

TRADE UNIONS AND CORPORATISM IN SOUTH AFRICA

Johann Maree

Introduction

There is a remarkably strong corporatist current flowing in South Africa. The major actors - labour, capital and the state - are so caught up in it that they are hardly aware of the fact that they have become part of the current. As a result there is still a debate going on in labour and left circles about the merits and demerits of entering into social accords which are usually corporatist agreements (See Callinicos, 1992; and Vally, 1992).¹

The starting point of this paper is different. Given that social accords are being entered into at various levels in the South African economy, what lessons can be learned, especially by the labour movement, of running an economy by means of social accords. The reason why this paper focuses on corporatism rather than social accords is because an extensive and insightful international literature has developed on corporatism that draws on the experiences of many countries over a long period of time. It is my belief that there is much that can be learned from these experiences and this paper is an effort to draw some of the salient lessons for the trade union movement in South Africa.

Before commencing with international experiences of corporatism the paper deals with three issues. First, it discusses the concept 'corporatism' and its contemporary meaning in social theory. The distinction between corporatism and social contract (or social accord, or whatever name is used) is also presented. Second, the paper points to the need for corporatism in South Africa. The arguments are presented on economic grounds, although there are also pressing social and political reasons for corporatist arrangements in South Africa. For instance, social accords appear to be essential to try to put an end to the high levels of violence tearing apart an already fragmented society. Third, the different types of corporatist arrangements which the trade union movement is participating in are presented.

The actual experiences of corporatism in advanced industrialised countries are examined next. This forms the main body of the paper. The implications of these experiences for South Africa are subsequently drawn out. Finally, the pitfalls and limitations of corporatism in South Africa are explored with special attention being paid to how the findings link with the labour and left debate on social contracts in South Africa.

What is Corporatism?

Corporatism is a concept and practice with a long and mixed history. In the late 19th century it formed part of Catholic social thought. The papal encyclical of 1891, *Rerum Novarum*, advocated a form of bargained corporatism between employers and workers which would 'draw the two classes more closely together' (Grant, 1989:5). In the 20th century many countries have adopted one or other form of corporatism. The most famous (or infamous) case before World War II was when Italian Fascism publicly embraced corporatism. The Fascist Party adopted a form of corporatism in which the state was completely dominant. The state was vested with monopoly power and authority while employers' and workers' federations were made impotent against it or the party (Newman, 1981:22-26).

After WWII both the theorisation and practice of corporatism underwent major changes. The concept 'corporatism' was stripped of its pejorative tone and implication (Schmitter, 1979:8). Although there still are a number of approaches to corporatism, one that is prominent in the literature and potentially useful in the South African context was formulated by Schmitter and extended by Cawson (1986). In essence they both perceive contemporary corporatism as the process of negotiation and implementation of agreements between sectors of the state and powerful monopolistic interest organisations whose co-operation is indispensable if desired policies are to be implemented.

Schmitter has provided a rather ideal-type definition of corporatism which requires the monopolistic interest organisations to conform to a number of criteria. They have to be 'limited in number of component units, compulsory in membership, noncompetitive between compartmentalized sectors, hierarchically ordered in internal structure, recognized or certified in some de jure or de facto way by the state, successful in exercising a representational monopoly within functionally determined categories and subject to formal or informal controls on leadership selection and interest articulation...' (Schmitter, 1979:14).

Cawson on the other hand states that a crucial feature of corporatism is that public policy is the outcome of a bargaining process between state departments and organised interests whose power is such that their co-operation is indispensable if the agreed upon policies are to be implemented (Cawson, 1986:35). This means that

The state is not sufficiently powerful for officials to dictate policies and impose them unilaterally, but at the same time it is sufficiently powerful to resist capture by those interests (Cawson, 1986:35).

Goldthorpe (1984:12) has come to a similar conclusion. He suggests that 'corporatist tendencies can be understood as a response in which governments

attempt to cope with intensifying problems of inflation and stagflation by bringing the major economic actors, and most crucially organized labour, into processes of policy formation and implementation. In other words, institutional and ultimately political substitutes are sought for market mechanisms...'

Thus the state is central to the concept of corporatism. Processes which take place wholly within civil society are not included in the concept. Collective bargaining between employers and unions is not corporatism unless there is a significant state presence (Cawson, 1986:36).

The presence of the state is a defining characteristic of corporatism. It may be possible to conceive of corporatism without labour, or even without capital, as the Social Contract phase of British economic management in the 1970s, but it is not possible to conceive of corporatism without the state (Cawson, 1986:38).

Although the state is integral to corporatism there are different ways in which it can enter into relationships with powerful organisations in civil society. Schmitter has drawn a very important distinction between two fundamentally different forms of relationships: one he calls societal corporatism, the other state corporatism.

In societal corporatism the monopolistic interest organisations independently conquer recognition by the state which grants recognition as a matter of political necessity. A monopoly is achieved by co-optation or competitive elimination of surviving associations. In 1979 he listed countries falling into the societal corporatism system as Sweden, Switzerland, the Netherlands, Norway, Denmark, as well as emergent properties in Great Britain and West Germany.

In state corporatism recognition by the state is a necessary condition for association formation and continuous operation of the organisations. The organisations are thus dependent on the state for their existence. The representational monopoly of the interest organisation is achieved by state-imposed eradication of parallel associations (Schmitter, 1979:20-21). Countries classified under state corporatism at some time in their history includes Portugal, Spain, Brazil, Chile, as well as the defunct Fascist Italy (Schmitter, 1979:21-22).

It is important to note that this paper deals with societal corporatism, not state corporatism which is regarded as dangerous as it could strip trade unions of their autonomy and lead to their subjugation by the state.

Corporatism can take place at many levels ranging from the macro- to the micro-levels. At the macro-level it is the peak organisations of organised capital and labour that enter into negotiated agreements with the state. At the meso-level political exchange takes place between state departments and specialised interest associations. This includes state relationships with employers' associations and trade unions representing industrial sectors. On the micro-level the state enters

into a bargained arrangement with an individual company that plays a dominant role in its industrial sector (Cawson, 1986:83-125).

A distinction has been drawn between corporatism and tripartism by Grant. He regards tripartism as a weak form of corporatism 'in which the state, capital and labour engage in macro-level discussions on economic policy which, however, only result in general guidelines for the conduct of policy; impose no firm responsibilities on the partners to implement any policies to which they have agreed; and are not linked, except in the most tenuous way, to discussions at the meso or micro levels' (Grant, 1985:9). By contrast corporatism for Grant requires that 'the policy agreements are implemented through the collaboration of the interest organisations and their willingness and ability to secure the compliance of their members'. Furthermore it is not a top down arrangement, but builds on arrangements that have evolved between capital and labour at the base (Grant, 1985:3-4,9).

Distinction between corporatism and social contract

For the purposes of this paper it is important to indicate how I use the concepts corporatism and social contract. Unlike Vally (1992:3) who treats them as synonymous, this paper does differentiate between them.² The distinction drawn between corporatism on the one hand and social contract (sometimes given different names such as social accord, social compact or concerted action) is as follows. Corporatism is a concept in social theory referring to a type of relationship between the state and organised associations in civil society. It distinguishes itself from other theories such as liberal pluralism and syndicalism. Corporatism can take many forms and involve a varying number of associations, but it always involves the state as one of the parties in the relationship. A social contract, as used in this paper, refers to a negotiated agreement between major actors in the economy. It usually entails a package of measures or issues which the parties agree to in order to achieve the goals of the contract. In addition there may be a trade-off or political exchange between the actors based on mutual compromises. The number of parties to a social contract or accord can vary from two upwards, but the state is not necessarily one of the parties to the agreement. Both corporatism and a social contract entail the voluntary implementation of the agreement by parties to the agreement. There is thus an overlap between corporatism and social contracts as used in this paper, but not all social contracts are corporatist and not all corporatist agreements are social contracts.

Disconcerting Features of South African Economy

The economic features of South Africa that point to the need for corporatist

relationships between the state and powerful monopolistic organisations are the stagnating economy, the high level of unemployment, and the country's poor productivity performance.

Stagnant South African economy with inflation

There are alarming trends displayed by the South African economy in the 1980s and 1990s to date which, if they continue for long, will create an economic and political crisis of such major dimensions that the country could become ungovernable regardless of who is in power.

The first disturbing feature of the South African economy is the slowdown of the economy to a virtual standstill in the 1980s and actual contraction in the 1990s. This is starkly reflected in the growth rate of the Gross Domestic Product over the past four decades. From a peak of 5.8% per annum in the 1960s the growth rate slumped to a mere 0.7% per annum in the 1980s as the table below demonstrates. In the 1990s it became negative with a rate of almost -0.5% in 1990 and 1991 and an alarming -2.1% in 1992 (*Cape Times*, 12.02.93).

Real GDP Growth Rates in South Africa over Ten Year Periods

Percentage per Annum

Period	1950-1960	1960-70	1970-80	1980-90
Growth	4.1	5.8	3.9	0.7

Sources: T Moll, 1990; for periods from 1950 to 1960;
SA Reserve Bank Quarterly Reports, March 1988 and March 1991;
for period 1980-1990.

At the same time inflation remained in double figures from 1975 up to 1992 thereby severely eroding the real earnings of people with fairly fixed money incomes such as pensioners. For instance, on average a consumer item costing only 14 cents in 1975 would be priced R1.15 in 1991 (Central Statistical Service, 1992:8.20).

Combined with this has been a high population growth rate with the result that there has been a steady decline in the real per capita Gross Domestic Product during the 1980s. Between 1981 and 1987 the average annual growth rate was only 0.7% whereas South Africa's population growth was 2.5% per annum thereby giving rise to an annual decline of 1.8% in the per capita income in South Africa over this period (NPI, 1989:12-13). This contrasts starkly with, for instance, the Federal Republic of Germany's annual increase in per capita income of 2.1% over the same period.

The stagnant economy is also giving rise to a loss of jobs in the economy. This has especially been the case since the start of the recession in the second half of 1989. According to figures released by Central Statistical Services there has been a reduction of employment of more than 250 000 in the formal sectors of the economy outside agriculture over approximately three years commencing September 1989. The three hardest hit sectors were mining and quarrying, with a drop in employment of 100 000; manufacturing, with a loss of 67 000 employees; and construction with a decline of 42 000 jobs (*Cape Times*, 02.11.92). Although some sectors increased their formal employment over the period, the net effect of such drastic reduction in employment is to fuel the already high levels of unemployment in the country.

High and rising levels of unemployment

Although estimates of unemployment vary immensely, the President's Council has estimated that in 1980 the unemployment rate was 30% (Archer et al, 1990:164-8). In some depressed areas, including Port Elizabeth, it has been found to be in the order of 50% (Wilson and Ramphela, 1989:88-93).

But the situation is steadily worsening as the stagnating economy is not creating new jobs at anywhere near the rate at which new jobseekers are entering the labour market. During the 1980s the annual average increase in employment declined to only 1.1% whereas the annual average growth rate of the economically active population amounted to 2.5% (South African Reserve Bank, 1990:20). It has worsened further to a situation where, according to the May 1991 *Economic Survey* of Sanlam, only one out of ten people entering the work force was assured of a job in the formal sector (*Sunday Times Business Times*, 19.05.91:1). Added to the very high existing level of unemployment such a situation is extremely dangerous for the country at a time when there is political fluidity combined with high expectations amongst the deprived.

Uncompetitive productivity levels

There is increased awareness across the world that countries wishing to have viable and self-sustaining economies need to be internationally competitive. Amongst other things this requires a constant improvement in the quality of products and services provided as well as in the methods of producing them. An important measure of improvement is the increase in productivity of the factors of production over time.

A measure of productivity trends in South Africa has been done by the National Productivity Institute. It is an analysis of the multifactor productivity of the private non-agricultural sector of the economy which consists of the total economy excluding agriculture, forestry and fishing and general government. They found that the

multifactor productivity of this large sector of the South African economy has declined gradually from 1970 to 1987 at an average annual rate of 0.1% per annum.

A major matter of concern for the manufacturing sector is the fact that the increase in wage earnings between 1975 and 1987 has far outstripped the rise in labour productivity (NPI, 1989:18-19). The disconcerting consequence is that unit labour cost in manufacturing in South Africa has risen much faster than that of the major industrial countries in the world.

The relevance of the severe economic plight outlined above to corporatism is that they point to the urgent necessity for all the major economic actors to reach agreement on a strategy to tackle the problems. To do so it is necessary for them to enter into a corporatist agreement to ensure that there is agreement and co-operation between the major economic actors on the urgency of the tasks and how to try and resolve them. In addition it means that they all undertake to implement the agreement and obtain the compliance of their members.

Without corporatism, without a social accord that involves all the major economic actors, the distinct danger exists that one or other actor that has the power to do so will be able to undermine and even wreck the strategies of other actors. Given the heritage of ideological and political cleavages and conflicts of our society such a possible outcome is a distinct possibility. The only feasible way of preventing it is for corporatist agreements to be reached between all the relevant and powerful actors.

Corporatist Participation by the Trade Union Movement

Although it was only in 1990 that the black trade union movement entered into fully-fledged corporatist agreements with the state and capital, the extent of such agreements has grown remarkably in the short span of time since then. It has negotiated agreements as well as the contents of labour relations legislation with the Department of Manpower and employers' associations; it has joined statutory labour bodies that have tripartite representation; it successfully struggled for the creation of a National Economic Forum with the leading agents of state and capital in order to address vital economic problems facing the country; and it is participating in tripartite strategic planning at industry level in various industries.

Negotiating agreements and legislation with the state and capital

The breakthrough came with the *Laboria Minute* signed by the Congress of South African Trade Unions (COSATU), the National Council of Trade Unions (NACTU), the South African Consultative Committee on Labour Affairs (SACCOLA), the National Manpower Commission (NMC) and the Department of Manpower in September 1990 in Pretoria. It contained an agreement between

the participating parties that no future legislation on the Labour Relations Act would be put before parliament until all the major actors had been consulted. This opened the way for bilateral negotiations between COSATU/NACTU and SACCOLA on amendments to the reactionary 1988 Labour Relations Act. The outcome was presented to parliament and led to the 1991 Labour Relations Amendment Act, the first Act in parliament that was the product of trilateral negotiations between the state, capital and black trade unions (Schreiner, 1991:38; CALS, 1991a:84 and 1991b:77; Liebenberg, 1991:2-3).

A similar and even more extensive process was put in motion in November 1992 when an accord was signed between COSATU and the Minister of Manpower. The far-reaching accord tied the Minister and Department of Manpower to promulgate legislation extending basic conditions and labour relations rights to farm and domestic workers by certain dates. It also created opportunities for COSATU to make special representations on draft legislation extending labour relations rights to public sector workers. The accord also dealt with a range of other labour relations institutions and practices which were matters of concern to COSATU and its membership (*South African Labour News*, 1992).

It is important to note that the South African Agricultural Union (SAAU) was not party to the accord and protested angrily over the contents and process involved in reaching the accord. It threatened to put forward alternative draft legislation indicating that a subsequent accord between all the major economic actors in agriculture is going to be difficult to attain (*South African Labour News*, 1992).

Participation on statutory bodies: the National Manpower Commission and the National Training Board

Corporatist practice by the black trade union movement has also extended to participation on statutory bodies pertaining to labour. The National Manpower Commission (NMC) and the National Training Board (NTB) are two bodies at the macro-level which COSATU is represented on. Participation on the NMC only happened after considerable struggle by COSATU to join and participate on terms it found acceptable.

The objectives of COSATU with regard to the NMC were clearly spelled out by Geoff Schreiner (1991). According to him the aim of COSATU was to restructure the NMC into a tripartite organ of the state in which labour has a co-determining role with capital and the state on all issues pertaining to labour. It proposed that labour and capital should have equal representation and be the majority parties on a restructured NMC. It also wanted Department of Manpower representatives on the NMC not to have voting rights (Schreiner, 1991:37).

The powers that COSATU wished the restructured NMC to have were that

- no draft legislation related to labour should be put before parliament unless it has been through the NMC;
- where there is consensus on proposed legislation within the NMC then a) the NMC should be entitled to draft such legislation, and b) it should be placed before parliament in that same form (Schreiner, 1991:39).

Schreiner and, presumably, COSATU, accepted that a democratically elected parliament 'should have the ultimate right to pronounce on proposals from the NMC' (1991:39). This means that COSATU would accept the legitimacy of a democratic parliament as representative of the general public interest and that this interest could conceivably override that of organised capital and labour.

COSATU made a strategic withdrawal from the NMC in early October 1991 in a move to put pressure on the state to restructure the NMC. The state relinquished and in August 1992 the NMC was restructured on the basis of an agreement reached between the Minister of Manpower and representatives of capital and labour. The restructured NMC comprises 33 members, one third of whom are representatives of employer associations, one third representatives of trade unions, and one third appointed by the Minister of Manpower. Seven of the 11 appointees of the Minister are, however, independent legal and other experts. All the members of the NMC have voting rights, but it remains an advisory body to the Minister. Given that all the major employer and union groups are represented on the NMC and that all its recommendations will be published, it will be hard for the Minister to override the recommendations emanating from the NMC. The reconstituted NMC was to meet for the first time on 12 February 1993 (*Media Statement, Ministry of Manpower, 05.02.93*).

COSATU decided to join the National Training Board in 1991 after passing a resolution at its Congress in the same year stating that

Unions should play a central role in planning, implementing and monitoring training, with agreed procedures for selection and testing. COSATU, and its affiliates, should involve themselves in restructuring existing training boards (Bird, 1992b:49).

Although the NTB is a tripartite body which only advises the Minister of Manpower on training questions, COSATU has taken the initiative to give the unions proper representation on its National Training Strategy and the Industry Training Boards (Bird, 1992b:47-50).

The National Economic Forum

In November 1992 the black trade union movement achieved its major corporatist objective to date, namely the establishment of a National Economic Forum (NEF) which includes, as its participants, the major economic actors from the state, capital and labour. The formation of the NEF did not happen without

considerable struggle. The movement wielded its maximum striking power in support of its demand for participation in central economic policy-making during the anti-VAT general strike campaign. On 5 and 6 November 1991 81% of workers round the country stayed away from work on the first day and 68% on the second day of the campaign (*Weekly Mail*, 08-14.11.91:8).

Jay Naidoo, COSATU General Secretary, made it clear that COSATU perceived the VAT campaign also to be 'a demand for a macro-economic negotiating forum' (Naidoo, 1991:13). The major reason for this was the perception by COSATU that the government was unilaterally restructuring the economy in the period of transition (Shilowa, 1992:13). For this reason COSATU made a concerted drive to try and ensure that it became centrally involved in the process of economic transformation. It also wanted to ensure that negotiations about the new South Africa deals with both the political and economic transformation of the existing system and that COSATU is centrally involved in the process (Naidoo, 1991:13-15).

COSATU accordingly called for the creation of a macro-economic forum which would be composed of employers, unions, major political parties and the state.

At first the state blew hot and cold on COSATU's demand for a macro-economic negotiating forum. Hostile statements were uttered by government representatives even though COSATU's General Secretary Jay Naidoo gave public assurances that COSATU had nothing more in mind than being one of the negotiating partners, that it understood the nature of negotiation and compromise, and that it would, from its side, adhere to any agreement reached. In an interview with *Business Day* Jay Naidoo said that COSATU was seeking a clear framework for economic negotiation.

Such a structure would provide not only rights, but also impose constraints and responsibilities, and COSATU was willing to be bound by these. Ground rules could include limits on mass mobilisation (*Business Day*, 09.10.91). COSATU assistant general-secretary Sam Shilowa, however, opposed restraints on the right to strike and wage demands in any possible future social accord:

In so far as it relates to halts to strikes or halts to wage demands, I think that we cannot enter into a social accord. The right to strike is fundamental to our existence. It is something we say should actually be enshrined in the constitution and that it cannot be negated by any other clause in the constitution (Shilowa, 1992:16).

With the facilitation of the Consultative Business Movement a meeting to discuss the formation of a National Economic Forum took place between representatives of business and labour in January 1992. Both parties agreed at the meeting that the government would have to be involved from the outset in

economic forum discussions (Shilowa, 1992:15). In spite of initial government hostility its involvement was finally procured and in October 1992, almost a year after the anti-VAT general strike, it formally entered the National Economic Forum along with the major representatives of labour and capital. The other labour federations present were NACTU and the Federation of Salaried Staff Associations (FEDSAL). The employers' associations present were the South African Chamber of Business (SACOB), the Afrikaanse Handelsinstituut (AHI), the Foundation for African Business and Consumer Services (FABCOS), the Steel and Engineering Industries' Federation (SEIFSA), plus the Chamber of Mines. At the Forum's launch Finance Minister Derek Keys indicated that the government would take part 'fully and absolutely'. Unemployment, the budget and government's economic plan featured high on the agenda of the launch. It appears as if top priority would be given to the plight of the unemployed with programmes to create jobs and skills training receiving urgent attention (*Business Day*, 30.10.92).

All the forms of corporatist participation by the labour movement discussed thus far have been at the macro-level. There are also meso-level forms of corporatism in particular industrial sectors. Two of these are briefly discussed here. They are the Mining Industry Summit and the Textile-Clothing Working Group.

Mining Summit: In the light of the crisis facing the mining industry in South Africa - 100 000 mine workers had been laid off and up to 200 000 more could possibly face retrenchments - the National Union of Mineworkers (NUM) called for an unprecedented summit meeting at its congress in May 1991. The Mining Summit which followed was attended by the major representatives of the state, capital and labour: the state by the Department of Mineral and Energy Affairs, capital by the Chamber of Industries, and labour by NUM, the white Council of Mining Unions, and officials associations. NUM proposed both immediate and longer-term measures to address the crisis. The most important were temporary state subsidies to prolong the lives of marginal mines, a coordinated programme of mine closures, an industry-wide training and retraining scheme, and the setting up of a Permanent Mining Commission 'with powers to intervene in the national interest'. It also called for a 'process of consensus' and an urgent 'joint response' by all involved in mining (*Labour Bulletin Correspondent*, 1991:45-6).

Although the union did not achieve all it had intended to, the outcome of the Summit was to set up a high level Steering Committee which was charged with the task of giving ongoing attention to the issues raised by NUM. It established four working groups to deal with specific areas, but progress during the first year thereafter was slow (*Bilateralism Review*, 1992:13-15).

Textile-Clothing Working Group: The textile and clothing industries in South Africa have a long history of antagonism which has manifested itself most clearly in the area of tariff protection. In 1989 the Board of Trade and Industry drew up a Structural Adjustment Programme for the apparel textile and clothing industries. The Programme was more supportive of the clothing industry's position in order to try and improve the export performance of both industries (BTI, 1988:59, 72-244; BTI, 1991).

The textile industry commenced making representations for increased protection for itself. It, as well as the clothing industry, were shrinking between 1989 and 1991 with the clothing industry shedding 7000 employees and the textile industry 4000 (National Clothing Industry, 1993:40, 304, 314). At a meeting in November 1991 to try and resolve the differences between the two industries no agreement could be reached. The then Minister of Trade and Industry, Dr Org Marais, proposed the formation of a working group to develop a transitional plan and a long-term strategy for the industries. The working group, subsequently known as the 'Hatty Committee', was constituted of representatives from industries in the textile-clothing pipeline as well as the South African Clothing and Textile Workers' Union (SACTWU). Representatives of the Department of Trade and Industry, the Board of Trade and Industry, and other public sectors had observer status (*Bilateralism Review*, 1992:10). The Board of Trade and Industry, however, made it clear at the end of deliberations that it had the final say over the recommendations of the 'Hatty Committee' which were gazetted in May 1992.

By all accounts the union representatives played a very important role in the deliberations of the Hatty Committee. Not only did they put forward constructive suggestions, but on several occasions they also acted as mediators to help resolve deadlocks between the feuding sides. This was confirmed by an interview that *Sactwu News* conducted with Mervyn King, chief executive of Frame, who said, 'I believe that in the new South Africa union involvement is imperative in structural planning' (*Sactwu News*, 27.01.92).

In September 1992 two further forums were established with the view to developing a long-term strategy for the textile and clothing industries. The union is once again represented on the forums, but only agreed to it after negotiations to ensure that there was proper representation of all the relevant parties on the forums. The larger forum, the Textile and Clothing Panel, has 33 members while the smaller Task Group has four representatives each from the state, capital and labour. The main task of the two forums is 'to formulate a strategy... for the restructuring required to develop clothing and textile industries that are viable and competitive' (National Clothing Federation, 1992:29).

Growing centralised bilateral participation

In addition to corporatist participation the black trade union movement is increasingly demanding, and entering into, centralised bilateral agreements. A significant new development was the bilateral accord (called a Charter) regarding the mass action campaign in August 1992 which COSATU entered into with SACCOLA. Although the Charter was not signed or implemented, it committed business, for the first time in the country's history, to a one-day general plant closure. COSATU, on the other hand, moderated its mass action programme (see the Draft SACCOLA/COSATU Charter, *South African Labour Bulletin*, 16(7):23-5).

Furthermore the black trade unions have been making strong demands for centralised bargaining forums at a national industrial level (see, for instance, Patel, 1990). Besides participation in the long standing National Industrial Council in the metal industry, National Bargaining Forums have also been created in the automobile and clothing industries. Talks are also under way to extend bargaining to a national level in a number of other industries.

Enough has hopefully been said about corporatist practices of the black trade union movement to make it clear that it is no longer a case of whether, but rather how, the trade union movement should participate in them. What is more, in almost all cases the drive towards corporatism and centralisation of bargaining has come from union initiative and pressure on the government and employers. This reflects not only the growing size, strength and confidence of the black trade union movement, but also their intention to become strategic unions, ie to extend their concerns beyond wages and working conditions to industrial and economic planning at the national level.

Given these realities there are several questions that can be raised. What can South Africa learn from the experiences of corporatism in other countries? What role do trade unions play in corporatist agreements in other countries? Are they dominant or subordinate and does their participation harm or benefit the working class and the economy as a whole? If and when comprehensive corporatist agreement are entered into in South Africa, will the unions remain democratic and independent or will they have to compromise their fundamental principles and goals? The remainder of the paper addresses these and other questions.

Experiences of Corporatism

In five advanced industrial countries

Andrew Taylor (1989) conducted a study of the rise and decline of corporatism in five advanced industrial countries after the WWII. The countries were Sweden, United Kingdom, United States of America, Japan and the Federal Republic of Germany (FRG) at the time it comprised only West Germany.

He found that their reason for going down a corporatist road was economic. In Britain, West Germany, USA and Sweden post-war economic policy was directed at avoiding 1930s style mass unemployment - any recurrence was expected to produce massive unrest. However, inflation, not unemployment, became the dominant economic problem and governments sought to engage trade unions in a co-operative relationship to control inflation (Taylor, 1989:132).

Broadly speaking, the response of the five governments to trade unions in the post-WWII period is classified by Taylor into one of three categories:

- *Integration* where unions, via their trade union federations, are accorded the status of governing institutions. Sweden most closely approximates this approach.
- *Inclusion* where unions are frequently consulted by government, but are excluded from effective decision-making. Unions strive for integration and though this may be achieved sporadically it is never institutionalised. This is the situation in the FRG and UK.
- *Marginalisation* where unions are confined to the periphery of the political process. This has resulted either from deliberate action by governing elites, as in Japan and under Thatcher in Britain, or the dispersal and separation of government power, as in the USA (1989:97).

Before drawing the general conclusions from Taylor's study some of the post-war corporatist experiences in Sweden and West Germany are highlighted.

Sweden: The Swedish model of centralised wage negotiation with an active labour market policy took shape in the early-1950s. Two social democratic economists, Gosta Rehn and Rudolf Meidner, who had close ties with the Social Democratic Party (SAP) and the Swedish Trade Union Federation (LO) representing 90% of all blue-collar workers in Sweden, formulated the Rehn-Meidner Model in the late-1940s. It was designed to secure full employment, low inflation, economic growth and economic efficiency. Basic to the proposal was a solidaristic wage policy which stressed equal pay for equal work irrespective of the industry or firm's profitability. This wage solidarity restrained inter-union competition and compelled industry to be efficient and profitable. Those not profitable would go to the wall while the more profitable firms and industries had greater levels of profit to invest and so promote growth. Any worker made redundant as a result of this policy would be retained by the state for employment in industries short of labour (Taylor, 1989:98).

In the late-1960s the LO and Swedish Employers' Federation (SAF) adopted an additional wage bargaining model that was consistent with the government's employment objectives. The approach was to calculate the scope for increases in wages and salaries, given existing trends in world prices and productivity, that

would determine profitability and international competitiveness (Flanagan, 1987:160).

This system worked well until the early-1970s. For 30 years Sweden's unemployment rate was never higher than 3.5% and its inflation rate was slightly lower than the European average (*Economist*, 1990:5). From 1960 to 1973 the average unemployment rate in Sweden was only 1.8% and the inflation rate was on a par with that of Europe at 4.9% (Rivlin, 1984:4, Table 1-1).

However, as from 1973 onwards the Swedish political economy destabilised due to, amongst other things, the oil-price shocks and the rapid increase of public sector wages. The latter was due to militant bargaining by the white-collar union federation, the TCO, and the absence of constraints imposed by foreign competition (Taylor, 1989:126-7). In common with many other industrial countries its growth slowed down and inflation rose sharply. From 1974 to 1982 its average inflation rate was a high 10.4%, slightly more than the European average. However, its unemployment level remained low at 2.1% during this period, only a third of the average European rate of 6.3% (Rivlin, 1984:4, Table 1-1). Since the early-1980s Sweden's unit wage costs rose by three percentage points a year more than its trading partners (*Economist*, 1990:5). The result was that by the mid-1980s 'the Swedish Model as traditionally understood, had collapsed' (Taylor, 1989:128).

However, the institutionalisation of the union-government relationship remained. In practice it means that the unions have little need to 'lobby' government as they are represented as an integral part of the policy process at every level. In 1982, for example, the LO was represented on 291 public bodies of all types and on 78 labour market organisations (Taylor, 1989:105).

Federal Republic of Germany: In West Germany the trade union movement recovered remarkably rapidly after WWII. Before the end of 1945 a million workers were organised into trade unions and by 1948 three million workers organised. The original aims of this revived social democratic trade union movement were far more radical than the system of co-determination which the Federal Republic of Germany presently has (Markovits 1986:61-72). A social market system was implemented by governments with conservative casts after 1949 (Taylor, 1989:99,102).

However, the entry of the Social Democratic Party (SPD) into government in 1966 led to a social contract known as *Concerted Action* which lasted from 1966 to 1977. It consisted of about 50 representatives drawn from the major political and economic groups which met quarterly at the Economics Ministry. It prepared guidelines on the wage and salary increases that the economy could sustain. *Concerted Action* was not a mere talking shop, but was designed to promote consensus amongst the social partners; it did not strive to eradicate conflict, but

to limit the issues which could cause conflict and, when there was conflict, to prevent it generating turbulence.

The holding down of wages by the German Trade Union Federation (DGB) in the interests of the SPD provoked a furious response. In September 1969 strikes unexpectedly erupted as shop stewards led strikes against their own union leaders. Union leaders were charged with 'sleeping on the job' and attacked as traitors to the workers. Unions advocating continued cooperation were dubbed as 'Chancellor's unions'. Consequently union leaders, in order to restore their support and authority, responded with high wage demands, so defeating one of the main reasons for involvement with government. *Concerted Action* ended when the DGB walked out in July 1977, but by then participants had recognised it to be a failure (Taylor, 1989:109, 123-4).

After highlighting these features of the rise and decline of corporatism in Sweden and the FRG, let me return to two of Taylor's major general conclusions of his study.

- *Union subordination.* Although unions have access to governmental decision-makers and some are even integrated into the policy process, they all find their interests subordinate to that of capital (1989:131).
- *Common perception of economy's international vulnerability.* The political systems which managed the politics of industrial relations most successfully were not the most corporatist in structure, but those with a common perception of the economy's international vulnerability. Taylor stresses that this 'does not mean there exist in Sweden, Japan, or West Germany management-union-government unanimity: bitter conflict remains, but is counter-balanced by a recognition of economic vulnerability' (1989:132).

Corporatism and the status of trade unions

The question immediately arises whether Taylor's findings can be generalised to all countries. In particular, does corporatism always entail the subordination of trade unions to the interests of business by the government? The answer at both the theoretical and empirical levels appears to be in the negative.

Theory: At the theoretical level Cawson maintains that one of the features that distinguishes corporatism from Marxism is that, whereas Marxism postulates that capital will always be dominant in a capitalist state, corporatist theory is more open-ended. Under certain circumstances and prevailing conditions it could be the case that the interests of capital remain dominant, but under other circumstances and conditions the interests of labour could be dominant:

Unlike Marxists, who ascribe a governing character only to organisations of capital, corporatist writers recognise that trade

unions in many advanced capitalist countries have also become an important part of the process of government. Few corporatists, perhaps, would argue that trade unions have become as powerful as capitalist organisations, because they, like the Marxists, recognise the structural asymmetry of the two interests in the process of production, but there is no assumption in corporatist theory that trade unions are always junior partners. Their power varies from country to country, and from time to time in the same country, according to such factors as the state of the economy, the nature of the legal system, the characteristics of collective bargaining, and their professionalism and organisational competence (Cawson, 1986:12).

To this list of factors that influences the power of trade unions Cawson could have added the political party in government at the time. However, the relationship between trade unions and the ruling political party is mutually interactive with each influencing the other's power. This relationship is explored below: first, by means of an Australian case study, then in a wider study of advanced capitalist countries.

Australia: The Australian Council of Trade Unions (ACTU) and the Australian Labour Party (ALP) entered into an Accord in 1983 as an electoral strategy that successfully brought the ALP to power in 1983. The Accord was only between the unions and the party thereby excluding Australian employers' associations. It was only after the elections that the support of major employers' federations was sought by convening a National Economic Summit attended by representatives of capital, labour and the state (Lansbury and Davis, 1987:107).

The initial Accord of 1983 was primarily a prices and incomes policy to try and achieve economic recovery. It considered Australia to be 'caught in an unemployment trap' as a result of monetarism and sought to achieve the recovery by means of price and wage restraints (TUTA, 1983:3-4). In return the state was to provide a range of supportive policies which would strive to improve the 'social wage' of workers.

The Accord did provide labour with material and other benefits in the 1980s. From 1983 onwards ACTU was closely involved in shaping the federal budgets, a system of national health care was established, and several tripartite institutions were set up such as the Economic Planning Advisory Council and Industry Councils. Legislation which had been used against unions previously had also been repealed. Two years after its commencement there was general satisfaction amongst the unions with the Accord. They considered that the great majority of their members had fared better in material terms than they would have in its absence. The 1985 ACTU Congress accordingly reaffirmed their commitment to the Accord (Lansbury and Davis, 1987:108).

The Accord also had a beneficial effect on industry policy in the metal industry which was driven by the metal union. The Steel Industry Plan, which operated between 1984 and 1988, enabled the Australian steel industry to move from virtual collapse to an internationally competitive position. It has become one of the world's lowest-cost producers of primary steel, and Australia's biggest exporter of manufactured goods (Bird, 1992a).

The effect of the Accord on wage fixation went through different stages. From 1983 to 1985 wage increases were linked to the Consumer Price Index, in 1986 they were linked to productivity, and in 1987 it consisted of a \$10 across the board increase and another 4% to be negotiated at plant level. There was thus a drift to enterprise bargaining which became a matter of concern to ACTU (Bird, 1992a).

The Australian trade unions took steps to become pro-active in developing an industrial policy for Australia. In 1986 a joint ACTU and Trade Development Council mission went to western Europe to see how some other countries had coped with economic problems similar to those faced by Australia. Their report, *Australia Reconstructed*, was endorsed by the 1987 ACTU Congress. From this a ten point union strategy emerged for reconstructing Australia. It included the following points:

- A national objective for Australia, namely to achieve full employment, low inflation and rising living standards which are equitably distributed. This, ACTU believed, would give the government, unions and business a goal around which to negotiate economic policy. To realise such a goal it suggested the establishment of a National Development Fund to increase investment. The unions would have a hand in managing the Fund.
- A centralised wage system based on equity, the encouragement of productivity improvement and sustaining the international competitiveness of sectors exposed to trade.
- Industry development, based on tripartite industry agreements as well as a programme of industrial democracy with union and employee participation in industries and enterprises.
- An active labour market policy emphasising training and job replacement backed by a National Employment and Training Fund.
- A new direction for unions called strategic unionism which would extend the vision of unions beyond wages and conditions to include economic policy and involvement on tripartite bodies (TUTA, 1988).

The implementation of the ten point union strategy has however not proceeded smoothly. With regards to industrial democracy, for instance, employers made it clear that they would strongly resist its forced imposition. As a result the Hawke government left employers to develop their own approach. Employers indicated

that they would accept employee participation, but resist threats to managerial prerogative. As a result little progress was made in the private sector. However, inroads were made: in the area of occupational health and safety a system of co-determination with joint union-management workplace committees has been introduced through federal and state legislation (Lansbury and Davis:111-12).

The Australian trade union movement continued to revise and advance its industrial policy. In the process conflict sometimes emerged between it and the government. Nevertheless, it could point to positive achievements after the Accord had been implemented for seven years from 1983 to 1990 under a Labour Government. The growth rate in manufacturing output had been more than three times higher (3.4%) than during the preceding seven years (1%) under a Conservative Coalition government. In addition there had been a more than doubling of the growth rate of manufactured exports and manufacturing investment had increased by almost twofold as well. Finally, 65 000 jobs had been created in manufacturing rather than the destruction of 122 000 jobs that took place during the Conservative Coalition period (ACTU, 1990:1-6).

In spite of these achievements dissatisfaction emerged in trade union ranks and left-wing trade unionists condemned the Accord. Their criticisms centred around the fact that real wages had fallen by 7% since 1983 and the fact that union membership had declined. In 1976 it represented 51% of the workforce, but by 1991 this had fallen to 35%. An ominous sign for the Accord was that bargaining at the enterprise level was emerging. This was because stronger unions were winning wage increases of 10-15% at enterprise level whereas the government wanted an accord on no wage rises in order to keep inflation down (*Business Day*, 25.02.92).

The Australian Accord which was definitely dominated by the labour movement had some definite positive achievements to its credit. However, in a climate of world-wide recession and tough economic challenges from the east Asian economies, it has come under threat from within the ranks of the labour movement for not delivering enough.

Economic performance and corporatism

The question of who benefits as a result of corporatist arrangements is an important one, especially the question whether the working class benefits and under what circumstances. An attempt to answer these questions was made by David Cameron in an extensive study of the factors that influenced the economic performance of 18 advanced capitalist countries over the 18 year period from 1965 to 1982.

He examined four aspects of economic performance, namely the relationships between unemployment, inflation, wage increases and strike activity. He found

that the countries could be divided into two groups with distinct clusters of economic performance appearing in each group. The one group, composed of Germany, Austria, Switzerland, the Netherlands, and Japan (and to a lesser degree, Belgium, Denmark, Norway, and Sweden), experienced relatively low levels of strike activity and modest increases or decreases in their level of earnings as well as modest increases of prices and relatively full employment. The other group, composed of Italy, Ireland, Britain, Canada, the United States, and Australia (and to a lesser degree, France, Spain, and Finland), experienced relatively high levels of strike activity and large increases in nominal (and real) earnings as well as relatively large increases in prices and high levels of unemployment (1984:156-7).

The relationships reflect a complex causal relationship between inflation and unemployment with the relative quiescence or militancy of labour playing an important intermediary role. Cameron suggests the following role:

Where full employment is maintained, labour is relatively quiescent and thus earnings, and prices, increase at only a modest rate. Where labour is relatively militant, earnings and prices tend to increase at a rapid rate, thereby providing employers with a rationale for further increases in unemployment. In both cases, there exists an implicit trade-off between the *immediate* economic gains of organized workers and the *long-term* likelihood of jobs for all workers (1984:157).

Cameron proceeded to examine the social and political bases of the variations in economic performance between the two clusters of countries. He explored two sources of variation: the extent to which the differences in economic performance between the clusters of countries 'vary depending on the ideological centre of gravity of government' (1984:158), and whether the variations 'reflect the presence or absence of corporatist institutions and practices' (1984:144).

Cameron found a positive correlation for both sources of variation with the stronger one being the presence of corporatist institutions and practices. The characteristics which he identifies as corporatist are the density of union membership in the labour force, its organisational unity, the power of the labour confederations in collective bargaining, the scope of collective bargaining, and the extent of schemes for worker participation in decision-making in enterprises on the plant floor and company boards (1984:164-5). He combined all of these characteristics into a composite indicator of the organisational power of the labour movement in each of the countries. He found definite correlations, some of which were very strong, between the characteristics of the organisational power of the labour movement and the economic performance of the clusters of countries.

The finding is that, during the period 1965 to 1982, countries with a relatively high level of unionisation, a single labour confederation composed of relatively few industry-based unions, a considerable amount of collective bargaining power vested in the labour confederations, economy-wide bargaining between labour confederations and employer associations, and where works councils and co-determination schemes exist, tended to experience *low* levels of strike activity and unemployment and *small* increases in nominal and real earnings and prices relative to other countries (1984:169). In short, countries where the trade union movement possessed a high level of centralised organisational power experienced a relatively quiescent labour force and had small levels of price and wage increases as well as high levels of employment.

Analysing the data further Cameron found that quiescence does not appear to produce any marked diminution of labour's share of income and, conversely, that militancy does not appear to produce any marked improvement in labour's share of income; that is, neither quiescence nor militancy has a great deal of impact on the distribution of income between capital and labour over the long term (1984:173).

Cameron did however find that 'while labour quiescence had little effect on the allocation of shares of income between labour and capital over the past two decades, it *was* associated quite strongly with a high, and expanding, "social wage"... In short, labour was compensated - to some degree at least - for its quiescence. Of course, much of the compensation for wage restraint may have been paid to persons who were not in the active labour force - e.g. the elderly, the long-term unemployed, the sick, etc.' (1984:173).

The heart of the exchange for labour quiescence was however having and retaining a job:

The essential *quid* for the *quo* of labour quiescence is full employment over an extended period (1984:174).

Turning to the ideological centre of gravity of the government in power as an explanation of variations between the clusters of countries, Cameron found that countries with frequent leftist governments tended to experience low unemployment and strike activity and modest increases in earnings and prices, relative to the levels and rates found in countries dominated by non-leftist governing parties (1984:159-60). Most of the countries in which leftist parties frequently governed - for example, Austria, Sweden, Norway, and Germany - had relatively low rates of unemployment while most of those in which leftist parties governed infrequently or not at all - for example, Ireland, Canada, the United States, Italy, and Spain - experienced the highest levels of unemployment (1984:161-2).

There were, however, several countries that deviated from the expected relationships. For instance Japan and Switzerland remained at full employment

in spite of the weakness or exclusion of leftist parties from government. On the other hand, Denmark and Britain experienced sharp increases in unemployment in the 1970s and 1980s in spite of frequent control of government by the Social Democratic and Labour Parties. The relationships thus only suggest the existence of a statistical tendency between the control of government by leftist parties and the preservation of near-full employment over the long-term (1984:162-3).

Cameron completed the research circle by demonstrating a relationship between the countries' governments and the organisational structure and power of its labour force over the period 1965-82. His finding in this regard is that where the labour movement was highly inclusive in membership, highly unified in the sense of having a relatively small number of industry-wide unions, and capable of speaking with one voice in the sense of delegating considerable power to the confederation (as in Sweden, Norway, Austria, and, to a lesser degree, in Finland, Belgium, and Denmark), the parties linked to that movement were likely to control government most of the time. Where the labour movement was less inclusive, less unified, and/or where the confederations enjoyed less power over their members, as in Britain, Germany, and the Netherlands, the Social Democratic (or Labour) party was less able to act as the party of the organised working class when in power. And where the labour movement included only a small fraction of workers, suffered from numerous internal schisms, and lacked a single voice that could articulate its collective interest (as in Spain, Japan, the United States, Canada, France and Italy), the leftist parties - if they existed at all - were likely to enjoy at best only sporadic control of government (1984:167-8). In short, the finding is that in countries where the organisational power of the labour movement was great leftist parties frequently controlled government. This, Cameron suggests, means that when such parties governed, they did so as the political representatives of the organised wage-earners of society (1984:166). The findings of Cameron as well as the other research narrated above were chosen because each of them had some relevance or bearing on the South African situation. These are pointed out in the next section.

Relevance of Corporatist Experiences to South Africa

The corporatist agreement in Sweden that dates back to the late-1940s demonstrates the economic advantages that can be obtained from corporatism. The Swedish economy was characterised by full employment and a very low rate of inflation for 30 years until the accord between organised labour, business and the state started falling apart after 1972. The solidaristic wage policy negotiated at a central level ensured a minimum wage throughout the economy, the weeding out of inefficient firms, and profitability for sufficient investment and job creation. It was the collapse of the corporatist wage policy with the rise to

prominence of the TCO, the public sector trade union federation, which negotiated high salary increases and the introduction by employers of productivity-linked wage increases, that contributed to the economic deterioration of the Swedish economy. Other factors also contributed including the fact that the social welfare component of social democracy had run up against its own limits, but that could also hold a message for South Africa that there is a limit to the social welfare which the society can afford without harming the economy.

However, the principal lesson from Swedish corporatism is that it can deliver a very good economic performance provided each of the major corporate groups is able to deliver its undertaking in the agreement as did the LO, SAF, SAP, and the state. It is also necessary that there should be no group omitted from the accord which is powerful enough to undermine it as did the TCO.

The German *Concerted Action* demonstrated how difficult it is for the trade union leadership to deliver an undertaking that acts against the apparent short-term interest of the rank and file members of the unions. This is even more the case when the union leadership enter into corporatist agreements without extensive rank and file consultation and support. Even with its corporatist tradition, the German trade union movement was not able to prevent the rank and file members from striking for higher wages in the short-term and so putting paid to the accord.

For South Africa, where black workers still perceive themselves to be earning poverty wages (and in most sectors and occupations actually do earn poverty wages), the prospect of the trade union federations entering corporatist agreements that restrain workers from acting militantly in their immediate interest is indeed bleak. This problem was amply demonstrated by the unilateral Mercedes Benz workers' strike in 1990 for higher wages in defiance of their own trade union's policy of central bargaining through the National Bargaining Forum (Von Holdt, 1990a, 1990b). There are, however, also encouraging signs such as the fact that, in the following year, Mercedes Benz workers did subject themselves to the discipline of national bargaining in the automobile industry (Bethlehem and Von Holdt, 1991).

The Australian Accord demonstrates to South African trade unions what can be achieved by corporatist agreements under the appropriate conditions, but also some of the pitfalls to avoid. It shows that unions can enter into such agreements as the senior partner with the state and that it does not imply a domination of capital by labour. The Australian unions also set examples of how to enter into co-operative relations with employers without compromising either their autonomy or rank and file participation. They have done so by developing their own industrial strategies by drawing on experts while, at the same time, ensuring extensive consultation with the rank and file to ensure that the experts remain

both representative of and accountable to the rank and file of union membership.

However, the Australian Accord also shows the risks of entering an a corporatist agreement when a crucial actor has been omitted from the process. Australian employers were left out of the initial deliberations and effectively had the Accord forced on them. As a result they appear to have been reluctant partners in the Accord and many of ACTU's creative initiatives remained unimplemented.

The empirical study of 18 countries over an 18 year period by Cameron which links economic performance with corporatism is highly suggestive for the South African trade union movement. The study suggests that trade unions face a trade-off between militancy and employment. Greater militancy would ensure that organised workers received higher than usual wage increases in the short-term, but that the combined effect of militancy and steep wage increases is likely to lead to less employment creation and to retrenchments.

At a deeper level of analysis Cameron's study suggests that the form and strategy of organisation which the trade union movement adopts could influence its political role as well as the political course and economic development of the country as well.

The politico-economic analysis by Cameron, insofar as it applies to South Africa, thus supplies a means of evaluating the desirability or otherwise of four future potential scenarios posited by Pillay and Webster (1991) of state-union relations in South Africa under a majority, presumably ANC, government. The scenarios sketched by Pillay and Webster are set against the background where the future state embarks upon the task of national development which, they argue, could put pressure on it to limit its redistributive effort. Trade unions, on the other hand, could emphasize their representative role and continue to defend and improve their members' working and living conditions. By doing so they could come into opposition with the state and Pillay and Webster sketch four potential outcomes. In the first the state could try to accommodate to working class pressures and become a state in which working class concerns as a whole predominate. Or it could allow the interests of capital to dominate, accepting the inevitability of strong labour opposition. Thirdly, assuming the ANC to be in power and as a 'creative tactical move by the triple alliance', it could deliberately institutionalise a socialist opposition in the form of the SACP and COSATU. Finally, the trade union movement could become completely independent of political parties, in the interests of forging a united trade union movement. COSATU, NACTU and unaffiliated unions would unite and concentrate on collective bargaining (Pillay and Webster, 1991:37).

In terms of Cameron's study none of the variants would result in the most favourable economic outcome. What would be required is for the trade union movement to unite and concentrate on building industrial unions that cede considerable negotiating power to the central federation. In addition, the ruling

party would have to be left-oriented, at least social democratic, and have a close working relationship with the united trade union movement. Even though there is a chance that the ANC will end up with a social democratic policy, the likelihood of a united non-racial trade union movement which includes African, Coloured, Indian and White workers is low, given the ideological divisions between them.

Another requirement for the most favourable economic outcome implicit in Cameron's study is the need for the existence of a single employers' association that is empowered to represent all employers over a broad range of issues. At present no such association exists in South Africa.

At this stage the most favourable economic outcome for South Africa thus appears to be unlikely. However, according to Taylor's findings, if all the major corporate groups attained a clear perception of the South African economy's international vulnerability, the country would stand a better chance of developing a system that could deal constructively with the economic challenges which it faces.

Corporatism and Social Contracts: Pitfalls, Limitations and Concerns

This paper has concentrated on corporatism in South Africa and the lessons that can be learned from corporatist experiences in the advanced industrial countries of the world. It would, however, not be complete without pointing out some of the pitfalls and limitations of corporatism. They are also closely linked to concerns that have been expressed in South Africa about trade unions entering into social contracts. In discussing the pitfalls and limitations of corporatism the concerns about social contracts will therefore also be addressed.

The concerns about social contracts can be summarised in the following five points (See Bird and Schreiner, 1992; Callinicos, 1992; Godongwana, 1992; and Webster, 1992):

- Social contracts lead to the bureaucratisation of trade unions, ie they undermine trade union democracy.
- Social contracts are implemented at the expense of the working class, ie the state and capital benefit, but it is workers who have to pay for it with declining real wages, closures, and so on.
- Social contracts result in the incorporation of trade unions, ie trade unions are demobilised and co-opted into state structures.
- Social contracts restore an ailing capitalism rather than transforming it into socialism.
- Social contracts worsen the dualism that exists in the South African

working class. The dualism lies between those members of the working class who have employment in the formal sector of the economy and belong to strong trade unions on the one hand, and those who are unemployed or marginalised on the other hand. The latter group may be engaged in the informal sector, but do not belong to strong organisations that can forcefully represent their interests.

These concerns are each addressed in turn:

- It is the case that corporatist agreements and social contracts entail negotiations by the top leadership of organisations and there is an inherent risk that the rank and file could be excluded from the process. The leadership then has the task of ensuring that their constituencies abide by the agreement reached and deliver their respective sides of the bargain. Corporatism thus contains a potentially undemocratic feature which has to be guarded against by leaders in the state, capital and particularly labour if democratic practices are to be maintained.

For trade unions it requires the implementation of procedures and practices which ensure that there is adequate consultation of the members and that the leadership remains representative of and accountable to the rank and file. In the black trade union movement there is a strong tradition of worker participation and control by means of shop stewards committees that was built up in the 1970s (Maree, 1986). The heritage of placing a strong reliance on shop stewards in the workplace has been continued. COSATU, for instance, has more than 25 000 shop stewards and in a major survey it was found that 97% of shop stewards have formal recognition from management while 31% claim to be full-time shop stewards. In addition they provide a key link between trade union members and officials. Over and above the regular shop steward meetings they attend, 22% attend union meetings several times a week and 33% a few times a month (Pityana and Orkin, 1992:15, 21, 25).

However, as unions grow larger in size and as they centralise their negotiations, it becomes more difficult to involve shop stewards and especially shopfloor members meaningfully. COSATU accordingly developed the following principles of engagement:

- no negotiations should be held in secret - affiliates are urged to send delegates to all negotiating meetings;
- there should be ongoing report-back and mandating processes even though this slows down negotiations, and the establishment of appropriate procedures to ensure this objective (Bird and Schreiner, 1992:25).

While it may well be difficult to adhere to these principles in practice, it is clear that COSATU has an awareness of the potential threat of corporatism to democracy and is taking active steps to meet the challenge.

- The concerns that social contracts would be implemented at the expense of the working class has already been dealt with above. In brief, the research by Cameron shows that corporatism can result in higher levels of employment and a better social wage than would be the case in its absence. What is more, and this is very significant, this general improvement in the living standard of the working class under corporatism does not take place at the expense of the wage earner, ie wages do not fall as a result of corporatism. What does happen is a lowering of industrial conflict by the working class, but in return more jobs are created.
- The concern that social contracts could lead to the incorporation of trade unions into state structures is more open-ended. This is where the distinction drawn by Schmitter between state corporatism and societal corporatism is very relevant. In state corporatism it is the case that trade unions are demobilised and co-opted, but in societal corporatism this does not necessarily follow. In fact, there is much evidence to the contrary: the unions retain their autonomy and engage in militant action and mass mobilisation when they deem it necessary. If carried to extremes it can undermine and even destroy a corporatist agreement. Hence, the trade union movement will have to decide what degree of self-restraint it wishes to impose on itself.

In this regard COSATU has also established a principle of engagement which it developed during the anti-LRA campaign in 1989. It entailed the development of 'a direct link between the negotiating process and any mass action. When deadlock was reached constituencies were requested to decide on appropriate action' (Bird and Schreiner, 1992:25).

- The contention that social contracts serve to restore an ailing capitalism rather than transforming it into socialism has most vociferously been made by Callinicos who maintains that

Social contracts therefore don't bring socialism nearer. On the contrary, by undermining the organisation and self-confidence of workers' organisation, social contracts weaken the main force for socialism (Callinicos, 1992:66).

The problem with this type of argument is that it ignores countervailing evidence and that it comes up with a dogmatic conclusion about a process that is far more open-ended. Firstly, it ignores a country such as Sweden which has an extremely long history of corporatism yet has ended up with one of the strongest trade union movements in the world. Secondly, it underestimates the strength and ability of the trade union movement to shape and direct the political economy once it engages with the state. As has been shown above, the trade union movement has already had a significant impact on labour relations legislation in South Africa by steering it in a more progressive direction.

Drawing on his intimate knowledge of corporatism, Marin, in reflecting on the nature of corporatism, has captured well its open-endedness and the fact that the outcome thereof depends on class struggle. He writes

Corporatist co-operation does not imply a common ideology of class harmony; ... Rather, it transforms class conflicts into a permanent war of manoeuvre between interest associations over organisational advantages within the institutional system; it does not simply 'institutionalise' class struggle, as Dahrendorf suggests, but converts in into conflicts over the rules of the game of co-operative conflict resolution...

In a historical perspective, new corporatism is not a universal, unilinear, irreversible and almost irresistible evolutionary pattern... Rather, it is a temporarily stable 'historical compromise' resulting from former class conflicts, generating its own gravitational forces, proper motion, risks and self-sustaining mechanisms; it is also open to disintegration and (limited) reversal. New corporatism has many possible developments and various futures (Marin, 1985:92, 93).

- Finally, the concern that social contracts could exacerbate the dualism already present in the working class is probably the most serious challenge facing corporatism in South Africa. By their nature corporatist agreements can only be entered into by the organised section of the working class. This means that there are inevitably strong pressures on the leadership to represent the interests of the organised working class. Consequently, the danger is always present that unorganised workers, particularly unemployed and marginalised workers, women and the youth, may not have their interests and needs represented in corporatist agreements. For South Africa, where the unemployment level is in the vicinity of 30% and, in some regions, as high as 50%, this tendency of corporatism could thus hold severe dangers for the unemployed and marginalised in our society (Friedman, 1991:11-16).

The way this challenge to corporatism could be overcome would be for the unemployed and marginalised to become organised. There are, however, no indications that this is happening on any significant scale. Nor do there appear to be organisations with the capacity and willpower to do so - with the possible exception of COSATU. Proposals have in fact come from within the ranks of COSATU that it should take the lead in the process of 'building and strengthening the working class organisations of civil society' (Bird and Schreiner, 1992:31). However, even Bird and Schreiner express some reservations about COSATU's capacity to do so as many organisations would have to be built up 'almost from embryo'.

On the other hand, it is precisely the aim of corporatism to create the appropriate

conditions for economic growth and employment creation and, to the extent that it succeeds, a corporatist agreement can help reduce unemployment and the marginalisation of people. In this regard it is worth recalling that the primary task that the National Economic Forum has set itself is to create more jobs. But the dimensions of the problems in South Africa are so vast and the roots so deep that corporatism alone will not be able to resolve them. There is thus an urgent need for additional policies and procedures to address the interests and needs of the unemployed and marginalised. The country's future could well depend on operationalising societal corporatism widely and backing it up with additional measures to combat unemployment and poverty.

NOTES

1. The relationship between corporatism and social accords is discussed below.
2. In places Vally even considers social democracy to be synonymous with corporatism and social contract (see Von Lieres and Louw, 1992:103).

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