite numbers in the source countries to obtain and provide information on work procedures.

Turning to the fees charged by the recruitment agencies, most studies show that these fees are very high and exceed the legally-sanctioned amounts. Thus migrant workers often enter into long-term debt by borrowing from moneylenders, or mortgage their houses to pay for their trip. (This is discussed below under the role of the migrants themselves). Migrant workers are also placed in a dependent relationship in both the source and receiving countries. The agents represent the only access to employment opportunities overseas and agencies sometimes withhold migrant workers' passports.

Apart from the registered agencies, there are a host of unregistered/unlicensed agencies in both source and receiving countries. These agencies fulfil the needs of the poorer migrants but also put them at risk with forged documents, dubious employment offers, and often leave them stranded. There are also shadowy syndicates involved in transporting migrants to Malaysia and Singapore. For example, until 1991, Bangladeshi women were barred from leaving Bangladesh. Nevertheless, many still find a way to enter these countries and join the illegal immigrant labour force.

Migrants

One must not forget the role of the migrants themselves in the recruitment arrangements of their migration. Most migrants are willing to enter into long-term debt by borrowing money from moneylenders or mortgaging their houses. Migrant workers also finance their trips through salary deductions. In Malaysia, for example, documented foreign domestic workers have to pay the agency's introduction fees, training fees, food and lodging costs incurred during the trip and, prior to placement, the cost of the airline ticket. Employers have to pay the agency an introduction fee, a recruitment fee, a training fee, and insurance and medical examination fees. They also have to post a bond, pay a levy and pay for the ticket home.

With respect to salary deductions, Filipino domestic workers have to forgo six months salary to cover their recruitment, placement and travel costs. Indonesian domestic workers forgo four months salary to cover these costs. Recruitment costs incurred by documented Indonesian domestic workers in Malaysia in March 2002 were as follows: RM1480 (equivalent to four months salary at RM370 per month). The employer pays the agency RM1870. Of this amount, the Malaysian agency pays the Indonesian agent/intermediary RM800. The levy paid is RM300. Currently, the employment contract is for two years and may be extended for another year. In practice, extensions are unlimited (author – personal interviews). In Malaysia, ethnicity is an important consideration in domestic worker recruitment. Muslims generally are not allowed to hire Catholic Filipino maids because Muslim children cannot be cared for by non-Muslims. Most Chinese prefer not to employ Muslims and are discouraged from doing so due to food and religious taboos.

It is also fairly easy to hire illegal domestic workers through private arrangements or through some agencies. However, it is difficult to tie down these workers who are often circulated every three months by illegal recruiters to make money off these migrants. Malaysia operates several detention camps for illegal migrants. In a much publicised case in December 2001 some illegal migrant workers in the state of Johor set fire to their detention camp (*The Star*, 5 December 2001). In February 2002, Indonesian migrant workers who worked in a factory burned down the factory, prompting the Malaysian Prime Minister, Dr Mahathir Mohamad, to publicly state that in future migrant workers would only be hired for plantation or manual work (construction), or as domestic workers.

The above stories testify to the exploitative conditions faced by both documented and illegal workers. In Malaysia, the NGO, Tenaganita, which works with the Legal Aid Centre, provides legal advice and support services (counselling, crisis intervention, and shelter to migrant workers). On average Tenaganita receives about 40 cases a day from migrant workers. These range from unlawful dismissal, wage deductions, alleged police brutality and extortion, and withholding of passports and other documentation by employers. Tenaganita volunteers also visit migrants detained in detention camps (Tenaganita 1995).

Illegal labour flows

While the official Indonesian labour agency, Bijak, charged workers about US$520 (in 1996) to go to Malaysia, illegal labour brokers/people smugglers known as *taikong* charged migrants US$123 for the trip from Riau to Peninsular Malaysia across the Melaka Straits. Another port of departure is Dumai on Sumatra's east coast. The prospective migrants are held in safe houses prior to departure. The opposite number of the *taikong* is the Malaysian crew boss, known as the *tauke*, who calls in orders for workers. He receives the workers and transports them to their destinations in Malaysia. Some *tauke* rotate workers to get the most from their investment. According to Human Rights Watch/Asia, in the 1990s hundreds of Indonesians died trying to make the crossing to Malaysia (*Far Eastern Economic Review*, 23 May 1996).

Gender and migration

Discussion has focused mainly on domestic workers because the social construction of gender and racial stereotyping within the recruitment process in the region has primarily helped channel women migrants into this occupation. The increasing flow of female domestic workers is also consistent with a new regional division of labour between middle-class women in receiving countries and working-class women in source countries. Domestic work, which involves childcare, food preparation, house cleaning and shopping, is an important component of women's informal sector work universally. The foreign domestic workers thus support the formal sector work of women in Malaysia and Singapore.

In Southeast Asia, Singapore, Kuala Lumpur, Penang and Johor Baru have emerged as the main destinations of employment for women migrating as domestic workers since the 1980s. Filipinas originally dominated as the main source of domestic workers in Southeast Asia but have now been gradually replaced by Indonesian women. Women from Thailand, Sri Lanka and Cambodia are also increasingly found in Malaysia.

In Hong Kong, which has become the preferred destination for Filipino domestic workers, it is estimated that Filipino domestic workers increased from 1000 in the early 1970s for 66 000 in 1991, and 140 000 in 1998 (Pinches 2001). In 2001 they comprised 154 000 of the 230 000 domestic workers there (*Economist*, 22 December 2001; 19 January 2002). Hong Kong does not discriminate against domestic workers, unlike Singapore and Malaysia, and salaries there are much higher. Hong Kong also has a minimum wage policy in place. The domestic workers are paid HK$3670 (US$470) per month (*Economist*, 22 December 2001). The Filipinos also earn about twice as much as Indonesian, Thai and Sri Lankan domestic workers because most of them have tertiary education, are conversant in English, and are generally between 20–34 years in age. Most of the other domestic workers are between 20–25 years in age.

Filipino domestic workers are usually recruited through licensed recruitment agencies and this is principally because the Philippine government is involved in the export of labour overseas. Officially, workers are known as overseas contract workers (OCWs) and have recourse to support agencies and various NGOs. These include Filipino Labour Offices in the receiving countries where they can seek refuge. There are also overseas workers' welfare officers who protect the interests and well-being of migrants. Moreover, the Philippine government intervenes to protect its citizens. In 1995, for example, the execution of a Filipino domestic worker in Singapore, who was convicted on the charge of murdering her employer, drew strong protests from the Philippine government. This led to a temporary ban by the Philippine government on the deployment of Filipino domestic workers in Singapore. This ban, however, was circumvented by hiring Filipinos via Malaysia, Brunei or Hong Kong and was lifted in 1996.

In February 2002, when the Hong Kong government announced a wage cut of 14 per cent of the minimum pay of domestic workers due to the recession in Hong Kong, the NGOs and the Philippine government intervened to negotiate for the protection of wages of its nationals working abroad (*Economist*, 19 January 2002). However, the Hong Kong government responded by stating that it was an internal affair.

Domestic workers are usually paid lower wages than other migrant workers, and wages are often delayed. Few are allowed to have rest days, and their accommodation is sub-standard (some have to sleep on the floors of kitchens). They thus experience exploitative working conditions principally because they are not covered by employment regulations. Moreover, ethnic and class differences accentuate this situation. Also, since they are isolated in individual households they are more vulnerable and often subjected to sexual harassment by men in employers' households, as documented in several studies conducted in Singapore, Malaysia and other countries (Heyzer *et al*. 1994; Lim and Oishi 1996).

International labour migration in Southeast Asia: everything changes and nothing changes

Uneven population and economic growth in the region; the recruitment of foreign workers; the growth of tourism; people smuggling and the toleration of undocumented workers; combined with rising expectations of Southeast Asians and the ability to move to labour shortage countries, have impacted, and are impacting on, the region's labour market. The growing presence of foreign workers has also sparked debates in the region's three major economic success stories – Singapore, Malaysia and Thailand – about the social and economic consequences of foreign labour inflows. The management of foreign workers is premised on the policy that settlement is to be denied to them. At the same time, the desire to keep labour costs down and the slowness of some sectors to restructure presents a dilemma for these countries. In Malaysia, for example, Malaysian workers and trade unionists complain that jobs are lost and wages held down. Wage growth varies by sector and manufacturing expansion has led to shortages in agriculture and construction. Indeed, labour shortages often reflect 'vacancies unfilled at the wage rates offered' (Jomo 1985–86; 6–9).

Singapore, Malaysia and Thailand are likely to become more dependent on foreign workers. During the Asian crisis, unemployment rates tended to rise among foreign workers, and the labour-importing countries made attempts to cut back on migrant labour intakes. In Malaysia attempts were also made to stem the flow of illegal migrants by offering voluntary repatriation to this group during an amnesty period. Subsequently, as conditions improved, labour market conditions also improved and efforts were made to register migrant workers. By the end of 1999, a 'majority of some one million migrants (in Peninsular Malaysia) were formally on contracts recognised by the government' (Manning 2002:375). Foreign worker recruitment thus continued for certain sectors and activities, reflecting the increased integration of labour markets in Southeast Asia. Thus, rising absolute differences in wages and levels of living and wage costs between more and less developed economies, coinciding with falling transport costs and the role of networks in the perpetuation of migration, continue to play a key role in supporting international labour migration in the region.

The three countries continue to open sectors selectively to foreign workers and change migrant labour policies frequently, depending on the persuasive powers of the business elite and politicians, rather than adopting a systematic approach to the issue. Could industrial investment and reorganisation eliminate certain jobs and result in an upgrade of remaining jobs to make them attractive to local workers, especially women? This argument presupposes an inelastic supply of locals for the jobs at current wages. Japan has often been quoted as an example of a country that managed to get along without foreign workers. But this is no longer the case. Despite increased mechanisation and more-do-it-yourself household activity (that is, new and improved appliances), Japan now relies on migrant workers for a variety of low-paying jobs. Consequently, the hiring of foreign workers via a foreign worker policy governed by labour-market criteria seems to be the only feasible policy to overcome labour shortages, particularly in the 'old economy' sectors such as plantations (Kaur 2004).

Despite the bad publicity faced by both source and receiving countries, the effects of emigration are not all bad. Migrant workers abroad are regarded as valuable assets by their home countries. First, as migration has increased, so has the money sent back home. The Philippine government regards its migrant workers as the most valuable source of foreign exchange. Indeed, in 1983, government legislation made it mandatory for overseas workers to remit home 50 to 70 per cent of their earnings. These earnings were converted to pesos at the official rates. Penalties were also introduced to enforce compliance when the ruling led to an amendment of the customs and tariff tax to allow migrants to bring in more gifts (Rita Raj-Hashim 1994:127). According to the World Bank, remittances to the Philippines totalled over US$10.7 billion in the period 1992–95, five times higher than the period 1971–80 (see Table 9.10). In 2000, Filipino migrant workers remitted US$6 billion, and the OCWs were one of the biggest sources of foreign exchange (*Economist*, 22 December 2001).

Indonesian migrant workers also remit home large amounts of money. In 1994, Bank Simpanan Nasional (National Savings Bank) in Malaysia reported that Indonesian workers remitted US$8 million per month to Indonesia (Hugo 1995:288). The true figures may be much higher since cash is often sent via informal channels. In 1998 the Malaysian government made it mandatory for all foreign workers (with the exception of domestic workers) to contribute 11 per cent of their monthly pay to social security, the Employees Provident Fund (EPF). (The contribution by the employer for a Malaysian employee is 12 per cent, whereas for the foreign worker, the contribution is RM5 (US$1.25) a month!). The objective is to reduce the flow of remittances by migrant workers (*Migration News*, Vol. 5, No. 9, September 1998).

Each dollar sent home also translates into three or four times its worth as it works through the local economy. In the Philippines and Indonesia, there are several housing developers who build low-cost housing that is brought by returning migrant workers (*Far Eastern Economic Review*, 8 November 2001).

Moreover, the outflow of workers has reduced the excess supply of labour in source countries. As noted earlier in the chapter, Indonesia and the Philippines are two of the poorer capitalist countries in Southeast Asia. It is no wonder that both are taking steps to legalise more of the labour flows. Through ASEAN and the sub-regional growth triangles or economic zones, Malaysia and Indonesia, for example, are discussing ways to make it easier for Indonesians to work in Sarawak. Moreover, since migrants send less money home the longer they stay away, or become integrated in the host country, the continuing flow of remittances depends partly on fresh emigration. Thus the labour exporting countries are making the most of their migrant workers.

Table 9.10 The Philippines: GDP Growth Rate and Remittances from Overseas Contract Workers, 1971–95 (US billion $)

Administration	*Average GDP growth rate*	*(a) Capital flight (–) return (+)*	*(b) Remittances from overseas workers*	*(c) Net direct foreign investment*	*$ billion (d) Portfolio investment inflow*	*(e) Foreign loan disbursements*	*Total (a) to (e)*
Marcos 1971–80	5.8%	–5.8	1.9	0.5	*	12.9	9.5
Marcos 1981–85	–1.1%	–2.1	3.7	0.3	*	11.6	13.5
Aquino 1986–91	3.8%	+4.1	6.0	0.5	0.9	10.9	22.4
Ramos 1992–95	3.0%	n.a.	10.7**	2.2	9.4**	18.8**	41.1

Notes: * Negligible. Included in (c).
** Figures only up to September 1995.
Source: Government Data. *World Bank*, cited in *Far Eastern Economic Review*, 29 February 1996, p. 26.

10

Employment Relations, the Labour Movement and Labour Standards

Introduction: winners and losers?

There is considerable debate on whether the benefits of globalisation are universally shared. While there is powerful institutional support for free markets, the spread of trade and investment and job creation in export processing zones, some critics have argued that globalisation has led to Third World labour exploitation and widening income differentials between countries and within countries.

As noted in Chapter 8, one major dimension of economic globalisation has been the reorganisation and redistribution of production. The globalisation of production furthermore facilitated the transformation of the capitalist Southeast Asian countries into newly-industrialising economies. Second, labour has become more closely associated with industrial work. Export-oriented industrialisation in many countries has also coincided with the greater concentration and centralisation of capital by MNCs and the growth of cross-border production networks. As a result, both governments and workers have become dependent on the MNCs for job creation, especially in the free trade zones, which function as global manufacturing enclaves. The forms of work arrangements that emerged in the labour-intensive export manufacturing sector – factory production, sub-contracting and home-based work – have impacted on both employment conditions and the labour movement.

How have workers coped with these changing economic realities? While there is broad agreement that governments introduced labour legislation aimed at securing a modicum of welfare and security for workers, they have used their public commitment to trade liberalisation and growth to increase their arbitrary powers and retain their countries' competitiveness.

This chapter assesses the labour record of the four most globalised Southeast Asian countries that embraced trade liberalisation and open markets. It examines key issues that impacted upon labour in general and manufacturing workers in niche production sectors in particular. These include: labour legislation and the role of the state in structuring labour use; employment relations; trade union organisation and non-trade union activity; the labour movement; and core labour standards.

Labour relations in historical perspective

Prior to the Second World War, various forms of coercion, indentured and contract labour typified colonial labour systems, and the colonial state used a variety of instruments – labour contracts, immigration policy, the ethnic division of labour, and repression of trade unions – to limit conflict in employment relations. As noted in Chapter 7, colonial strategy revolved around the exclusion of labour. In the post-independence era, the economic, political and environmental contexts continued to dominate the more specific relationship between the state and labour institutions, and labour legislation was aimed largely at restriction, rather than protection, of workers' rights. Indeed, not unlike the colonial state, the national state's policy of achieving newly-industrialising status led to certain forms of state intervention that were common to all states.

Three other dimensions are noteworthy. None of the four countries had a strong tradition of democratic rights or civil liberties. The state also managed to engineer union compliance with its development, security, and stability objectives through a mixture of tripartism and legal control. Moreover, paternalism and personal patronage, stemming from 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.

The consensual outcome was generally preferable to confrontation, especially when the state couched this in terms of trade preferences 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.

The state, labour legislation and employment relations

A brief summary of the legislative framework is necessary to introduce the industrial relations systems in the four countries. 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 laid down 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. More significantly, the legislation emphasised job security, and included procedures to regulate dismissal and separation payments. This legislation was reaffirmed in later labour legislation which also guaranteed the right of workers to join unions, 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 co-operation and common goals and Indonesia thus followed the international and Southeast Asian trend towards bipartite and tripartite industrial relations systems. Employer and union co-operation 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. In 1965 Singapore separated from Malaysia and embarked on an export-oriented industrialisation strategy.

Four developments impacted upon industrial relations processes in the city-state subsequently. These were: 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 affecting workers. 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.

As noted in Chapter 9, Singapore's labour-intensive industrialisation programme relied heavily on migrant workers. However, employers excluded these migrant workers, who were employed on short-term contracts, 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 (see Chapter 7), and a shift in colonial labour policy laid the basis for labour relations and an acknowledgment of 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* (see below). 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 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.

Employment conditions were, to a very large extent, influenced by the size of the labour market. Over the period 1970–90, the number of wage- and salary- earners showed a two-fold increase only and the government sector continued to be a major employer. In the late 1980s own-account workers and unpaid family labour still accounted for 70 per cent of total employment (Piriyarangsan and Poonpanich 1994: Table 5 and p. 218). Moreover, 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.

Another factor influencing employment relations was the enactment of discriminatory legislation in pursuit of affirmative action policies. In 1949, 1951 and 1952, legislation was passed reserving some eighteen industrial and service occupations for Thai citizens. Subsequently, the 1956 *Job Allocations for Thais Act* specified that any class of business employing 10 or more people was required to have Thai nationals making up at least half of its employees. This Act led to a subsequent expansion of joint Sino-Thai enterprises.

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 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. The government's wage policy was based 'on the fixing of a low price for rice, [and] permitted a compressions of the money wage' (Piriyarangsan and Poonpanich 1994:223). Low wages were used as an incentive to attract foreign investment into the country. 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. Poverty in both urban and rural areas, arising from greater capitalist penetration in Thailand, also saw a substantial increase in the incidence of strikes (Priyarangsan *et al*. 1994:223). In 1974 the first major protest by women workers involving tens of thousands of textile workers took place. The textile workers protested against low wages and layoffs. Subsequently, the minimum wage of 16–20 baht established in July 1974 was raised to 25 baht in January 1975. However, many incidents of police brutality against women workers occurred in 1975 and 1976 (Thitiprasert 2001:36). Organised labour also took an active role in politics during this time.

As noted above, the *Labour Relations Act 1975* replaced the 1972 Act. 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. Moderate labour leaders were supported by the state at the expense of militant labour leaders and student activists, further weakening the organisational strength and bargaining power of workers. Labour controls also became more indirect, principally because of division among the Thai elite. Some commentators refer to this period as the initial process of the institutionalisation of labour conflict.

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 export-oriented industrialisation 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. The state also ensured that weak enforcement of these laws secured Thailand's competitiveness in the international market. Consequently, the labour movement was fragmented and working conditions were also less favourable compared to neighbouring countries.

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. Issues of workplace health and safety standards also posed major problems in Thailand. Andrew Brown comments that the 1990s may best be 'remembered for a series of spectacular accidents and multiple cases of occupation-related illnesses [in Thailand] that have left a trail of dead, maimed and injured in their wake' (2001:127).

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 state's 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 10.1 below.

Table 10.1 Monthly Wages and Per Capita Incomes: Selected East Asian Economies, 1990

	Index *Monthly wages* *(general workers)*	*(Indonesia = 1.0)* *GDP/capita*[a]
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	1.0	1.0
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 (see Chapter 9) 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 10.2.

As shown in the table, 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 multinational 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

Table 10.2 Index of Average Real Wages in Manufacturing in Selected Asian Countries (mid/late 1970s = 100)[a]

	Early- to mid-1960s	*Early- to mid-1970s*	*Mid-1980s*	*1990*
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.

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 obtaining permission for overtime work (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 multinational 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 (Lim 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 standards. 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. For example, a much-publicised tragedy was the fire in the Kader Industries factory in Thailand in 1993 which claimed 188 lives and left almost 500 workers injured (Brown 2001:128). Workplace health and safety issues in the region attracted greater attention only in the 1990s. 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. More significantly, the adoption of export-oriented industrialisation strategies coincided with increased state measures to curtail the activities of trade unions. Consequently, in comparison with 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; Kurvilla 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 citizen-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 firms 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 Pekerjan 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 10.3).

Table 10.3 Union Density in Selected Southeast Asian Countries, 1990 (% unionised)[a]

Country	*All employees*	*Non-agricultural employees*[b]
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 in the table, 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 10.3.

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 has 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 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 co-operation 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 the 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 burst 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 increases 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 1987:194–6).

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 contracts, 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 women workers have lower educational qualifications compared to men and they have allowed the men to assume leadership positions in unions. In Thailand, for example, while unions obtained concessions for male workers to take temporary leave to enter the monkhood, women have been unable to obtain concessions for childcare, among other issues. 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 10.4.

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.

Open economies and labour

Until the 1970s Southeast Asian economies were based largely on agricultural and service industries and these sectors accounted for the biggest shares of the workforce. Trade unions were confined largely to plantation workers (Malaysia and Indonesia), miners, transportation workers (railway workers), mill workers, state enterprise workers and civil servants. Levels of unionisation were low and organised labour had been tamed and depoliticised before 1970. From the 1970s and 1980s greater restrictions were placed on labour's freedoms, and adversarial labour relations were replaced by co-operation and conciliation among workers, employers and the State.

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

Table 10.4 Strikes in Selected Countries in Southeast Asia, 1961–93 (average per annum)

	Indonesia	*Thailand*	*The Philippines*	*Malaysia*
No. of strikes				
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
No. of strikes per 1000 non-agricultural workers				
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
Percentage of strikes in manufacturing				
1966–70	1	26	40	12
1976–80	89	79	33	61
1986–90	82[a]	99	55	28
Total non-agricultural workforce (million)[b]				
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.

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.

The growth of new forms of employment in Southeast Asia thus coincided with the replacement of previous industrial relations systems. Nevertheless, while collective agreements appear relatively undeveloped, trade unions have played a role in the formulation of labour legislation, which some commentators believe is far more important than union density.

Apart from the shift to tripartism, labour opposition deemed inimical to national development strategies has also been curbed through the use of political instruments such as the *Internal Security Act* in Singapore and Malaysia. As a matter of fact, the greater political stability and the perceived threat of ethnic unrest in these two states, compared to Thailand, facilitated the rather wide use of such powers by government. Legal strikes essentially became a great rarity and it is doubtful as to whether the right to strike currently exists in Malaysia. Moreover, the Director-General of the Department of Trade Unions in Malaysia has the right to refuse registration of a union if it is considered that an appropriate union already exists. Consequently, less compliant unions have been pre-empted by government.

Briefly, therefore, economic globalisation has impacted on Southeast Asian workers in three main ways.

First, while the Japanese and Korean models were adopted with some enforced labour conditions, there were none of the compensations represented such as, for example, lifetime employment. Indeed, the very nature of the export-oriented industries, which are dependent on trade cycles, preclude this possibility.

Second, 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 than the men's rate. 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.

Third, there is general non-observance of government-set minimum labour standards due to three main reasons: weak and underfunded enforcement agencies; the incidence of bribery among factory inspectors to overlook transgressions; and a lack of commitment to laws on the statute books insisted upon by external agencies.

Wither core labour standards?

Since the 1990s debates on core labour standards have focused on the desirability of inserting a social clause in World Trade Organisation (WTO) rules that would enable WTO members to impose trade sanctions on countries that did not enforce these standards. However, the majority of WTO members, particularly developing countries, are opposed to the social clause which is seen as a protectionist measure by developed countries. Indeed, the WTO Ministerial Conference held in Singapore in December 1996 rejected calls to set up a working party on this issue. The Conference stressed the competence of the ILO in this field. Trade sanctions were also rejected on the grounds that they would impair economic development and would thus make adherence of core standards even more difficult.

Support for this view came from the IMF, which stated that the economic arguments for harmonising labour standards were weak; and that any well-intentioned attempts to impose core labour standards, especially if enforced through trade sanctions, could actually be detrimental to workers. In fact, many would argue that low labour standards are not the primary source of the developing countries' comparative advantage, and most labour standards, such as minimum wages, are not attainable in many poor countries. The IMF has also pointed out that higher labour standards were a consequence, rather than a cause, of economic growth and that the best way to improve labour standards was through economic growth and greater integration in the economy (*IMF Survey*, 9 June 1997).

Acceptance of the ILO Conventions and implementation, in law and practice, by the state, and of the principles contained in them, vary within the four countries, and indeed within the region. Ratification of fundamental International Labour Conventions in selected Asian countries (as of 30 June 1997) is shown in Table 10.5.

In recent years, the trend has been to introduce trade incentives for countries that observe core labour standards. Both the United States and the European Union (EU) have introduced clauses to this end in their trade regime. For example, the EU's generalised system of preferences (GSP) has, since 1995, included withdrawal of GSP benefits in cases of forced labour/prison labour. Moreover, since 1998 the EU has granted additional GSP preferences to countries that have adopted the ILO conventions on freedom of association and adherence to a minimum age. Apart from these incentives, codes of conduct and social labelling have also been promoted by the ILO, followed by calls for independent monitoring of codes of conduct by special interest groups.

One other important point needs to be made. Internationally, unions in the United States and Europe are co-operating with NGOs and other citizen-activist groups in Southeast Asia to prevent MNCs escaping the organisational reach of unions. This is being done by collecting and disseminating information about companies, consulting with workers and unions in Southeast Asia, and encouraging international companies' codes of conduct. Nevertheless, we must not forget that much more effort and money is spent on lobbying for protection of national industries by developed countries' unions, than on ensuring improvements in labour standards in developing countries.

Concerted efforts made mainly by Western consumer groups and citizen-activists' groups in both developed and developing countries have resulted in a 10-year anti-sweatshop campaign, aimed primarily at sportswear factories. Their campaign has received, and continues to receive, extensive coverage in the international media. The main sportswear

Table 10.5 Ratifications of Fundamental International Labour Conventions in Selected Asian Countries (as of January 2002*)*

	*Convention No.**						
	29	*105*	*87*	*98*	*100*	*111*	*138*
Bangladesh	♦	♦	♦	♦	♦	♦	
Cambodia	♦	♦			♦	♦	♦
China					♦		♦
India	♦	♦			♦	♦	
Indonesia	♦	♦		♦	♦	♦	♦
Japan	♦		♦	♦	♦		♦
Laos	♦						
Malaysia	♦	**		♦	♦		♦
Myanmar/Burma	♦		♦				
Nepal				♦	♦	♦	♦
Pakistan	♦	♦	♦	♦	♦	♦	
The Philippines		♦	♦	♦	♦	♦	♦
Singapore	♦	**		♦			
Sri Lanka	♦		♦		♦	♦	♦
Thailand	♦	♦			♦		

Note: * List of Conventions:
No. 29 – Forced Labour Convention (1930)
No. 105 – Abolition of Forced Labour Convention (1957)
No. 87 – Freedom of Association and Protection of the Right to Organise Convention (1948)
No. 98 – Right to Organise and Collective Bargaining Convention (1949)
No. 100 – Equal Remuneration Convention (1951)
No. 111 – Discrimination (Employment and Occupational) Convention (1958)
No. 138 – Minimum Age Convention (1973).
** Has denounced this Convention.

producers involved are Nike and Adidas Salomon (which between them control 49 per cent of the United States athletic footwear market) (Oxfam Community Aid Abroad [CAA] 2002:6), and Reebok. In the first phase of the anti-sweatshop campaign in the early 1990s, these companies denied the charge of exploitation. In the second phase they attempted to 'press suppliers to respect human rights', and took steps to police suppliers' factories. In the late 1990s, the third phase, they took measures to make factory inspections more 'credible by hiring independent monitors' (*Economist*, 'Asian Trade Unions. Getting Organised with Western Help', 1 December 2001, p. 58).

The objective is to involve worker participation so that workers themselves can stand up for their rights. This is crucial because many workers are uneducated, inexperienced, do not know their rights, or are afraid to push for them. This objective is consistent with two other developments – the creation of Fair Labor Association, a United States-based multi-stakeholder factory monitoring organisation; and the establishment of the United Nations Global Compact with business. The latter is aimed at promoting 'a range of human rights issues, including workers' rights to freedom of association' (Oxfam CAA 2002:6). Multinationals, according to the *Economist*, have a unique role to play 'since often only they have the power to cajole governments or local capitalists into letting workers organise' (*Economist*, 1 December 2001, p. 58).

There is now another dimension to this process. A former director of the United States-based Gap Incorporated Global Compliance Program for Asia and the Indian subcontinent, Jeffrey Hantover, sees beyond this to state that 'fair labour codes can head off … [worker] radicalisation' … particularly in Muslim countries like Indonesia and Bangladesh. He also believes that '… even before 11 September 2001, multinational manufacturers had responsibilities that went beyond their bottom line. In this new era, that is truer than ever' (Jeffrey Hantover, 'Compliance Pays', *Asiaweek*, 16 November 2001:19). These sentiments are commendable, but the sincerity of MNCs, which are footloose, and always on the move for lower-cost and more complaint countries, remains to be seen. Moreover, since the international trade system favours developed countries, it is difficult to see MNCs taking a leading role in determining and enforcing core labour standards in developing countries.

11

Conclusion: Globalisation, Economic Growth, and Labour

Southeast Asia consists of a multiplicity of states at varying levels of development, and does not have a single dominant socio-economic feature that can be said to characterise the region. In broad economic terms, therefore, the study concentrates on two bipolar states – Malaysia and Indonesia – as representative of 'labour-scarce' and 'labour-surplus' economies, to examine the development of wage labour in the region. From this perspective, Malaysia, a well-endowed labour-scarce country, has been, and continues to be a, labour importer. Moreover, although land development schemes were introduced (especially after 1970) to reduce rural inequalities, land issues and rural development have remained largely secondary. The polar opposite is Java, with its huge poverty-stricken population. Non-farm employment was critical for survival strategies and workers migrated to other islands or nearby countries to earn a living. Indonesia continues to be a labour exporter, and the export of labour forms an essential feature of its development plans. The other countries examined in this book fit somewhere in a continuum between the two.

The globalisation of production, whether promoted by the state, private enterprise, or multinational corporations, has had major impacts on labour and labour relations. Moreover, cheap labour continues to constitute the foundations of international competitiveness, and has contributed to the transformation of the region. A survey of the role of the state in the economic development of Southeast Asia has shown that it played a key role in structuring wage labour systems and shaping labour relations. During the pre-World War Two period, the state resolved the labour shortage problem by recruiting migrant workers, mainly from outside the region but also from congested parts of colonial territories, and incorporating them into the mining and plantation sectors in the expanding colonial economic systems. Various forms of forced, indentured and contract wage labour characterised colonial economies during the early phase of economic expansion. As free wage labour gradually replaced these forms of labour, workers were able to organise and demand higher wages and improved working conditions.

In the current globalisation period, trade liberalisation and industrialisation strategies have marked the emergence of a new phase for Southeast Asian workers. In the early stages of import-substitution industrialisation, the challenge was job creation to reduce a relatively high unemployment rate, and to absorb new entrants into the workforce. ISI drew mainly on a surplus of under-employed workers. As ISI gave way to export-oriented industrialisation, low wages played a key role in the export success of the capitalist Southeast Asian countries. EOI also coincided with the increased labour force participation of women in the formal sector, predominantly in the new production niches – labour-intensive factory work and subcontracting and small-batch production networks – associated with consumer goods' commodity chains.

An important issue explored in this book is what links the colonial/pre-World War Two period and the post-colonial/national period experiences of labour. Labour exploitation is a constant, but how differently have the gains from economic growth/change been distributed between workers and capitalists in the two periods? First, coercion and the indenture contract have largely been eliminated, although contract labour has made a reappearance under a new guise of indebtedness to intermediaries. Free wage labour is now the norm in most economies. Second, many more workers, including women, have been drawn into the formal economy, which has provided more opportunities for households. Third, social investments which have benefited workers have also been much more important in the latter period, even if worker organisation was under the same de facto controls. Fourth, workers have also acquired the ability to move to areas where there are employment opportunities, although a host of intermediaries and networks play a critical role in facilitating this movement. Workers thus have been able to take advantage of new technologies and better communications and have greater mobility in the latter period, although these have contributed to greater disparities.

The most striking feature associated with the growth process has been an overall decline in poverty levels. Workers' basic rights, however, improved only very slowly, because these countries feared losing their competitive edge in labour-intensive manufacturing. Moreover, despite continuing growth in union membership, the labour movement has been constrained by government intervention and the adoption of tripartite industrial relations systems. The wages paid to workers typically have not kept pace with growth. Nevertheless, it may be argued that even if real wages in the formal sector had not risen at all, this still meant improved welfare, because employment in the manufacturing sector was better than the alternative. Furthermore, real wages for unskilled workers were unlikely to rise until the supply of surplus labour had been exhausted.

The 1995 World Bank Development Report, *Workers in an Integrating World*, an analysis of the impact of globalisation on the changing economic and social status of the world's working class, makes the assertion that 'economic growth is good for workers' (World Bank:3). It also comments on the rise in real wages in countries committed to export-oriented growth (World Bank:13). Nevertheless, the Report acknowledges state repression of trade unionism in Asia, arguing that there is no evidence that labour restrictions are necessary for economic success (World Bank:13). The World Bank also makes the case for good infrastructure; a reliable and skilled labour force; guarantees to capital holders of the right to repatriate both income and capital; and social and political stability. The Bank thus argues that it is not the holding down of wages or the restriction on trade union activity that attracts capital to a country (World Bank:61).

Since the 1980s, moreover, open economies and the economic divide among Southeast Asian countries, coupled with network-depending and network-creating migration processes, have resulted in the economics of migration asserting itself. The movement of semi-skilled and unskilled workers, principally from within the region, marks the current phase in changing labour relations in Southeast Asia. It is these workers who are assisting some Southeast Asian states in keeping their wage bills low and retaining their competitive advantage in world markets.

How well have workers coped with changing labour realities? There is broad agreement that national states have introduced legislation to guarantee their workers a decent living, but they use their public commitment to globalisation and market forces to increase their arbitrary power to retain their economies' international competitiveness. Nevertheless, as economies and politics have become more globalised, citizenship rights are increasingly being replaced by global human rights. There is also general consensus that certain components of a state's sovereignty are being transferred to supranational institutions, non-governmental organisations (NGOs), and citizen-activist groups. The growing adherence by states to international agreements and human rights covenants have resulted in workers making some gains in core labour standards (Chapter 10). Notwithstanding this, the challenge in the third millennium is to ensure that migrant workers are also given these rights and that the cycle of exploitation is not repeated.

Appendix 1

Daily Rice Wages of Male Unskilled Workers in Asia, 1913–69 (in kilograms of rice)

	1913	*1922*	*1938*	*1952*	*1958*	*1969*
Japan	4.3	6.8	5.2	2.1	3.2	6.4
Burma	6.5	6.6	7.6	7.5	11.4	13.6
Ceylon	–	–	–	2.5	2.6	2.4
Indonesia (Java)	2.9	2.9	3.2	2.4	2.9	2.0
Korea/S. Korea	3.6	7.6	6.9	–	6.2	8.5
Malaya	3.3	1.9	6.0	6.9	7.0	5.0
The Philippines	5.6	5.0	7.2	3.2	5.0	2.9
Taiwan	3.9	3.6	4.1	6.6	7.9	13.9
Thailand	7.5	7.8	10.3	11.1	10.6	8.5
Vietnam, North	4.2	4.4	3.0	4.5	2.0	–
Vietnam, South	7.8	8.2	5.9	4.5	7.8	3.0

Sources: Japan 1913–38 Bank of Japan (1966); Burma 1913–38 see Williamson (1998:Appendix 1); Indonesia (Java) Dros (1992); Korea and Taiwan 1913–38 Mizoguchi and Umemura (1988); Philippines 1913–38 see Williamson (1998: Appendix 6); Thailand 1918–38 Suehiro *et al*. (1999); Vietnam 1913–38 Giacometti (2000); 1952–69 *ILO Yearbook of Labour Statistics*, cited in Bassino and van der Eng 2002, p. 10

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