

Understanding the Declining of Trade Union Density: Literature Review and Conceptual Framework

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Abstract

Trade unions in various countries, including Malaysia are slowly declining its density and membership. Past research has been conducted to examine this downward trend. The decline of union density can be attributed to its limitation to organize new establishment (Nagiah Ramasamy, 2008). Economic and social development factors are also important to explain the phenomenon (Kuruvilla S. *et al*, 2002). This paper explores the possible reasons for the declining popularity of trade unions in Malaysia based on a review of relevant literatures. The review concludes that structural, cyclical and institutional factors are important determinants in explaining the declining density of unions. Based on this the authors proposed a framework to guide future studies on the topic.

Keywords: Union density; employee; decline; union membership; trade union

Abstrak

Kesatuan sekerja di pelbagai negara, termasuk Malaysia secara menurun secara perlahan dengan kepadatan dan keahliannya. Penyelidikan yang lepas telah dijalankan untuk mengkaji trend yang sedang menurun ini. Penurunan kepadatan kesatuan boleh dikaitkan dengan limitasinya kepada menganjurkan penubuhan baru (Nagiah Ramasamy, 2008). Faktor pembangunan ekonomi dan sosial juga penting untuk menerangkan fenomena (Kuruvilla S. *et al*, 2002). Karya ini meneroka kemungkinan sebab untuk populariti menurun kesatuan sekerja di Malaysia berdasarkan kajian semula kesusasteraan yang berkaitan. Kajian ini menyimpulkan bahawa faktor struktur, kitaran dan institusi adalah penentu penting dalam menerangkan ketumpatan menurun kesatuan. Berdasarkan ini, penulis mencadangkan satu rangka kerja untuk panduan kajian masa depan mengenai topik ini.

Kata kunci: Kepadatan kesatuan; pekerja; penurunan; keahlian kesatuan; kesatuan sekerja

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1.0 INTRODUCTION

Trade unions provide protection at the most personal level for individual workers. In Malaysia, employers, employees, and trade unions are integral to or an essential element in the industrial relations system of the country. However, the decline in union density worldwide in recent times seems to signify a weakening of their influence (Maimunah Aminuddin, 2008). Density of trade union is defined as the percentage of union members of the total waged or salaried workforce. It expressed union membership as a proportion of the eligible workforce and can be used as an indicator of the degree to which workers are organized and unionized. Trade union density also measures the degree of penetration of either an individual trade union or the trade union movement in the workforce. Density is crucial since it determines the bargaining power of a trade union. This paper focuses on the reasons for the decline of trade union density in recent times with specific focus on Malaysia.

1.2 Problem Statement

The decline of trade union membership is a global trend and affects both industrialized and industrializing countries. Sharma, B (1996) mentioned, in 1947 there was a total of 195,113 union memberships recorded in 298 trade unions in various countries and since 1960s, the number of employee trade unions has grown steadily. However this growth suffered in the beginning of 1980s whereby unions around the globe faced a great challenge in securing union memberships. Similar trends are recorded elsewhere for instance in Europe (Bronfenbrenner K, 1998; Sano, Joelle or Williamson, John B., 2008), the United Kingdom (Sharma B, 1996; Peetz D. and Todd, P., 2001; Kuruvilla S, 2002). Malaysia is not left out. The Vice President of Malaysian Trade Union Congress, A. Balasubramaniam, remarked that only 9% of workers in Malaysia was unionized and the number of workers joining trade unions was on the decline despite rising workforce population (The Star, 2012). Malaysia's Industrial Relation Acts (1967) Section 5 stipulates that:

'No employer or trade union of employers, and no person acting on behalf of an employer or such trade union shall -
(a) impose any condition in a contract of employment seeking to restrain the right of a person who is a party to the contract to join a trade union, or to continue his membership in a trade union;' pg12

On the surface, the above clause seems to grant workers freedom to form and join trade unions. However, in reality the presence of various labor legislations hinders their movements. Visser and Jelle (2006) noted that Malaysia's industrial relations remain firmly within the 'control' rather than the 'commitment' framework. State interventions are pervasive and labor's ability to bargain collectively remains restricted. For example, the state sanctions only 'in-house' unions for workers in the electronics industry, denies them access to minimum wage legislation and places restrictions on collective bargaining. Consequently, workplace industrial relations under the EOI (Export Oriented Industrialization) phase was less committed to collective forms of representation and led to a gradual decline in trade union density (Kuruvilla S and CS Venkataratnam, 1996). Furthermore, many unions are too small (referred as 'peanut unions') (Maimunah Aminuddin, 2008) to be truly effective. For instance, 62% of employee unions have less than 500 members meaning that much effort may be spent more on rivalry among the unions and internal power struggles. These factors have weakened the bargaining power and reduced union's productivity. The low memberships also result unions to generate limited financial needed to support their activities. Weak bargaining power will have a direct impact on the union's success in accomplishing its goals during negotiations with employers. Given these consequences, the continuing decline in trade union density is a matter of concern. Without a strong union, workers are left without a significant voice at either national or local levels to negotiate and protect their interests and welfare. What causes this decline? What factors do employees consider when deciding whether or not to join unions? These questions will be answered in the following review of literatures.

■2.0 LITERATURE REVIEW

2.1 Trade Unionism in Malaysia

Malaysia's trade union movement is presently being governed by three major legislations i.e: Employment Act (1955); the Trade Unions Act (1959), and the Industrial Relations Act (1967), which collectively control and regulate the activities of trade unions in the country. In retrospect, trade unions in Malaysia began since before the Independence. Industrial relation practices (including employment practices) in Malaysia have changed and continuously evolved since its early days in the 1920s. Amendments to the employment and industrial-related legislations and Malaysia's industrialization policies after the Independence have had a marked effect upon the activities of the employers and trade unions (Rose *et al.*, 2001)

Trade union movement in Malaysia was revived in 1950s. This was the period when the British government was promoting a more compliant trade union movement and a number of major national labor unions were established. These included the Malayan Trades Union Council (now known as the Malaysian Trades Union Congress, MTUC) and the Labor Party of Malaya. However, the less hostile political environment towards trade unions gave rise to the formation of several new militant unions in the early 1960s. They upheld strike and took other industrial actions to support their claims.

However, the relative freedom enjoyed by unions did not last long as from the mid-1960s onwards, the Malaysian government had taken a drastic action by deregistering the radical unions and detaining the unions' officials and activists under the Internal Security Act (ISA). This was followed by several amendments made to the Industrial Relations Act and the Trade Unions Act in 1971. Consequently, the unions were no longer allowed to bargain on issues designated as '*managerial prerogatives*' [Industrial Relations Act, Section 13(3)] which includes matters regarding the rights of employers to recruit, promote, transfer, retrench, dismiss or reinstate the worker and on the allocation of work duties (Maimunah Aminuddin, 2009). With the aim of reducing the influence of political parties over trade unions, a new provision was included in the Trade Unions Act which enabled disqualification of officers or employees who are members of political parties from holding any positions in the unions. Despite these restrictive amendments, the government under the then Prime Minister Tun Abdul Razak was at the same also seen to adopt more *accommodative* or *corporatist policies* towards trade unions (Jomo, K.S. and P.Todd, 1994). For example, the government had declared May Day as public holidays and encouraged unions to venture into various economics activities. In 1973, the government also amended the Trade Unions Act to allow unions to invest their surplus fund in business activities. As a result of strong government support, the MTUC had successfully established the workers bank, known as Bank Buruh in 1975.

Further power to Registrar was given during the administration of Dato' Hussein Onn (1976 to 1981). He had warned trade unions not to use pressure to support their fight or to take any action which might deter investors or threaten the country security. The Registrar was given the power to search trade unions' offices and premises and inspect any accounts and documents regarding unions' investments. The Registrar also has the power to suspend any trade unions and direct the unions not to take any illegal proposed strike or lockout. The definition of strike was also expanded to include unauthorized reduction in work such as go-slow. Furthermore, unions in essential services were required to give three, instead of two week notice of their intention to strike and the definition vocabulary development (Blachowic *et al.*, 2006).

The restrictive policies towards labor movements continued even after the subsequent Prime Minister, Dr. Mahathir Mohammad, assumed office in mid - 1981. To ensure the success of his Look East Policy and as a response to the 1985-1986 recession, Dr. Mahathir introduced new amendments to the Trade Unions Act which facilitated the formation of in-house unions. The government argued that in-house unions were good alternatives to national unions as their leaders would be more loyal, cooperative and sensitive to the companies' needs (Maimunah Aminuddin, 2009). The policy has resulted growth of in-house unions and blamed for further fragmenting the unions and eroding their bargaining strength (Jomo, K.S. and P.Todd, 1994).

Table 1 shows statistics of labor force and trade unions in Malaysia from year 2000 to year 2009. Trade union density declined from 8.37% in year 2001 to 6.99 % in year 2005 and increased again on year 2006 to 7.18%. The density however decreased again from 7.05% in year 2007 to 6.94% in year 2009. Despite variations in the trade union memberships, growth rate and total employment, the average trade union density for the whole period was 7.5%. Membership growth took a considerable dip from 1.26% in year 2000 to only 0.16% in year 2009. Interestingly also, the number of trade unions has steadily increased from 563 unions in year 2000 to 680 unions in year 2009,

which may be used to support the presence of *peanut unions* (Maimunah Aminuddin, 2008) and their fragmented power. Possible reasons for the decline of trade union density will be explored in the following section.

Table 1 Statistics of labour force and trade unions in Malaysia (2000–2009)

Year	Labour force (‘000)	Employment (‘000)	Total trade unions	Total membership	Membership growth rate (%)	Union density (%)
2000	9 572	9 275	563	734 037	1.26	7.92
2001	9 724	9 379	592	785 441	7.00	8.37
2002	10 064	9 709	595	807 802	2.85	8.32
2003	10 426	10 047	609	789 163	-2.31	7.85
2004	10 846	10 464	611	783 108	-0.77	7.48
2005	11 291	10 893	621	761 160	-2.75	6.99
2006	11 545	11 159	631	801 585	5.31	7.18
2007	11 775	11 398	642	803 212	0.20	7.05
2008	11 968	11 577	659	805 565	0.29	6.96
2009	12 061	11 621	680	806 860	0.16	6.94

Sources: Department of Trade Union Affairs (2006, 2010); Government of Malaysia (2010).

2.2 Reasons for Its Decline

The decline of union density has received much research attention. One of the most notable contributions came from Ebbinghaus, B. and J. Visser (1999) who studied the historical development and long-term changes in trade unions movements in Western Europe since 1945. Their work remain as the most useful and original reference and has served as an indispensable tool to understand labor relations in Europe. According to Ebbinghaus, B. and J. Visser (1999), attribute the changes in trade union membership to three broad categories, that is, cyclical, structural and institutional factors. These categories will be described in Table 2 as below.

Table 2 Description of institutional, cyclical and structural

Categories	Description	Example
Institutional	<ul style="list-style-type: none"> -The most significant barrier to trade unionism is restriction of rules and regulations in Malaysia. -Stricter rules and regulations imposed on trade unions hampered the growth of trade unions in the Malaysia economy. -The legal restriction is further evident as workers in the public sector are not allowed to collaborate with those in the private sectors although they perform similar nature of their work. -Geography also plays a role whereby workers in the states of Sabah and Sarawak can only join a trade union in their respective states. In other words, they cannot join in a union whose members are working in any of the states of Peninsular Malaysia regardless if they work for the same company. These facts point the existence of high proliferation and fragmentation of trade unions (Maimunah Aminuddin, 2009); Nagiah Ramasamy, 2008). -The restriction continues with regard to strike (Maimunah Aminuddin, 2009). -A strike can only take place if two-thirds of the workers involved in a trade dispute with their employer agree to the action. -The few strikes which do occur are mostly illegal strikes, organized by workers who are not members of trade unions. -The repercussions for holding an illegal strike are serious which may result job dismissal, lost of right to union membership and de-registration of trade unions. -Given these, leaders of unions often do not dare to take their chances. 	<ul style="list-style-type: none"> -Malaysian laws have created multi-level and complicated procedures which proved to be effective in hindering strikes. -Strikes are considered legal only if they fulfill certain requirements. -Only union members have the right to strike which they must decide in a secret balloting process. -The results must be then submitted to the Department of Trade Unions which is interested to determine if the ballot has been properly administered and counted. -The union must then wait for another seven days after the submission before a decision is communicated about permission to strike. -In the interim, compulsory conciliation meetings will be called by the Department of Industrial Relations in order to look for potential solutions to the dispute. If no resolution is reached between the two parties, the Minister of Human Resources is permitted to refer the dispute to the Industrial Court for arbitration. -Once the dispute is referred to the Court, any strike on the matters is considered illegal.
Cyclical	<ul style="list-style-type: none"> -Refer to changes in the economy which influence the decisions of workers to join or not to join unions. -In the period of high inflation, workers are expected to join unions because they see the need to stand together to ensure their survival to face increasing standard of living. -Similarly, increased rate of employment will force workers to protect their job security against potential layoffs by their companies. -In Malaysia, Nagiah Ramasamy (2010) found that employer is a key determinant for trade union decline. Employers perceive trade unions as reducing their competitiveness. They also view trade union leaders and members unfavorably. -While some employers appear to engage in union busting activities, a majority of employers attempt to influence workers' values and perceptions. 	<ul style="list-style-type: none"> The influences of multinational corporations (MNCs) have restricted the growth and influence of trade unions, which are weakened collective bargaining and flooded the labor market with foreign workers.
Structural	<ul style="list-style-type: none"> -Shift from manufacturing to knowledge-based industries, higher participation of females, greater flexibility and empowerment given to employees, and individualistic work values are some examples considered as structural factors. 	<ul style="list-style-type: none"> -A statistics show that the Malaysian female participation rate is relatively low (45.7%) compared with neighboring countries.

Various researches have studied on the influence of cyclical and structural factors in explaining the union density decline. The following Table 3 is summarizes some of these studies. Collectively they highlight the influence of socio-economic variables in understanding the phenomenon.

Table 3 Decription of variables for cyclical and structural factors

References	Variables	Notes
Schnabel Claus, (2003); Wagner and Joachim, (2007a)	Level of skills	The increasing number of white-collar and highly-skilled workers has dampened labor movement. These groups tend to be more individualistic thus were said are more difficult and costly to be handled by unions.
Polachek and Solomon W., (2004); Bryson <i>et al.</i> , (2011); Bronfenbrenner, K. <i>et al.</i> , (1998); Tejvan Pettinger	Economy (Industry Structure)	Polachek and Solomon W., (2004) and Bryson <i>et al.</i> , (2011) argue that the decrease of union density is attributed to the shift from manufacturing to service-based industries, especially in advanced economies. Bronfenbrenner, K. <i>et al.</i> , (1998) observes that the manufacturing to service shift has led to the employment of a larger number of women, youth, and part-time, contract, and temporary workers who tend not to join labor unions. Tejvan Pettinger also recorded similar observation in the United Kingdom whereby the shift from heavy industry to new-typed of economies has contributed to the unpopularity of trade unions.
Claus Schnabel (2012)	Gender	The rising participation of women in the labor force may also contribute to the downward trend in union density. Claus Schnabel (2012) found that women tend to have weaker attachment to their job hence they see less benefits in joining unions.
Brady, D. (2007)	Education	Employees with higher education are not interested to join unions. Given their better education, these employees often have greater bargaining power as individuals and see less need to have collective voice. Brady further argues that the higher the level of education, the less likely the employee is interested to join unions.
Nagiah Ramasamy (2008) and Maimunah Aminuddin (2008)	Age	Argue that the new generation of workers have greater interest on work benefits and less keen to join the labor movement. These younger employees do not care much on job security and job-for-life concept. They tend to job hop and will be more likely to look elsewhere when there is job dissatisfaction.
Sano, Joelle / Williamson, John B. (2008)	Corporatism	Development in the way human capital is treated may also explain the reason for union declines. Corporatism is defined as the national recognition and participation of labor unions in policy-making and legislation in the national government. This approach together with other concepts like employee participation and involvement has significantly reduced the need for strikes.

3.0 CONCEPTUAL FRAMEWORK

Built upon Ebbinghaus, B. and J.Visser (1999) tri-factor model and further reviews of relevant literatures, the following framework in Figure 1.1 is developed. The framework argues that all three structural, cyclical and institutional factors with each variables may contribute to the decline of trade union density.

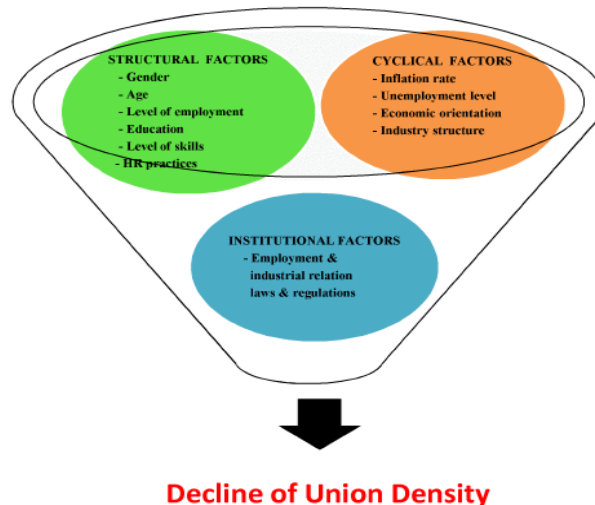


Figure 1.1 Conceptual framework (Adapted from Ebbinghaus and Visser, 1999)

■4.0 CONCLUSION

This article aims to explore the possible reasons for the declining popularity of trade unions based on a review of relevant literatures. The review has concluded that the decline may be attributed to the changes in the cyclical, structural and institutional factors taking place in the global workforce. On one hand, results of the literature should be taken positively as the union decline seems to signify for instance maturing economies, more knowledgeable employees with individual bargaining power, and a balanced gender representation in the workforce. It may also suggest that organizations increasingly recognize and respect their employees as key stakeholders to their survival. However, on the other hand, this downward trend should not be treated lightly. The literatures have shown how employers and nations have deliberately made it almost impossible for unions to function effectively under various rules and regulations. The legal restrictions are especially evident in Malaysia. The decline in the membership of trade unions, as explained earlier, results weak unions with limited resources. In turn, the ability and success of these unions are severely hindered. The unions may at worse left as simply worker associations rather than fighting for the benefits of their members. The conceptual framework provided in the article will be useful to provide an overview and guide future research on the topic. It is particularly fruitful to guide research in Malaysia whereby there is still much to be understood if the structural and cyclical factors, for instance, would have significant influence on the decline of union density in the country.

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