Globalisation and labour relations: 
The case of Asian ports

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ABSTRACT

This paper analyses contemporary changes in the port sector, with particular attention to labour issues. As a process expected to increase global economic integration, port reform is now a significant part of the neo-liberal agenda. In this sector, high capital outlays and rapid technological change, resulting from the globalisation of maritime trade, create pressures for greater private sector involvement. The scale of labour restructuring occurring as a consequence of these processes is particularly problematic in developing countries. Contrary to many accounts that suggest this can be a consensual process with little dislocation to the workforce, the paper argues that such an outcome is only likely under specific conditions. Elsewhere, the context of this transformation is dependent upon an array of factors, including the relationship of the state to capital and labour. To illustrate these tensions, the paper examines the case of Port Klang, Malaysia, which is often depicted as a model of consensual divestment. It suggests that even if it is accepted that this case is an appropriate approach to labour restructuring, the conditions occurring here are unlikely to apply elsewhere in the region.

Introduction

This paper analyses the processes of change affecting the port sector in the Asia-Pacific region, with particular attention to labour issues. Port reform is premised on the expected benefits of increased global economic integration. As such, ports form an increasingly significant part of the neo-liberal reform agenda and throughout the world there have been moves to alter their organisation and management. On the one hand, ports are affected by broader changes occurring in global maritime trade and changes in technology. On the other hand, each port reflects not only its own pre-existing conditions but is also subject to a number of other intermeshed factors: the country’s internal economic conditions; its relationship to the world economy; the nature of liberalisation occurring; and social, political and cultural relationships that might impact on the functioning of the port. Each of these factors conditions the specific context of the transformation of ports and the nature of industrial relations in these ports.

The argument begins by first considering the dimensions of globalisation and structural change as they apply to the port sector. The evolving consensus on the management of this change and the implications that this has for port structures is then examined. After considering a critique of the politics of adjustment, the paper moves on to examine the specific case study of Port Klang. In arguing against a consensual interpretation of labour restructuring in Malaysia, the paper suggests the need for a different approach to theorising reform and change in the port sector.

Globalisation: The state and maritime trade

Globalisation in its simplest sense refers to the increasing global flows of finance and trade leading to an increased interdependence between regions. This is a qualitatively unique historical juncture in terms of both the scale of capital accumulation and the trans-national institutional and class configurations driving the process (D. Nayyar 2001: 7-11). While all countries are affected by globalisation, the consequences for developing countries are particularly controversial. Globalisation is most clearly a spatial process whereby separate locations are integrated into a single international market (Turnbull, 1999: 10; Harvey 1990; Stratton 2000). Recent work has drawn attention to how spatial differences in the uneven development of capitalism affect industrial relations (Herod 2002).
There are at least two distinct, yet related, processes of globalisation driving the transformation of ports in the Asia-Pacific: the transformation of the state and the globalisation of maritime trade. The following sections analyse each of these, before examining the implications for organised labour. These processes are particularly significant in linking developing countries to the global market, since ‘more than 80 percent of trade (by weight) with origins or destinations in developing countries is waterborne’ (Turnbull, 1999: 10).

**Privatisation and globalisation of maritime trade**

Port restructuring is part of broader internal changes taking place towards deregulation of the economy and the attendant change in the responsibility of the state. As globalisation increases in magnitude the state has become internationalised and more obliging towards the expansion of capital on a global scale (Panitch 1998:12-13). The globalisation of maritime trade has also had a significant impact upon the transformation of the operation, management and organisation of ports in the Asia-Pacific region. The global liberalisation of trade and the increased emphasis on export competitiveness necessitates measures to improve productivity and reduce costs in their port sector (International Labour Organisation 1996; Turnbull 1999).

A significant factor in the transformation of ports has been changes in the technology associated with the transportation and distribution of cargo, particularly the widespread introduction of containerisation since the 1970s. This process had a dramatic effect on the composition of maritime trade from the 1990s onwards, as world port container traffic doubled between 1990-98 and has continued to grow exponentially ever since. The rapid growth in container traffic as the premier form of maritime trade is primarily due to the reduction in freight rates, which is in turn connected to the economies of scale that have occurred with the growth in the size of container vessels. However, since these economies of scale substantially disappear if the vessel’s capacity is under-utilised, the process has also been associated with relentless competition among major shipping lines (Turnbull 1999).

The most dramatic effects of containerisation have been reduced ship turn-round time, which has massively reduced labour costs (ILO, 1996). Not only has this transformed the efficiency of distribution and enabled goods to be handled more quickly, it has also meant an increase in intermodal transport as containers can be transferred from ship to rail, air or road with greater ease and efficiency. When combined with improved logistics and information technology, this has had an important effect on manufacturing. These developments have enabled a shift to ‘just-in-time’ methods, which have increased the flexibility and responsiveness of industry. Increasingly, then, countries seeking to develop export industries have been forced to transform their operations so that they conform to global standards of business and trading practices (ILO, 1996: 3).

Occurring concurrently with the reduction in freight cost has been an increased concentration in the ownership of shipping lines and stevedoring operations. The majority of global maritime trade is now controlled by an oligopoly of shipping lines and container operators who have consolidated their position through a series of mergers. For these operators, this has meant more power in negotiating concessions and facilities from individual ports. Consequently, ports are constantly competing with regional rivals to attract these container liners on the basis of higher productivity and lower costs.

Just as maritime trade has become increasingly concentrated in fewer corporations, so too has the proportion of trade become restricted to fewer cargo ports. Although there are more than 2800 international cargo ports, 80 percent of total seaborne trade is handled by just 40 of these ports (ITF 2004: 1). This increased concentration has meant that some ports have become global feeder hubs while others are regional hubs. On the one hand, each of these serves different kinds of markets. On the other hand, each is linked to the others in different kinds of ways. The intensity and efficiency of these links varies between regions and there is increasing regional competition between developing countries to capture transhipment traffic by evolving into a hub port. In this situation, port authorities have had to both invest in infrastructure to accommodate the new dimension of maritime trade (through measures such as channel digging, upgrading cranes, logistics and stacking systems) and reduce costs as much as possible (Turnbull, 1999).
**Port reform: The evolving consensus?**

Ports have historically taken a variety of different forms (Brooks 2004:168-183). Most developing countries have had state owned facilities and the port has operated either as a Service port or a Tool port. In a Service port not only does the port provide all the facilities, it also services the vessels and their cargo using labour employed by the port authority (Brooks 2004: 169). In contrast, in a tool port, commercial operators do the servicing (Brooks 2004: 170). However, the evolving consensus on the most appropriate management structures is the Landlord port model. In this model 'the port maintain ownership while the infrastructure is leased to private operating companies' (Brooks 2004: 170).

The World Bank and its regional affiliates (ADB, IAB etc) are the institutional driving force behind much of the restructuring of ports in the developing world. Up to 1997, reform has been instituted in 230 ports in developing or transitional countries as part of structural adjustment packages (ITF, 2004: 2). It is not inaccurate to suggest, therefore, that the World Bank's *Port Reform Toolkit* (hereafter the PRTK) is perhaps the most significant document in charting the changes that have occurred in the organisation and management of the port sector. This is self-consciously both a descriptive and prescriptive work, since it seeks to analyse the changes that have occurred in the sector as well as outline how ports can move towards a particular form of port operation and organisation. The normative assumption underlying the PRTK is that some form of privatisation is necessary in the port sector. Once this assumption is accepted, the rest of the PRTK reads as a manual for how to navigate past the various obstacles-legal, institutional, financial and labour—that may confront would-be reformers.

In this sense, the prescriptions for port reform are in keeping with a broader Bank position that stresses the changed role for the state should be primarily limited to enabling the operation of market forces, rather than having an interventionist role in accumulation, correcting market failure or in equity enhancing measures, its role is now to provide the legal and administrative conditions in which the market can flourish. With its emphasis on supply-side factors ('build it and they will come') delivered through the private sector, the PRTK is part of a continuum of thinking which has resonance with earlier statements such as the 1994 World Development Report *Infrastructure for Development*. This latter report argues for a model of development achievable only by the government increasing private sector participation, a process the Bank sees as centred on commercial management, competition, and stakeholder involvement.

**Labour relations**

Undoubtedly one of the most contentious and potentially problematic areas of port reform is labour restructuring. Indeed, since dockworkers wield such disproportionate power in effecting global trade, the long history of strike waves in many countries in response to technological change has meant that ports have long carried a reputation as a particularly difficult area of labour restructuring (Turnbull, 1999). The past decade has seen a rapid increase in strike action by dockworkers in many parts of the developed and developing world as a response to the rapid changes in the sector.

If ports are to conform to the standards increasingly expected all over the world in terms of technology, efficiency and cost, most will require substantial shedding of labour during restructuring. In ports worldwide this has often been as much as two thirds of the work force. Although there may be numerous reasons behind this restructuring, competitive pressures are the most likely impetus. Other reasons include a spatial shift in the location of many tasks that were previously performed inside the port. For example, the stuffing and unstuffing of containers has moved to cheaper, inland, dry container depots, leading to workforce reductions at the port and demarcation disputes.

A recent global survey by the ILO of the effects of restructuring on dockworkers has indicated that in general there have been dramatic changes in labour market conditions in the port sector (International Labour Organisation, 1996). Certainly, the technological change implied in containerisation may have benefits for labour, since increased predictability that comes with containerisation should lead to decreasing casualisation as the labour requirement can be precisely planned.
Furthermore, the increases in productivity expected from port restructuring should translate into increased wages and a reinvigorated sector. This should in the medium term increase employment opportunities, though usually nowhere near pre-reform levels. However, along with massive layoffs, the conditions demanded by the corporations who control the world’s ports and container lines often preclude the unionised culture of traditional dock labour. There are many cases around the world where this is achieved by directly employing a permanent labour force and by demanding that much of the new labour force is drawn from outside the traditional dock labour (World Bank 1995: 29). Thus, on the one hand, gains in productivity may lead to better conditions for workers in some ports, particularly in the developed world. On the other hand, elsewhere it is possible that the reduction in collective bargaining power may leave workers more vulnerable without a concomitant increase in working conditions.

The model proposed in the World Bank’s PRTK suggests that labour restructuring can be accomplished successfully by following a number of strategies. The first step is that the process should be inclusive; it is recommended that this be accomplished in a tripartite process involving government, labour unions and the private sector. The Bank recognises that there may be resistance to these moves but argues that unions must recognise that restructuring is in their member’s long term interests (World Bank, 2001a: 9).

Given the inevitable costs of restructuring, the PRTK suggests that a combination of transitional strategies need to be implemented, which mirror the approach taken to labour restructuring in other sectors (Kikeri 1997). A preferred strategy is to phase out the workforce by voluntary retirement. When this is not possible, or is insufficient, the workers may be employed casually or given reduced hours to ease the process. There may also be a need for a compensation package; generally developed countries are in a position to give longer and more generous packages than developing countries.

Various retraining and vocational education programmes are included in this process. On the one hand, those workers being retained need new skills for more specialised and/or multitasking operations that they will be required to perform after technological upgrade of port operations. On the other hand, those workers now redundant will need to retrain so that they can be absorbed into different sectors of the economy (World Bank 2001a: 17-22). Social funds and poverty alleviation programmes are now commonplace as a mechanism to ease the dislocations and structural unemployment resulting from adjustment (Graham 1994) and World Bank port restructuring finance sometimes includes these kinds of measures.

However, there is some doubt about who should pay for this transitional strategy. The PRTK argues that the financial cost of transition should be met by the government- although there is some suggestion that private sector operators, or even the customers such as the shipping lines, might pay for a proportion. However, these latter options are somewhat negated by later statements in the PRTK, which argue that labour restructuring should where possible take place prior to divestment (World Bank, 2001a: 16).

Adjustment in Asia-Pacific ports: Port Klang, Malaysia

Clearly, the process of social transformation in ports involves a number of complex and interrelated issues. To consider the specific manner in which these transformations occur, the analysis now considers Port Klang, Malaysia. By examining the political economy of Malaysia, it becomes apparent that change occurring in the port sector is a series of shifts negotiated between many different actors, who may lobby to modify or exclude certain aspects of the process while attempting to push forward those areas most advantageous to their interests. In this sense, adjustment is an intrinsically political act.

The Malaysian economy has grown rapidly in the past two decades, diversifying from its base of tin, rubber, petroleum and tropical timbers to a greater emphasis on manufacturing, including electronics and semi conductors (Gomez and Jomo 1999). While there have undoubtedly been gains in prosperity in the economic strategy pursued by Malaysia, this has been accompanied by increasingly authoritarian tendencies. Political control in Malaysia resides with Barisan Nasional (BN), a coalition of parties dominated by the United Malays’ National Organisation (UMNO) as well as parties that represent ethnic Chinese (MCA) and Indian (MIC) constituents.
For much of the post-Independence period, ethnic Chinese and Indian were dominant in the ranks of the domestic capitalist class. The development strategy of 1950s and 1960s was based on import substitution policies combined with an emphasis on rural development and economic diversification (Jomo and Todd, 1994: 128). Although this strategy had some limited success, it had also resulted in a growing disparity of income among different ethnic groups. These growing disparities were to have both political and economic consequences. Race riots in 1969 and the subsequent imposition of a period of Emergency rule (1969-1971) saw a change in direction. The New Economic Policy (NEP) was introduced in 1971 as an attempt to foster a more inclusive growth pattern, principally through the promotion of the interest of the bumiputras (sons of the soil) by increasing their participation in business either directly or through trust companies set up on their behalf. The NEP led to an increase in government involvement in all sectors of the economy, a greater export orientation and greater reliance on foreign capital.

The period since the introduction of the NEP has seen a growth in wages and living standards, particularly among the middle class (Gomez and Jomo, 1999: 29). Despite the generalised rise in standards of living, the pattern of Malaysian development has continued to promote inequalities. These include geographical differences between the prosperous western parts of Peninsula Malaysia and elsewhere and differences between rural and urban areas. In terms of class, the politics of patronage has meant that close business associates of the ruling political parties have disproportionately benefited.

Privatisation, instituted from 1981 onwards, represented a dramatic change to the previous economic strategy. This strategy has been largely successful, due in large part to infusion of sizeable quantities of foreign direct investment (FDI), particularly from East Asia. The areas that have undergone some form of privatisation in Malaysia now include major infrastructure provision, including ports, airports and highways. The Klang Valley is the centre of much of the transformation of the Malaysian economy. This includes not only Kuala Lumpur but also a large conurbation of planned towns and cities stretching to Port Klang.

In many ways, Port Klang is emblematic of Malaysia’s development experience and the corporate-statist complex that controls this process. The Port Klang Authority (PKA) was the first port authority in Malaysia to corporatise and privatise facilities and among the first in the world. The PKA now supervises three major operators- Northport, Westport and South Port- with the PKA acting as a supervisory body following the landlord port operation scheme. Port Klang ranks 12th (for 2002) among the world’s top ports. As the National Load centre for Malaysia, Port Klang is the most important of the country’s seven major federal ports. The port has been developed to compete with the Port of Singapore as a major hub for transhipment. Its operations include container terminals, general, dry bulk, liquid bulk and passenger handling. Situated next to a Free Commercial Zone (FCZ), which covers both Westport and Northport, the port supports a highly diversified adjoining industrial sector.

While the port was originally mainly used as a cargo depot for rubber based on its connections to rail network it has subsequently developed rapidly in conjunction with the rest of the Klang Valley as the national transportation network expanded (Thong, 1996: 335-372). The impetus for much of this development was the containerisation revolution from the 1970s onwards and the initial loss of trade to Singapore that this entailed. The Malaysian response was to attempt to develop Port Klang as a rival container port to Singapore, leading to the corporatisation of the port in the mid-1980s and the increased infrastructural provision from the 1990s onwards (Dick and Rimmer, 2003: 99-100). Rapid growth over the past few years has been assisted by its strategic position at the edge of the Malacca straits, the busiest maritime trade zone in the world. This means that it is a perfect trans-shipment point for the huge volume of traffic that comes through on the Asia-Europe route.

**Labour relations**

The growth of the Malaysian economy has been accompanied by a growing centralisation of political power and intolerance towards dissent. These measures include: repression of civil society; restrictions on media; attacks on the independence of the judiciary; and, consistent modification of the Constitution (Gomez and Jomo, 1999: 2-5). Often justified on the basis of ethnic grounds, such repression has become particularly widespread since the ascension to power of Mahathir Mohamad in 1981.
Again, the Malaysian industrial relations system is derived from a particular configuration between labour, capital and the state. The system privileges the requirements of capital, which has made it an attractive destination for Foreign Direct Investment. The industrial relations system is an adjunct to this overall economic strategy: it is highly skewed towards management prerogatives, is intolerant of worker dissent and provides little space for workplace bargaining (Suhana, 2002). Over time, mechanisms have become institutionalised to represent the interests of workers while at the same time discouraging the formation of broad based coalitions.

The system of industrial relations in Malaysia has a legacy stretching back to colonial period, although there has been changes in its functioning. Tun Abdul Razak developed a tripartite approach to Industrial Relations as part of the objectives of the New Economic Policy. This was accompanied by increasingly repressive labour laws, which were strengthened in 1971, 1976 and 1980 (Jomo and Todd, 1994: 130). Successive governments during this period sought to reduce the organisational capacities and effectiveness of the union movement. By the 1980 Amendment, the government had set in place a system that included the following discretionary powers for the Registrar of Trade Unions: the right to decide whether strikes were legal; the capacity to suspend trade unions for up to six months; the right to remove any member from a union’s executive (Parasuraman, 2004:11).

The impetus for the 1980 Amendment was the Malaysian Airline System (MAS) strike in 1978-79, which resulted in deregistration of the union and the imprisonment of activists under the Internal Security Act. The International Transport Workers Federation (ITF) attempted to intervene in the dispute by supporting the AEU, to which the MAS workers were affiliated. In solidarity, workers at Port Klang threatened to take strike action but were silenced in no uncertain terms when the government sent several truckloads of troops to the port (Jomo and Todd, 1994:142-143, 145).

The 1980 Amendment provided the framework for a more repressive industrial relations climate during the tenure of Mahathir Mohamad (1981-2003), as the right to strike, organise and collectively bargain became more closely regulated. Instead, after the ‘Look East Policy’, there was growing encouragement of ‘in house unions’, which provided an institutional mechanism for the representation of labour without dissent (Todd, Lansbury and Davis, 2004: 3). This was accompanied by increasing restrictions on trade union activities in the name of creating a more market friendly environment (Jomo. and Todd, 1994). While in recent years there has been significant emphasis given to greater skills development, the state has resisted attempts by unions to organise nationally and the labour movement remains fragmented (Kuruvilla, 1996: 645-646).

The labour restructuring programme at Port Klang is often cited as a model of the way that consensual disinvestment can be achieved in many other sectors throughout the developing world. For example, the World Bank singles out Port Klang in many of its writings on privatisation, with an evaluation in 1992 arguing that here divestment was an ‘unqualified success’ (Quoted in Haarmeyer and Yorke, 1993: 6). Much is made in the literature of how the government held negotiations with relevant unions prior to divestment in 1984. Following these negotiations, workers were given assurances of employment for five years. Further, employees were given the option of either taking early retirement, join the new company, or continuing to work for the PKA. Wages and productivity both subsequently increased, the latter assisted by retraining (Kikeri, 1997: 12).

However, the industrial climate that prevailed at this time, and continues to prevail, is very rarely discussed. The Klang Containers Terminal Staff Union (KCTSU) was at the time of divestment affiliated with the country’s peak union body, the Malaysian Trades Union Congress (MTUC), which had been under constant attack during the 1970s and 1980s. The KCTSU resisted attempts to register itself as an in-house union of the National Union of Commercial Workers (NUCW), since the latter group was not an affiliate of the MTUC (Jomo and Todd, 1994). Far from proceeding from a position of strength, then, organised labour at Port Klang was under pressure to conform to management demands or face incorporation into a weak and ineffectual organisation.

In summary, then, the model of labour restructuring in the Malaysian port sector rests on an assumption that the suppression of basic worker rights will be compensated for by increasing
wages and living standards. Just as in the case of the earlier East Asian examples, many supporters of neo-liberalism may see the growth of Malaysia as vindication. A counter argument might be that the process has been uneven and has been achieved by suppressing workers rights and allowing conditions that are not allowable under most International Conventions. Certainly, even brushing aside the obvious concerns about Malaysia's industrial relations system, it is questionable whether the process can be replicated elsewhere, since it has been fuelled by an infl ow of foreign direct investment unlikely to be equalled in many other economies. Certainly, in the case of Port Klang, it success as a hub for transhipment has undoubtedly been premised on locational factors that cannot be replicated in more remote parts of the Asia-Pacific. These factors suggest that the current model of labour restructuring in the port sector is far from unproblematic.

Bibliography


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