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**Getting to know  
Malaysian Knitting Manufacturer's  
Association**

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By Kenneth Joseph



**T**he knitting industrial subsector tends to conjure images of small, sleepy towns, with small sole proprietors judiciously filling up festive orders for their customers. In truth however, the knitting industry is big as it is diverse. Once a mainstay of the Malaysian economy a few decades ago, the subsector still contributes an impressive 3% to the national GDP.

To put this into perspective, this makes the local knitting industry worth more than RM4 billion per annum.

Malaysian Knitting Manufacturers Association (MKMA) president Tang Chong Chin told MALAYSIA SME® that, "there are a few big players in the Malaysian knitting manufacturing sector, but for the most part, the overwhelming majority of operators in Malaysia are SME companies.

"These include both textile manufacturers and apparel manufacturers. Under the umbrella of textile manufacturers are the spinning industries, fibre industries, yarn and fabric production, weaving, and knitting and tying industries.

"The apparel industry on the other hand is more straightforward as it mainly consists of ready-made clothes manufacturers. This can range

from men's apparel, ladies' apparel and children's apparel as well. In the Malaysian context, the breakdown is roughly 70% for apparel manufacturers and 30% for textile manufacturers.

"At current, the Malaysian knitting industry serves both the local market and the foreign market. Total share of exports is now mainly focused within the apparel industry, and exports have been growing steadily with the recent decline in the ringgit."

Nonetheless, Tang said that the falling ringgit was a concern for local knitting manufacturers. "In a production-intensive industry such as ours, labour supply is one of the driving forces of the industry. Our concern has to do with the poor management of the labour force."

#### Foreign or local?

Tang said that with the industry's heavy reliance on labour, the recent moves by the government to increase minimum wage to RM1,000 for Peninsular Malaysia and RM920 for Sabah and Sarawak has hit many industries hard, including the knitting industries.

"The last round of minimum wage increments was not more than two years ago, when the minimum wage rate was increased to RM900. This

hit industry players hard because typically, a two year relief period is given before any further increments in the minimum wage rate is increased.

Tang said that this was the practice in many other countries, as the grace period prior to the wage increase gave businesses time to acclimatise and shore up other parts of their businesses.

However, because this was not done during the announcement of the National Budget 2016 recently, Tang said that this would add a further strain on his member businesses. "Businesses are now having to deal with the GST, the decline in value of the ringgit, as well as the wage increase," he said.

Tang said that the minimum wage increase was not targeted enough by citing statistics from the Ministry of Human Resources (MOHR). "It is estimated that the increase from the previous rate of RM900 to RM1,000 is set to put a strain of up to RM4 billion on Malaysian businesses in the year to come.

"This is already a huge strain on local businesses, but what is more interesting is the breakdown of individuals who will benefit from this increase in wages. MOHR estimates that up to 3 million employees are set to benefit from the increase in minimum wages.

"But, out of that 3 million, it estimates that up to 2.2 million of these employees will be foreign nationals working in Malaysia. So, that means that almost 75% of the individuals benefitting from this wage increase will be foreigners instead of Malaysians," he said.

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Tang said the rationale given by the government is that these foreign workers are taking away the jobs of Malaysians which will result in increasing unemployment in the country. As a result, businesses should rely less on foreign workers and should hire more locals instead.

For Tang, the government's response to discourage recruitment of foreign workers is "flawed".

"Malaysia's current population stands at around 30.2 million people at the moment and out of this 30.2 million, about 12 million of the population are work ready. The unemployment rate in Malaysia is about 3% to 4% from year to year, which is very good by any standard.

"This 3% to 4% of unemployed Malaysians is about approximately 500,000 people. On the other hand, there are about 2 million legal foreign workers in Malaysia and another 3 million illegal workers. Naturally, all these legal foreign workers are employed, which means that there is an economic demand for these 2 million employees.

"So, even if these 2 million foreign workers were sent back and replaced by local workers, the latter would only account for roughly half a million jobs.

This means that there will be a shortfall of 1.5 million foreign workers that Malaysian industry needs to prosper and grow," he said.

#### Include foreign workers to prosper

Tang said that one suggestion that can be put forward to the government to fix the issue of foreign labour is to make it easier for genuine and law-abiding manufacturers to hire legal foreign workers.



Front row from left: Tan Nook, Kung Beng Lee, VP Lau Mong Ying, President Tang Chong Chin, Seow King Chong and VP Tan Kuan Chee

#### For the love of Malaysians

Tang added, "So, what this essentially means is that the increase in minimum wage policy will benefit foreign workers instead of the Malaysian workers that it supposed to benefit. Only about 800,000 locals will benefit compared to almost 2.2 million foreigners.

"This shows that while the minimum wage policy was instituted with the best of intentions, it will not yield the intended results. The government has said that the minimum wage increase was meant to increase disposable income among local Malaysians.

"It seems unlikely that this will happen, given the breakdown of who will be benefitting from this additional income. While some Malaysians will benefit from this, the large majority of foreign workers that benefit from this are not likely to increase domestic consumption."

Malaysia has long been a hotspot for low-skilled foreign labour. Typically, much of their income is remitted back home to their countries of origin, thus feeding a multitude of foreign developing economies. They are not likely to spend any disposable income locally - something that local Malaysian employees do by default.

"So, this means that more than RM2 billion of income from Malaysian businesses will be leaving the country. This is clearly not an ideal situation for the Malaysian economy at the moment given the economic difficulties faced by both large and small businesses alike.

The government has said that it is against the recruitment of foreign workers in Malaysia and wishes to reduce Malaysia's overall reliance on foreign workers. As such, businesses are asked to reduce the recruitment of foreign workers and many policies are put in place by the government to hinder businesses from hiring foreign workers.

"At the moment, many SMEs are forced to hire illegal foreign workers as they are simply unable to hire any through legal channels.

"Many SMEs are unable to afford to hire legal foreign workers. The levies and fees that are imposed by the government in order to hire these foreign workers is simply too high, so these SMEs have no choice, but to hire illegal foreign workers.

"Additionally, the government has imposed many regulations that make it almost impossible for SMEs to hire foreign workers and this includes regulations on foreign worker ratio, minimum turnover, and also various specifications on foreign workers once they are hired.

"So, in the end, SMEs resort to hiring illegal foreign workers which results in the increase in the numbers of illegal foreign workers in the country. The need is there for these workers, so SMEs have no choice but to resort to the options that are made available to them.

#### Sewing on, come what may

It isn't easy, but somebody has to do it. In this regard, Tang and MKMA are committed to furthering the cause of businesses in the Malaysian knitting manufacturing subsector.

The industry may not enjoy the economic influence of decades past, but with some innovative thinking, creative solutions to old problems could well be on the horizon.

Not content to rest on their laurels, MKMA have been busy organising training sessions as well as visits to trade exhibitions. "It helps our members acquire exposure for their business, and they are also able to build international networks," Tang enthused.

It may be an old industry, but do not count these businesses out just yet.



# Getting to know MKMA

By Kenneth Joseph

**What are some of the key issues affecting the knitting industry at the moment?**

The main issue affecting the industry at the moment is the increment in minimum wage by the Malaysian government in the Budget 2016. This has affected all players in the industry and it will other upstream and downstream production lines in the knitting industry. So, it is hoped that there can be a revision by the government on this policy. By classifying various workers according to various skill classes - similar to what is currently being done by the Human Resources

problems, develop policies and facilitate projects.

For the betterment of the industry, MKMA has developed extensive networks both domestically and internationally to create trade opportunities and increase the competitiveness of the industry. We are the only textile association that publishes bilingual weekly news and quarterly newsletters.

Incorporated in 1975, MKMA has managed to grow and prosper for 40 years regardless of challenging headwinds. We shall move forward for a momentous journey ahead towards a more profitability and productive goal.

become an Associate Member;

- **Affiliate Members** - Any subsidiary or sister company of an ordinary member may be admitted to the Association as an Affiliate Member;
- **International Members** - Any company registered outside Malaysia and Singapore may be admitted to the Association as an International Member

**What is your message to industry players?**

I urge all industry players to join MKMA in order to enjoy the privileges and benefits mentioned above. The united front would be able to make us as a strong negotiating



**MALAYSIAN KNITTING MANUFACTURERS ASSOCIATION**

**About MKMA**

The Malaysian Knitting Manufacturers Association (MKMA) is a national textile trade association established in the year 1975. The primary objective is to encourage, promote and protect the interests of the knitters and related textile manufacturers. MKMA membership is drawn from all sectors of the textile and apparel industry covering the spinning, knitting, printing, dyeing & finishing, garment manufacturing and related suppliers including accessories, dyestuffs and machinery operating in eight states of the country. Membership also extends to associate members internationally.

**Mission**

The association's missions are:

- To increase global competitiveness of the industry
- To upgrade the quality of textile products
- To explore and create market opportunities for members
- To deal with problems on an industry-wide basis

**Activities and services**

- Dissemination of news, sourcings and information through emails and circulars
- Publication of bi-monthly newsletters to keep members well informed of happenings both locally and globally
- To assist members to participate in foreign trade fairs to establish business contacts and increase market access
- Co-organiser of Malaysia Garment and Textile Exhibition (GateMa)
- Organising trade mission tours to visit overseas trade fairs, textile factories, and other trade associations
- Conduct training courses, seminars, and workshops to upgrade the skills, knowledge and technology of members
- Promote textile education by working closely with textile course providers including high schools, polytechnics, and universities
- Publish bi-annually membership directory which is an important reference to sourcing agents
- To hold meetings and dialogues with relevant governmental bodies on issues regarding textile trade and to solve common problems faced by members

Development Fund (HRDF) - this will ensure that Malaysian workers receive fairer compensation as compared to foreign workers in the industry at the moment.-

**Who are the current and past presidents in your association?**

- Chi Kwei Yung (late) (1975-1987)
- Hooi Hong Wing (1987-1989)
- Loh Wu How (1989-1993)
- Tan Soo Seng (1993-1997)
- Kang Chin Lon (1997-2001)
- Seow Hon Cheong (2001-2005)
- Tan Wah Ching (2005-2009)
- Cheong Kwok Wah (2009-2010)
- Kung Beng Lee (2011-2015)
- Tang Chong Chin (2015-present)

**What are the benefits of joining MKMA?**

MKMA has been playing a vital role in the Malaysian textile and apparel industry. We work closely with government ministries and agencies, trade bodies and other institutions to resolve

**What are the requirements for joining MKMA?**

MKMA membership comprises of companies nationwide covering the entire spectrum of the industry. Among the active textile trade associations in the country, we have the largest membership in terms of numbers of companies. Our membership consists of the spinners, knitters, wet processing sectors, garment producers, silk screen sector, embroidery, printing and all related suppliers like machinery & dyestuff suppliers and textile testing or certification bodies.

**Types of Membership**

- **Ordinary Members** - Any person, firm or company in Malaysia engaged in the business related to the knitting industry shall be eligible to become an Ordinary Member;
- **Associate Members** - On recommendation by an ordinary member and approved by the committee, any person, firm or company shall be eligible to

block, by having our collective voices heard by the government, related agencies and their counterparts.

I encourage all members to be supportive and actively partake in all our endeavours. Be responsive to surveys and questionnaires. Make positive proposals and forward your issues to the association for collective submission to the government. Team up and work closely with each other to share our best practices and experiences.

MALAYSIA SME's Engage is a monthly pull-out aimed at giving business councils, chambers of commerce and trade associations a platform to Engage with SMEs.

If your association wishes to be featured, please contact the editor Oliver Christopher Gomez at: [oliver@malaysiasme.com.my](mailto:oliver@malaysiasme.com.my)