

**THE DEMISE OF THE CORPORATIST
EXPERIMENT IN SOUTH AFRICA**

by

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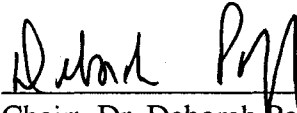
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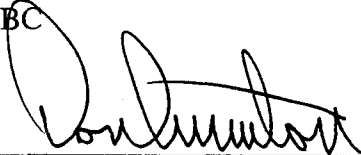
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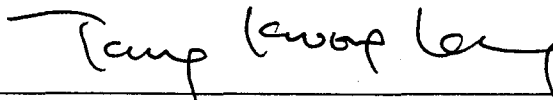
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Abstract

The Demise of the Corporatist Experiment in South Africa

By Siobian Patricia Smith

This is a study of the attempt by the South African state to institute a corporatist model of industrial relations in the post-apartheid period. The African National Congress (ANC), led by Nelson Mandela, was elected in 1994 with promises of sweeping political economic and social reforms that would rid the country of its historical legacy of racial segregation and extreme socio-economic inequality. Operating in a formal alliance with the South African Communist Party and the Congress of South African Trade Unions, the governing ANC undertook institutional implementation of a tripartite system for labour negotiations and policy-making and took steps to strengthen the role of labour in governance. By the end of 1998, however it was clear that the government's attempt to establish a corporatist industrial relations system had not succeeded. This thesis examines the reasons why.

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LIST OF ACRONYMS

ANC	African National Congress
AZAPO	Azanian Peoples Organization
BSA	Business South Africa
CCMA	Council for Conciliation, Mediation and Arbitration
CODESA	Conference for a Democratic South Africa
COSATU	Congress of South African Trade Unions
GDP	Gross Domestic Product
GEAR	Growth, Employment, and Redistribution
GNU	Government of National Unity
IFP	Inkatha Freedom Party
IMF	International Monetary Fund
IR	Industrial Relations
IRS	Industrial Relations System
LRA	Labour Relations Act
LRAA	Labour Relations Amendment Act
MERG	Macroeconomic Research Group
MK	Umkhonto we Sizwe
NACTU	National Council of Trade Unions
NAFCOC	National African Federated Chambers of Commerce
NEDLAC	National Economic Development and Labour Council
NGO	Non-Governmental Organization
NMC	Department of Manpower
PAC	Pan Africanist Congress
RDP	Reconstruction and Development Program
SACCOLA	South African Consultative Committee on Labour Affairs
SACP	South African Communist Party
SAF	South African Foundation
SAMWU	South African Municipal Workers Union
SMEs	Small and Medium Enterprises
TURP	Trade Union Research Project (University of Natal-Durban)
UDF	United Democratic Front
WTO	World Trade Organization

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This work was inspired by the struggle of the majority of South Africans for a more equitable and just existence. My motivation in trying to understand the means through which a state can truly be representative of the will of the people was continually reinvigorated through meeting South Africans struggling for a better life. Unfortunately, for the majority of South Africans, the horrors of living in extreme poverty will not be escaped in the foreseeable future.

CHAPTER 1

Introduction

1.1 Background Information

South Africa is a nation plagued by a history of institutional racism and structural inequality which relegated approximately 80 percent of its population to live under the inhumane laws of apartheid. In 1994 South Africans at long last triumphed over one of the most archaic and cruel political regimes of the twentieth century. The first democratic elections brought to power Nelson Mandela and the African National Congress (ANC), ushering in a new era of hope for equality and social justice for people of all racial backgrounds.

Over forty years of extreme oppression and inhumanity took its toll on both the people and land of the country, leaving concentrated pockets of urban wealth as enclaves amidst overpopulated, squalid townships and vast, poverty-stricken rural areas. The post-apartheid challenges facing the Government of National Unity (GNU) under the leadership of Nelson Mandela were immense. To tackle the multitude of formidable tasks facing the nation the ANC struggled to compose a comprehensive policy framework that would address both economic and social inequalities, increase national economic growth and, most importantly, dismantle the embedded vestiges of racial segregation.

The focus of this study is the means through which the GNU sought to address issues of industrial relations. With its roots deeply intertwined with the labour movement and socialist ideologies, the ruling ANC consistently promised not only to introduce a labour-

friendly regime but also to seek out labour's active influence in decision-making and economic policy creation. With a majority population of unskilled labour and strong and vocal trade unions, combined with the need to generate economic wealth for the nation, the GNU decided to promote a corporatist system of industrial relations.¹

Based on the state of labour relations in South Africa at the end of 1998 I argue that the corporatist experiment has not been successful. In fact, based on the actions and policies advocated by the GNU, I would argue that the state reneged on its promises to promote a labour-friendly regime, and beginning in 1996 actively subverted the fledgling corporatist system that existed in the country. Rather than fulfill its promises to promote social justice, redistribute wealth, and place the interests of workers ahead of those of business, it seems clear that the government has done the opposite in the 1996-1998 period. This thesis sets out the evidence, examines the potential reasons for the failure of the system and briefly looks at the consequences.

Although this study examines a short period of time, and conclusions are drawn based on activities occurring in a five-year period, I would argue that the actions of the government have obviously been in contrast to its promises and claims to promote a corporatist system. The volatile society and deteriorating living conditions in South Africa today are what makes this government backtracking so exceptionally important.

With its high-rise, well-developed cities and extensive infrastructure built throughout the country, South Africa is often not considered "developing" or "African" enough in comparison to other countries in the region. A closer examination though reveals the stark

¹ Breytenbach, Willie. Democracy in South Africa: What Kind and is it Consolidating? (<http://www.fnb.co.za/economics/br000921.asp>) September 2000, 2.

inequalities and overwhelming poverty that is a daily reality for most South Africans. With an affluent white minority and an underprivileged majority, South Africa provides a microcosm of the world within its borders.

The decades of enforced segregation remain clearly visible in South African society today. Not only do towns manifest geographical racial divisions but also the ownership of the means of production remains primarily in the hands of white businessmen. The situation with respect to housing remains virtually unchanged since apartheid. The majority of Africans reside in appallingly derelict townships, providing a cheap pool of labour outside of every town, regardless of its size, throughout the country. Since 1994, South Africa has experienced an unabated increase in extreme poverty and unemployment, serving only to exacerbate existing racial divisions.² Indicators on access to basic and social services show stark regional disparities and there is an alarming and persistent increase in the rate of HIV/AIDS infection throughout the country. Exceedingly high levels of crime and violence, corruption and police inaction all serve to erode any sense of community or societal camaraderie in towns across the nation.

Adding to these woes is a volatility that persists just below the surface of society that threatens to erupt into widespread chaos and violence if unleashed. Rising unemployment and an increasing intolerance for the government's failure to deliver on its promises provide a constant threat to peace in the country. This underpinning of violence and anger, exacerbated by deteriorating living conditions for millions of South Africans, is what makes

² Harvey, Ebrahim, "It's time for the SACP to step out of the ANC's shadow," Mail and Guardian, (8-14 October 1999) 26.

a further deterioration of labour relations a possible catalyst for violent protest, and therefore justifies serious consideration of the issue of labour relations in South Africa today.

This study will examine the concept of an industrial relations system, investigate the beginnings of the corporatist experiment in South Africa, and conclude with a look at where the system of industrial relations stands today. Chapter two of this work will present the research methods used to substantiate the hypothesis followed by an introduction into the work of John Dunlop and industrial relations systems in Chapter three. Chapters four and five describe a brief history of South Africa during the 1980-1990s with a closer focus on the state of industrial relations. Chapter six concludes the study with an examination of the state of industrial relations at the end of 1998 and the implications for the future of South Africa.

CHAPTER 2

Research Approach

2.1 Introduction

In order to gain a more comprehensive understanding of the social and political processes at work in South Africa, a field visit was conducted to supplement secondary research materials. Despite the challenges documented in this Chapter and the limitations of my overall work, the main outcome of the in-country work was a much more realistic grounding of the reality of the South African context. This section reviews information gathering techniques, challenges and limitations of this research, and potential research biases and approach.

2.2 Information Gathering Techniques

In this study both primary and secondary data were utilized, and both quantitative and qualitative data were gathered. Although some primary research was conducted to enhance the literature reviewed the majority of the information was derived from secondary sources and all of the quantitative data were extracted from various published studies.

Before departing for overseas research, background information was gathered from numerous academic sources. Utilizing the resources of most university libraries in British Columbia, I reviewed a large number of written works documenting political, social and economic processes in South Africa during the period 1970-1998. This work was supplemented by previous research done during my study period at the University of

Northern British Columbia on the more general topics of development economics, international relations, trade unions and poverty.

Guiding all of my research was a desire to explore critical works on the social, economic and political development of South Africa. Rather than focusing solely on documents and texts which examined industrial relations, I tried to expand the research to look at linkages between politics and economics, and the impact of the transition to democracy on society. The main texts used primarily focused on the activities of trade unions over the previous thirty years, the activities and policies of various political parties during the 1980-1990s, and on the actions taken by the government between 1994 and 1999. A wide variety of authors was selected, many of them South African nationals, and widely recognized as experts in their field. Over a period of one year I also participated in a labour forum email list that discussed and debated various topics related to labour relations, and economic and political developments in South Africa. Additionally, I reviewed the major weekly newspaper (Mail and Guardian) on-line prior to my travels for one year and then, for a period of nine months while in Southern Africa, I maintained a large collection of newspaper clippings from four Southern African newspapers. The Internet provided a substantial amount of information, allowing me to access information from trade union, political party and government websites. With this large volume of data available, I was able to gain a historical perspective of activities from a variety of opposing sources in addition to keeping abreast of recent developments. Through email I also made various contacts with well-known researchers of labour relations who provided me with further sources of information, documents and personal contacts in South Africa.

My primary research strategy was threefold: 1) To gain a sound base of knowledge on South Africa and the on the sphere of industrial relations, 2) To enhance this knowledge base with concrete experience through an extensive field visit, and 3) To compile and review the data to produce a comprehensive thesis. Once I arrived in the country, obtaining primary data became a daunting task. The challenges and obstacles are documented in section 2.3 of this Chapter, and therefore it is unnecessary to list them here. While in South Africa I had many informal conversations with university professors and graduate students at the University of Natal-Durban on my subject matter, and I also spoke with a representative from the Trade Union Research Project (TURP). Furthermore, I spent a considerable amount of time at the Durban offices of the Council for Conciliation, Mediation and Arbitration (CCMA), utilizing their advice, texts and documents on issues related to labour relations. I also spoke to some individuals involved at various levels in trade unions in an informal manner, basically gathering a sense of the nature of labour relations and the trade unions' current issues with the government and business.

The qualitative data were gathered from both primary and secondary sources. While gathering the primary qualitative data I was more concerned with experiencing the reality of South Africa - its geography, people, and daily life to generate an understanding of the environment in which labour relations and politics operate. Obtaining a glimpse into this reality was vital to understanding the dynamics and atmosphere within the country itself. The undercurrent of social tension and insecurity was extremely pervasive and the highly visible levels of abject poverty were appalling. The day-to-day experience gained while in the country utilizing secondary resources was invaluable and has conditioned this study substantially.

The quantitative data are primarily utilized in this study to substantiate the qualitative research through the use of national and international statistical information found primarily in annual government publications located online. Most of the quantitative data is illustrated in graphs, statistical charts and other forms in the annexed information. Notes on the reliability of this information follow in section 2.4. None of this information was gathered directly by myself, for example through surveys, due to time and other practical constraints. Instead data were selected from widely cited national and international sources.

2.3 Research Challenges and Limitations

As in any piece of academic work, this study is limited and restricted in its scope and was constrained by many factors. My optimistic notions of conducting field research were severely challenged once I was in the country.

The anticipated primary research to be conducted while in South Africa was largely constrained by practical issues confronted during my stay. Approval by the ethics committee at the University of Northern BC for my planned interviews was granted in May of 1999, based on questions I was hoping to ask once in the country. My attempts to pre-plan appointments while I was still in Canada were rebuffed and I was encouraged to seek out people once I was actually in South Africa. Following this advice, I contacted many of my potential interviewees in my first weeks after arrival. I was still often unable to make contact or individuals were unwilling to meet with me. For personal security reasons, it was extremely difficult for me to venture from my residence to trade union offices in Durban, and this was a continuous impediment to my work in the country. Many individuals whom I had hoped to meet with were located in Johannesburg, the capital city in South Africa. Once I

arrived in this city it became apparent to me again that due to security concerns, and additionally impeded by financial constraints, I would be unable to conduct any interviews. Furthermore, the individuals whom I did meet with were unwilling to participate in a formal interview, and would only speak with me “off the record”. My time in South Africa nevertheless did provide me with invaluable experiential knowledge and I obtained a substantial quantity of information previously unavailable. The main types of material made available to me were locally published articles, newspaper clippings, and Southern African academic journals.

Academically, this study was conducted and written over a period of sixteen months. Although this is the most extensive piece of work I have undertaken, this study is not an exhaustive discussion on the broad subject-area which I chose to examine. Because I was unable to interview many of the policy-makers, union leaders and others who are the key actors in this study, my observations, impressions and understanding of the reality of labour relations in South Africa have developed from the information provided to me through others. Thus, I have developed this analysis through a public reality and interpretation that may be simplified and quite different from the private reality and inner workings of the system itself. I recognize this; nonetheless, I still believe that this study has a valid and justified conclusion.

2.4 Research bias and approach

This study was motivated by a desire to understand how the nature of labour relations has changed since the end of apartheid, and to examine if these changes have had a beneficial impact on the majority population of poor, black labourers. In order to assess this I had to

examine the different types of industrial relations systems, the government's intentions and actions in the period studied, and analyze the outcome of these actions.

A critical perspective guided this research as I focused on conflict in a society and attempted to see if changes in state-guided policies have worked in conjunction with the policies of organized labour to produce a more equitable and just society. Recognizing industrial relations as a sub-system of greater society, with the key players being the state, organized labour and capital, I sought to understand if promises to change this system, from the new government in South Africa, had actually materialized. Appreciating the transformation that resulted from demolishing the apartheid system, it was promised that the system of industrial relations would also be greatly transformed to reflect the desire of the new state to develop a more harmonious, unified and egalitarian society. Recognizing this goal of the state, and understanding the labour movement to be largely representative of the historically deprived majority, I utilized John Dunlop's work on the concept of an Industrial Relations System (IRS) to assess how the entire system has changed up to the end of 1998.

My justification for utilizing Dunlop's work was largely pragmatic. When researching the topic of industrial relations, it became evident that the majority of scholarly work in this area has focused on the labour-management relationship and thus the application of this theoretical work is limited. Dunlop's model was used to understand the complexity of factors influencing the operation of industrial relations and how this system is affected by other societal factors and actions.

It must also be noted that data utilized in this study were gathered from a variety of sources. During the apartheid years, the government carried out only selective studies on the population which usually excluded the black majority from such data gathering exercises.

Thus, any assessments of the population size, standards of living or daily activities of the black population before 1994 are likely to be fairly problematic as they were not based on reliable information or data-gathering techniques. Often data that I sought for comparative purposes was not available, including most data on the labour movement and the African population in general, prior to 1994. I attempted to gather data from a variety of sources, including the Government of South Africa, World Bank, United Nations Development Programme, and various independent labour relations consultants and so-called “think-tanks”. These sources corroborated each other and much of the data was extremely similar. Even taking a cautious approach to interpreting the data by not relying on it to reach conclusions, the information does provide some indication of the effect of social, political and economic developments on the population.

Before moving into the actual case study it is necessary to understand the concept of an IRS and how an IRS is linked into the greater political and economic structure of society. Following this I will provide an examination of the IRS in South Africa both during the apartheid era and following the democratic elections in 1994.

CHAPTER 3

Overview of the Industrial Relations System

3.1 Introduction

Industrial relations (IR) as a concentrated field of study has relatively recent roots with most research occurring in the post-World War II period. The central focus of industrial relations has traditionally been the relations between the employer and workers (or unions) for a firm (or industry). Its aim was to address and correct problems in the employment relationship. However, a more comprehensive analysis of the system of industrial relations, incorporating the state as an actor, the political and economic context of activities, and a host of other factors, provides us with a clearer understanding of how and why the nature and operation of industrial relations may change over time. Indeed, conceiving of industrial relations as a comprehensive sub-system of wider society permits an examination of how political and economic decisions impact industrial relations and allows for greater analysis of these interrelationships within and across states.

IRS differ under different types of political regimes, such as democratic or authoritarian rule, with specific models of IRS more common to each of these types of governance. In addition, the ruling authority plays a key role in determining relations between the state and society more generally, dependent upon dominant political beliefs. This political perspective of the ruling authority conditions state organization and

responsibilities, the implementation of a specific economic system, and the operation of an IRS.

In order to have a greater understanding of how an IRS operates and to provide a framework for understanding the demise of the corporatist experiment in South Africa, this Chapter will examine the key components of an IRS, the three model types of systems, and a more in-depth investigation of the corporatist model.

3.2 The industrial relations system

The prevention and minimization of conflict in industrial society has been the focus of numerous studies, drawing from and integrating knowledge of many disciplines including law, economics, politics, psychology and human resources management.³ Subsequently, the conventional focus of this field has been to “solve current, pressing problems by drawing on more basic work in the traditional social sciences” instead of attempting to generate a broad, more encompassing theory of industrial relations.⁴ Finnemore and van der Merwe note that specifically in the realm of industrial relations “the development of theory has progressed slowly and with little consensus as to even its essential nature”.⁵ Consequently, the focus of industrial relations has remained concerned with two key actors, employee and employer, and both scholars and practioners alike often overlook the factors influencing the nature of industrial relations within a greater system of society. Noting this, I adopt the perspective that industrial relations should be considered as “a complex system of individual and

³ Adams, Roy J. ed, *Comparative Industrial Relations: Contemporary Research and Theory*, (UK: Harper Collins Academic, 1991) 6.

⁴ Adams 2.

⁵ Finnemore, M. and R. van der Merwe, *Introduction to Industrial relations in South Africa*, 2nd ed (Johannesburg: Lexicon Publishers, 1989) 3.

collective actions as well as formal and informal relationships existing between the state, employers, employees, and related institutions, concerning all aspects of the employment relationship”.⁶ Yet with the fragmented state of industrial relations theory and a noted concentration of Western industrial relations scholars and studies, research has tended to be narrowly focused on the industry or enterprise level and on the Euro-American experience. No comprehensive industrial relations theory has yet to emerge to explain why industrial relations in different countries, industries and enterprises change over time, why certain actors choose various strategies and methods of operation, and what has influenced the governance of these systems in the long-term. However, John Dunlop, a well-known scholar in the field of industrial relations, developed a framework of an industrial relations system that could be utilized to obtain a greater understanding of how components of industrial society operate and change in relation to other aspects of domestic and global society.

Dunlop’s *Industrial Relations Systems*, first printed in 1958, was the first comprehensive analysis of industrial relations that depicted an encompassing system of factors and relationships influencing the development of industrial society. Dunlop proposed that every IRS was country specific, dynamic, and existed as “a separate and distinctive subsystem of the society, on the same plane as an economic system”.⁷ He stated that this framework for a system could be investigated at the national, industry, or enterprise level. In addition, multiple systems could exist within a sector or a larger national framework and the dominance of a particular industry would colour the IRS considerably. Noting these qualifications, he also mentioned that a specific system would best be studied in its historical

⁶ Nel, P.S, South African Industrial relations: Theory and Practice, 3rd ed, (Pretoria: J.L. van Schaik Publishers, 1997) 5.

⁷ Dunlop, John T, Industrial Relations Systems, Rev. ed., (USA: Harvard Business School Press, 1993) 46.

context where changes in the system are examined through time. The concept of an IRS could prove useful in conducting detailed studies of systems in different countries. The framework generated by Dunlop raises three analytical problems to be investigated: 1) the relation of the IRS to the society as a whole, 2) the relation of the IRS to the economic system and 3) the inner structure and characteristics of the industrial relations system itself.⁸

The following section discusses three ideal types of IRS that exist on a spectrum comparable to a range of political beliefs with more extreme types at either end. However, Dunlop's framework can be utilized for analysis of every IRS as each system contains three generalized groups of actors functioning under environmental constraints and governed by a body of established rules. I have constructed a model of how Dunlop's system might appear in Figure 3.1.

⁸ Dunlop 46.

FIGURE 3.1: Model of Dunlop's Industrial Relations System

Source: Author's model of Dunlop's IRS.

"An industrial relations system at any one time in its development is regarded as composed of certain actors, certain contexts, an ideology that binds the industrial relations system together, and a body of rules created to govern the actors at the work place and work community" (Dunlop 47).

ACTORS		ENVIRONMENT	
Hierarchy of managers and their representatives in supervision		Technological characteristics of workplace and work community	
Hierarchy of workers and/or agents		The product and factor markets or budgetary constraints that impinge on the actors	
Specialized government agencies (and private agencies) concerned with workers, enterprises and their relationships		The locus and distribution of power in the larger society	
RULES			
IDEOLOGY			
Historical period	Sequence of social changes	Decisions of industrializing elite	Process of economic growth
FACTORS IMPACTING DEVELOPMENT OF NATIONAL IR SYSTEM			

The model illustrates the various components of an IRS and draws attention to actors and to the key factors that effect the development of a national IRS. Although Dunlop provides a framework for identifying key relationships and actors in the system he does not provide a theory or analysis. He merely draws attention to the critical components of the system to study and emphasizes the common factors which strongly influence the development of an IRS. To understand how the system operates requires elaboration about the composition of the actors, specific aspects influencing the context or environment they function in and the overarching rules which govern the functioning of the system itself.

Within an IRS, the three main actors identified are workers, managers, and government agencies. These exist in every system albeit with varying degrees of formalization. Dunlop points out that the “hierarchy of workers” does not imply formal organization (e.g. unions, councils) nor does the “hierarchy of managers” necessarily have a relationship to the ownership of the capital assets of the workplace. The capital assets may be owned by an individual not present in the workplace which subsequently influences the workplace dynamics. An important factor is whether or not capital interests are domestic or increasingly foreign-owned as this ownership effects the enforcement of rules and participation in the system. As well, specialized government agencies may have broad, overarching functions which over-ride workers and managers, or the agencies may be extremely restricted or virtually non-existent.

The environment in which the actors operate is critical in shaping the rules established by the actors in a given system. Again, it must be reiterated that the context within which the actors operate can vary greatly not only within a country and industry but also over time. Changes in political dominance and exogenous factors related to the global economy will effect the rules or public policies that provide the overarching framework of an IRS. Dunlop distinguishes three components of the environmental context which influence the operation of the IRS: technological characteristics, budgetary constraints, and power relations.

The technological context of the work place is a vital component of the environment and particularly influences the substantive rules determined for the work place. Technological developments in industry and increased capital can influence both the nature of work and the scope of employment. The market context within which the actors operate is

also a significant determinant in creating a network of rules. Dunlop notes that the “product-market or budgetary constraints and labour-market characteristics of a work place” significantly define the scope of an IRS and are integral to “the long-term identification or attachment of the particular work place or enterprise to a system”.⁹ The distribution of power in society is the third feature of the environment within which the actors operate. The locus of power is specifically influential with respect to the roles of the actors and the formal interrelations between them. This feature tends to differ across countries and is heavily determined by public policy. The power context is particularly important for national industrial relations systems and determining (on a countrywide basis) the formal relations between employers and employees, the role of the state, and procedures for settling disputes. This third aspect of the environmental context is the most important for the later examination of the IRS in South Africa.

As mentioned earlier, the main thrust of industrial relations has been focused on the “web of rules” or policies which govern the operation of industrial society and thus regulates the behaviour and actions of the actors.¹⁰ This “web” includes public policy, legislation, and institutional mechanisms or rules for establishing and governing relations within the IRS. Over time these rules and procedures are expected to change as the context and status of the actors shift, as environmental factors change, and as political authority undergoes transition. There exists a wide range of possible procedures for the establishment of these rules. In different systems the state or the employer may retain the dominant role and lead the process or they may all work together cooperatively. Some rules are more closely related to the

⁹ Dunlop 106.

¹⁰ Dunlop 51.

technical or market constraints and some are directly related to the distribution of power in the wider society, notably the relations between the actors. Dunlop states that

“The rules of the system may be expressed in a variety of forms: the regulations and policies of the management hierarchy; the laws of any worker hierarchy; the regulations, decrees, decisions, awards or orders of governmental agencies; the rules and decisions of specialized agencies created by the management and worker hierarchies; collective-bargaining agreements, and the customs and traditions of the work place and work community”.¹¹

These rules are largely determined by a dominant ideology which influences the essential character of the IRS.

Dunlop’s notion of a greater ideology binding the entire system together has been particularly contentious. Critics remark that the incorporation of ideology into the model assumes a balance between labour and management through this shared ideology.¹² However, Dunlop notes that the system is dynamic and that this ideology changes over time. Yet, at a stage where a particular type of IRS is studied, there must exist at some level “a body of common ideas that defines the role and place of each actor and the ideas that each actor holds toward the place and functions of the others in the system”.¹³ The ideology influencing an IRS at a specific point in time is expected to be relatively compatible with that of society as are the ideologies of the actors in the system, pending industrial unrest or other forms of protest for change. Without some level of compatibility a society will likely experience continuous uprisings from labour and will essentially have a non-functioning system. Dunlop is careful to note, however, that the term ideology may convey a “more

¹¹ Dunlop 53.

¹² Meltz, Noah M, “Dunlop’s Industrial Relations Systems After Three Decades,” Comparative Industrial Relations: Contemporary Research and Theory, ed. Roy J. Adams, (UK: Harper Collins Academic, 1991) 13.

¹³ Dunlop 53.

rationalized and formalized body of ideas than is intended”.¹⁴ However, this set of governing principles is what binds the system together to exist as an entity, and is what distinguishes the concept of an IRS from merely being an assessment of the relations between employee and employer.

Dunlop clearly states that the major characteristics of a national IRS are typically determined at an early stage of industrial development and tend to be relatively constant over time unless a substantial revolution occurs at the national level.¹⁵ There are four critical factors which greatly impact the development of this system and are integral to investigate how a system changes over time and why certain systems with similar characteristics and development may operate quite distinctively. In a stable system these factors are likely to influence the political authority and will then be reflected in the rules and public policy that the state implements. He notes that these four factors are crucial to a greater understanding of a specific national IRS. They are: the historical context, the social changes within a country, the economic growth and development of a nation, and the decisions made by the industrializing elite.

The period of history within which an industrializing country begins to develop a formal IRS is particularly important in influencing the development of rules and the role of government in the system. For example, in the Soviet era (post-1917) the rise of communist organizations shaped the way in which governments in capitalist societies viewed the relationship between labour organizations and political parties. As well, systems that primarily have developed in the past two decades bear the imprint of the International Labour

¹⁴ Dunlop 54.

Code, incorporating normative standards of labour legislation. The increased role of government as an employer in the post-war period and until the 1970s, particularly of industrial labour, and the rise of professional management in the last half of this century (in contrast to family management) have both influenced the development of systems and have often contributed to the rise of orderly dispute processes and solidified the formal relations between actors.¹⁶

The second critical factor is the progression of structural social changes that a country experiences. The timing of national, political and industrial revolutions in a country in relation to the rise of the labour movement is decisive in determining the relationships between the actors and the role of labour organizations in particular. In countries where the labour movement played a prominent role in securing national independence there tends to be strong relationship between the ruling party and labour. Dunlop also notes, “when labour organizations have to fight for political and social status, the industrial relations system may be expected to reflect a greater degree of formal political organization and to be more strongly involved in influencing public policy”.¹⁷ As well, when labour organizations have been retarded in their growth and then they suddenly emerge, a greater degree of centralization is to be expected, with less autonomy for individual bodies.¹⁸

The third and possibly most important factor influencing the development of a national IRS is the process of economic development. During the industrializing process all actors in the system undergo changes that effect their roles and relationships. In more industrialized (developed) countries, there tends to be a more stable, highly skilled workforce

¹⁵ Dunlop 227.

¹⁶ Dunlop 229.

¹⁷ Dunlop 232.

functioning in a more formal set of procedures compared to those in less-industrialized countries. Countries considered to be industrializing (developing) not only have to contend with a typically low-skilled workforce but also with the challenges of industrializing in a highly competitive global economy. Additionally, the challenges facing countries which have an agricultural economic base compared to those which are based on industry or services are quite different. States which are currently 'developing' typically have a large workforce, often with skills focused in agriculture, and the national economy is very often dominated by the interests of foreign capital. Thus, states currently considered 'developing countries' commonly have an IRS reflecting the challenges of addressing these shared characteristics in their economic development.

The three previous aspects relating to the development of the national IRS have a critical impact on and are influenced by the decisions made by the industrializing elite. This fourth factor highlights the decisions made with respect to the strategy that the emerging system will be based upon. The institutional arrangements of a system necessitate some unity and are determined by the decisions the industrializing elite make regarding key questions concerning the relations between capital and labour, the mechanisms to contend with industrial conflict and how industrial society will be organized. Different groups of elite can exist within the same country, functioning in different sectors, but importantly the relationship between the elite and the political authority and whether these two are the same is critical.¹⁹ The main choices confronting the architects of the IRS are not only influenced in

¹⁸ Dunlop 231.

¹⁹ In a given country the political elite may not be the same individuals who are considered the industrial elite. In countries where this group of elite individuals is considered to be one and the same, the control of the development of the IRS remains in the hands of the political elite and can more tightly obstruct change or reform of the IRS.

turn by the previous three factors (social context, economic development and the historical setting) but also by the ideological perspective which dominates the elite. This ideological perspective, based on a fundamental set of beliefs regarding the nature of conflict between capital and labour, is usually reflected in government policy and therefore conditions the rules of an IRS.

The focus of Western industrial relations has conventionally been concerned with the relationship between capital and labour and, in particular, labour peace and conflict.²⁰ In recent years, industrial relations research has expanded to study the broader links of the labour movement, examining the social, political and economic realm of trade unions in newly industrializing countries.²¹ Dunlop's conception of an IRS illustrates his attempt to shift the discipline's perspective from collective bargaining to the full spectrum of industrial relations. His articulation of a system which exists in every industrial society highlights the interdependence of the actors and other components of the system which are woven together and interrelated. Ultimately, the changes in different elements of the system are to be examined to understand how they influence the rules governing the relationships between the actors and procedures or rules that govern the system. Dunlop's framework allows us to study changes in the system over time and to examine how changes in behaviour or circumstances at one level produce changes in another, and how these can best be explained. As Blanpain argued, there needs to be a move beyond the descriptive nature of this field of research and to concentrate on explanation "in order to identify the role, importance and

²⁰ De Silva, S.R. Elements of a Sound Industrial Relations System, (<http://www.ilo.org/public/english/dialogue/actemp/papers/1998/srseleme.htm>), Bangkok 1998, 10.

²¹ De Silva 11.

interaction of the different factors shaping and influencing industrial relations...in a variety of national contexts".²²

Dunlop's framework allows us to examine why countries with similar social and economic development patterns may emerge with differing procedures and institutions in place to manage industrial society. More important, however, is Dunlop's promotion of the idea that the realm of industrial relations functions as a sub-system of the greater society, as complex and intricate as an economic system. If Dunlop's framework is utilized, it may help us to explain why certain aspects of a national system that function effectively at one level do not have the same desired effect at another level. As well, labour institutions and procedures in the work place which operate successfully in the Western experience may be ineffective and possibly detrimental applied outside of the North American or Western European context.

What Dunlop's framework helps us to understand is that certain national experiences may colour the operations of industrial relations to a much greater extent than previously considered. In the South African experience, the country's turbulent history, unique social relations, unstable economic history and recent national revolution all play a substantial role in understanding the operation of the IRS over the past fifteen years. The ANC's introduction of policies consistent with a corporatist style of management of the IRS has ultimately proved to be unsuccessful, as relations between actors in the IRS have become increasingly antagonistic and the established institutional mechanisms are now essentially token structures. Trying to understand if the system has been unsuccessful and how the

²² Blanpain, Roger. "Industrial Relations in Developing Countries" in Bean, R, Comparative Industrial Relations: An Introduction to Cross- National Perspectives, (New York: St. Martin's Press, 1985) 229.

system has evolved in line with the four major factors influencing the development of an IRS, as identified by Dunlop, is the focus of the following Chapters.

3.3 Types of systems

As mentioned in the previous section, there is a spectrum of industrial relations systems closely linked to the ideological perspective dominant in the system. This spectrum, illustrated in figure 3.2, depicts three types of an IRS described in their ideal form and merely provides us with a tool to visualize the range of types similar to a spectrum depicting political beliefs from “left” to “right”. It must be noted that these are *ideal* models and that countries are not likely to have an IRS which is clearly one ideal form; instead the system will likely display certain characteristics inherent in one type or possibly exhibit traits of more than one form. The lines are distinctly blurred on this spectrum. Any IRS examined at a specific point in time is likely to embody a variety of traits just as a political system is unlikely to be found in an ideal or extreme form in countries around the world. All types of systems stem from an ideological perspective which is focused on the dynamics of state-society relations. In this figure, interest groups represent civil society and, for the purposes of this study, will be understood and examined as organized labour.

Figure 3.2: Spectrum of Industrial Relations Systems

Source: Adapted from Dunlop, drawn by author.

<i>Type of IRS</i>	Liberal-Pluralist	Corporatist	Conflictual
<i>Nature of State</i>	Weak state	Directing state	Total State
<i>Nature of Interest Groups</i>	Strong, independent interest groups	Structured, limited interest groups	Weak, totally controlled interest groups

The relationship between capital and labour was studied in the 19th century by classical economists who conceptualized labour as another commodity subject to the laws of supply and demand.²³ A variety of theorists critical of this liberal orthodoxy, such as Marx, and the Webbs and the Commons, soon challenged these “natural laws” and developed alternative theories rethinking the conflictual relationship between workers and employers, citing different reasons for conflict and alternate means of resolution.²⁴ From the ideas of these early pioneers in industrial relations, three main ideologies regarding the nature of the capital/labour relationship have dominated the field: pluralist, unitarist and authoritarian. Each of these perspectives forms an ideological base for one of the IRS models depicted in Figure 3.2 and will be examined below. Within an IRS it is important to consider that the state is included as a key actor with capital and labour, and additional factors are incorporated into the environmental context within which industrial relations function to comprise a system.

The pluralist frame of reference is based on the acknowledgement of individual interests in society and “sees the enterprise as a coalition of individuals and groups with their own interests, agendas and power bases”.²⁵ With these divergent interests in society and particularly in industrial relations, conflict is endemic and therefore unions are seen as legitimate bodies with collective bargaining the ultimate method for resolution of conflict. From this recognition of competing interests, the ideal means of managing these interests is to permit all interest groups to be free and unfettered in their actions and to encourage their

²³ Finnemore 2.

²⁴ Finnemore 3.

²⁵ Plowman, D.H, “Management and Industrial Relations,” Comparative Industrial Relations: Contemporary Research and Theory, ed. Roy J. Adams, (UK: Harper Collins Academic, 1991) 64.

vigorous activity. This is a popular political ideology in the world today as it is advocated as best serving the interests of democracy by forcing interest groups to compete and compromise with little to no direct interference from the state, except for the setting of the legal framework. An IRS rooted in this perspective is often termed a liberal-pluralist system. Translating this ideology into practice means that the interests of capital and labour are relatively free and independent of state control and the means by which they resolve disputes are determined at a sector or enterprise level. Economically, this system is claimed to be most beneficial for encouraging rapid economic growth, as the interests of capital, with more resources and often more power, often prevail over those of labour. Thus, the interests of capital will dominate economic and industrial policy, likely spurring investment in a business-friendly environment.

The second perspective is termed authoritarian. In this analysis, class conflict forms the base of industrial society with intrinsic conflict persisting between those who own the means of production and those who do not. Unions exist to challenge the capitalist system itself and are the vehicles through which workers can attempt to change the system.²⁶ From this perspective, the authoritarian model of an IRS would see a strong, controlling state which subordinates interest group activity.²⁷ In this model, termed a conflictual IRS, the state would make decisions regarding industrial society with no grass-roots participation from labour. With respect to the economy, state-controlled interest groups would often be created to subdue challenges to the state and enforce a stable industrial relations environment. The state would typically nationalize industry and services and increase social

²⁶ Finnemore 8.

²⁷ Wiarda, Howard, Corporatism and Comparative Politics: The Other Great "Ism", (New York, London: M.E. Sharpe, 1997) 6.

spending. Foreign investment would be limited as the state would seek to control activity and enforce strict “red-tape” measures.

In contrast to the other two perspectives, the unitarist perspective places emphasis on possible workplace harmony due to the common interests and objectives of capital and labour.²⁸ From this “unitarist or loyal team” perspective, conflict is unnatural and usually the result of a lack of information, with unions unnecessary and usually obstructive. However, upholding the belief that common interests exist between capital and labour, an IRS formed under this perspective will typically attempt to promote and ensure harmony through state guided activity. Thus, collective representation of capital and labour would be recognized by the state and incorporated into the decision-making processes on public policy. An IRS that emerges based on this perspective would be termed corporatist, as the state would guide interest group activity to ensure equal representation and prevent conflict from growing between capital and labour. Corporatism usually takes hold in an industrialized economy where social welfare is a main concern of the state. By mediating the interests of capital and labour the state seeks to level the playing field between the two parties and generally promote a more labour-friendly regime. This type of system may promote investment through ensuring a stable, industrial peace or it may deter investment through its required submission to a central authority, normally a state-created forum for negotiation, and adherence to agreements.

As mentioned previously, no one state can plausibly implement an “ideal” system but instead pursues a strategy of state management consistent with its ideological roots and which will inevitably exhibit characteristics consistent with one type of model. The figure

²⁸ Burchill, Frank, Labour Relations, 2nd ed., (Hampshire: Macmillan Business, 1997) 3.

below illustrates the connection between the dominant ideological perspective regarding the nature of state-society relations, focusing on the perceived nature of conflict between capital and labour and the role of the state, and the subsequent IRS which is likely to emerge.

Although Dunlop discusses the types of IRS which can exist he only touches on the types of ideology which would typically guide the development of a particular IRS. The creation of the figure below is simply an expansion of the ideas that Dunlop mentions briefly within his own text.

Figure 3.3: Relationship between Ideology and an IRS

Source: Drawn by author.

Dominant Ideology	Nature of Conflict	IRS Most Likely to Develop
PLURALIST	Capital and labour have divergent interests and thus conflict is endemic. Groups are free and unfettered to compete.	Liberal-Pluralist
UNITARIST	Although conflict exists, there are common interests. State tries to moderate capital and labour equally in system.	Corporatist
AUTHORITARIAN	Class conflict is base and thus intrinsic in system. State tries to subordinate labour in system.	Conflictual

The South African state, which emerged under democratic rule in 1994, attempted to pursue a system of corporatist management in harmony with the ideological roots of the ANC, the ruling political party. Not only do many of the works mentioned in the bibliography study the establishment of a corporatist system in South Africa in detail, but also the public pronouncements by the government and the type of system which was in fact initially established, all provide evidence to support this. Policy documents put forth by the ANC during this time also document this strategic decision well, but further discussion on

this will follow in the next Chapter. To understand the actions of the state and why there was an attempt to establish a corporatist IRS a closer examination of the corporatist model is required.

3.4 A closer look at corporatism

Although wide variations of the corporatist model exist, there are some key distinguishing characteristics of this particular system:

- Strong, directing state
- Restrictions on interest group freedom and activity
- Incorporation of interest groups into the state system²⁹

If a society is not organized on an individual basis and the state seeks to control and incorporate interest group activity into the state system, then it is likely that the system would be termed corporatist. Utilizing the work of Wiarda who presents an in-depth study of corporatism and its various forms, we can look at four main types of corporatism: historical, ideological, manifest and neo-corporatist.

Historical corporatism is typically identified with “premodern societies, especially those founded on traditions that emphasize solidarity, group identity, and community”.³⁰ This form of “natural” corporatism is associated with solidarist conceptions of society and arises from institutions such as the family, church, aristocracy and military orders. These innate corporatist groups often continue to exist after the emergence of the nation-state in a

²⁹ Wiarda 8.

³⁰ Wiarda 16.

“mutually satisfactory and legally defined relationship to the central state”.³¹

The second form, termed *ideological* corporatism, emerged with an emphasis on individual rights which was popular in the 18th century. Not content with the atomistic conception of the individual in society, groups pushed for the return to a focus on an organized society based on collectivity. This ‘new’ ideology was formally termed corporatism and advocated that society’s component groups would assist in the creation of economic and social policy in collaboration with the state. This form of corporatism took hold mainly in Europe and Latin America during the first half of the 20th century.³²

The third corporatist form, termed *manifest*, emerged in the post-WWII period at a time when corporatism was associated with horrific and authoritarian regimes used to suppress and control all aspects of citizen activity. From the 1960s onwards many states in Latin America and Asia encountered difficulties in state development including labour unrest, a lack of economic coordination and a booming pluralist society which was causing societal unrest.³³ The need for some form of state management to ensure interest group harmony in society motivated leaders to seek out forms of corporatist organization. But because of the negative connotations in the immediate post-war period surrounding corporatism, states claimed merely to implement forms of “guided democracy” or “communitarianism” based on a unitarist ideology, which literally replicated the corporatist model.³⁴

³¹ Wiarda 17.

³² Wiarda 18.

³³ Wiarda 21.

³⁴ This form of corporatism is similar to a conflictual IRS, yet the key difference remains that the state merely seeks to moderate between the actors, and not to control their activities.

The fourth and final form is *neo-corporatism*. This variant is typically found in advanced, industrialized countries which want to incorporate economic and social bodies into the process of formulating social, industrial and economic policy concerned with social welfare. The formal representation extended to those bodies in state decision-making is premised on the belief that through compromise, peaceful negotiation and concessions from capital, labour and government that mutual benefits will amass. Neo-corporatism is consistent with a parliamentary democracy and a pluralist society and is sometimes termed societal, soft or open corporatism.³⁵

Within each form of corporatism a system of industrial relations will still appear distinct to some extent. Corporatist arrangements will vary country to country and across different periods of history and in relation to different economic strategies. In Western Europe, neo-corporatist arrangements have typically emerged in societies with a high degree of social cohesion, an advanced industrialized economy, and under the direction of social democratic political parties.³⁶ These conditions have resulted in long-term trust relationships evolving between the parties involved and highly centralized, representative bodies which can effectively enforce the agreements across their constituencies. Unger and Chan note that in China a more authoritarian, state-controlled, manifest form of corporatism has emerged in the 1990s.³⁷ They also note that at the national level peak organizations represent an elite in corporatist structures and deals are reached and then forced, top-down, on the constituencies

³⁵ Wiarda 22.

³⁶ Henley, Andrew and Euclid Tsakalotos, Corporatism and Economic Performance, (England: Edward Elgar Publishing Ltd, 1993) 165.

³⁷ Unger, Jonathan and Anita Chan, "Corporatism in China: A Developmental State in East Asian Context," China After Socialism: in the Footsteps of Eastern Europe of East Asia? Eds. Barrett L. McCormick and Jonathan Unger, (USA: M. E. Sharpe, 1996) 95.

with no semblance of democracy. Thus, the different forms of corporatism which can often emerge resemble the “ideal” types very little. Dependent on a myriad of factors, including political and economic doctrines upheld by the state, corporatism can range from being a highly beneficial system of industrial relations which levels the playing field between capital and labour to a means of controlling the activities of the population by restricting interest group activity.

All forms of corporatism involve some form of interest group organization and involvement by the state. In some cases, the reasoning behind involvement would be to contain and control citizen activity and to reduce any political threats to the state. In other cases, corporatism may be used to provide a more formal and secure forum for interest groups to negotiate with some level of state mediation to enforce agreements. Thus, a successful measure for a corporatist system may be the complete subordination of independent citizen activity, or it may be the advancement of the working class. Judging the success of a corporatist arrangement is therefore dependent on the objectives behind implementing such a system.

In the South African case, the government attempted to implement a type of IRS which was consistent with the neo-corporatist form. The objective was to promote social harmony and to implement a system of state management in complete contrast to the racially oppressive and authoritarian policies of apartheid. Thus, the ANC envisaged a corporatist system operating in a democratic and participatory state promoting a system of social justice and the national development of the “new” South Africa. This system would allow organized labour, capital, and interest groups in society to participate in formal multipartite discussions which would then inform policy-making. When examining whether or not the

South African experiment was a success, the goals for implementing such a system must be assessed. It is clear that the government desired the creation of a multipartite forum to address five key goals:³⁸

- (1) reduce social unrest (including industrial action)
- (2) promote a labour-friendly regime
- (3) negotiate with strong interest groups
- (4) advance the interests of the underprivileged
- (5) deepen the processes of democracy

Of course, all of these key goals would have spin-off effects such as ensuring a stable investment climate for business. These goals were presumably important to the government yet not as critical to promote to the majority population as they were more concerned with broad issues of social justice. Therefore, as mentioned previously, to assess the success of corporatism one must examine the reasons behind the government's attempt to establish such an IRS. In assessing the success of corporatism in South Africa the following questions must be asked: Has social and industrial peace been achieved? Is a labour friendly regime in place? Is there successful negotiation with the interest groups? Have the interests of the underprivileged been addressed and advanced? And finally, has democracy been strengthened?

3.5 The South African experiment

The challenges facing the new government in pursuing its corporatist vision were immense. An effective corporatist system requires strong, representative bodies to undertake institutionally orchestrated negotiation and second, the neo-corporatist form is not typically

³⁸ ANC Election Manifesto. "Together, fighting for Change"
(<http://www.anc.org.za/elections/news/mar/en032900.html>) 1992.

found in transition societies.³⁹ Third, participating bodies must believe that the system is effective and fair and be committed to corporatist goals as substantial concessions are required from all parties. Fourth, the government must remain neutral and strong in order to maintain the required political and economic controls and to ensure democratic participation in the system.

These factors all play a large role in the success of a corporatist system. Although the ANC would face a formidable task in attempting to implement a neo-corporatist model the desire and commitment seemed steadfast. A corporatist system would not only help the ANC to achieve their social and economic goals but would provide a means through which organized labour would assist in the transformation of society to redress historic inequity and oppression.

The following Chapter provides a brief history of the country focused on the role of the labour movement through the ending of apartheid as well as the first four years of democratic rule, essentially 1980-1998. In Chapter five I examine the government's attempt to implement a neo-corporatist model and review the events leading to its quick demise. Finally I conclude in Chapter six with an analysis of the state of industrial relations today and the move towards a more liberal-pluralist model.

³⁹ Wiarda 25.

CHAPTER 4

The Roots of the Corporatist Experiment

4.1 Introduction

In order to understand the importance of the demise of the corporatist experiment in South Africa and the repercussions for labour, a brief review of the history of apartheid and the role of labour in demolishing the racist regime is necessary. Drawing upon Dunlop's framework this Chapter examines, in brief, the historical context and the social and economic changes in South Africa, specifically the historically intertwined relationship between the ANC and COSATU in view of the state's attempt to pursue a corporatist system. Chapter five will examine the decisions of the elites during this transition to democracy during which time the new system was developed. With a greater knowledge of the historical context of both the ANC and the labour movement, we can understand the challenges of governance and the strategic choices facing both of these players in 1994. Thus, this Chapter looks at the struggle against and the collapse of the apartheid system, the state of both the ANC and COSATU prior to the 1994 election and the choices facing both the government and organized labour for the post-apartheid period.

Soon after the formal establishment of apartheid in 1948 the National Party government passed legislation strictly limiting freedom of movement, occupational choice and educational services to non-whites along with the expulsion of Africans to ethnic 'homelands'.⁴⁰ (The use of the term "African" refers to peoples of African descent as visibly determined by colour and passbook identification at the time, excluding Asians and people of "light" coloring.) This rigid system of racial domination not only required all Africans to carry a passbook revealing their identity, employment and legal history at all times but also stripped non-whites of South African citizenship. The Population Registration Act of 1950 classified people on the basis of their "community acceptability" and formed the basis of legislation for societal segregation. A multitude of laws were enacted during the first five years of apartheid, including the Group Areas Act, the Prohibition of Mixed Marriages Act, the Reservation of Separate Amenities Act and the Bantu Education Act, which extended racial domination to all facets of life. Thus, all peoples of colour or of non-European descent were excluded from living in urban areas, from accessing government-funded education, and from accessing most forms of employment outside of hard labour.⁴¹ Under the Native Laws Amendment Act of 1952 neither men nor women could remain in an urban area for more than 72 hours without a special permit included in their passbook. The Suppression of Communism Act of 1950 declared the Communist Party and its ideology illegal, and broadly defined communism as any scheme aimed at "bringing about any political, industrial, social

⁴⁰ Lundahl, Mats, "The Post-Apartheid Economy, and After?" Post-Apartheid Southern Africa: Economic Challenges and Policies for the Future, Ed. Lennart Petersson, (London: Routledge, 1998) 22.

⁴¹ Library of Congress Federal Research Division, South Africa Country Study, (USA, 1996) 39.

or economic change within the Union by the promotion of disturbance or disorder”.⁴² By limiting non-white mobility and anti-state activity the government sought to prevent the possibility of threats to political authority and to allow white domination to reign peacefully.

Up until the 1970s severe state repression quelled most civil disobedience and opposition to the state was fundamentally limited. However, during the 1970s labour activity became more militant with workers protesting student murders and police brutality and demanding the release of political prisoners. In response to labour unrest and the resulting economic impact, the government embarked on a series of labour reforms in the late 1970s, which extended rights to Africans to join and form registered unions, bargain collectively, and strike.⁴³ The extension of workers’ rights was primarily motivated by economic fears, as the apartheid regime was dependent on economic growth and stability for ensuring its survival.⁴⁴

The apartheid system required that the government play a large role in the economy to ensure that whites maintained their privileged status. The South African economy has historically been dominated by exports of manufacturing, mining and agriculture. International competitors were kept at bay through high tariffs and strong state protection for domestic industry. Manufacturing exports typically accounted for one third of GNP whilst gold, the most important export commodity in this century for South Africa, comprised approximately one quarter of all exports. Machinery remained the key import between 1960-

⁴² South African Government Legislation, Suppression of Communism Act, No. 44, 1950.

⁴³ Harcourt, Mark and Geoffrey Wood, “The Rise of South African Trade Unions,” Labor Studies Journal (Spring 1998) 82.

⁴⁴ COSATU Shopsteward. “Campaigns” (<http://www.cosatu.org.za/shop/ss0406-11.html>) (SA Labour Bulletin, vol 16, no 3, January 1992).

70 as well as other capital goods for domestic industry, transport equipment and chemicals.⁴⁵ The economic strategy pursued by the apartheid regime from the 1970s onward was one of “inward looking import substituting industrialization” although imports have remained at around one quarter of GDP and have been essential to maintain the level of economic activity.⁴⁶ During the 1970s, the South African economy entered a period of stagnation which was further exacerbated by international economic sanctions which began during the period of 1985-1986.⁴⁷ The productivity of new investment continually fell during the 1980s as the government increased spending on national and international military objectives and its focus on the maintenance of an immense police state to enforce apartheid.⁴⁸ Essentially, the political doctrine of apartheid translated into an inefficient economic system structured to benefit the white minority, creating gross inequalities of income and a blatant misallocation of resources, eventually causing a slowdown of national GDP growth for most of its final years. Figure 4.1 below shows the rates of GDP growth, over the period 1961-1990 while Figure 4.2 following this shows population growth. These figures show the rate of economic growth whilst also considering the rate of population growth, illustrating South Africa’s lack of economic growth during the 1980’s. Without a substantial drop in the population growth rate this would indicate an economic slowdown, particularly when considering the economic growth occurring in other regions of the world.

FIGURE 4.1: Average GDP Growth for South Africa 1961-1990

Source: Adapted from World Bank Group Website, 2001.

⁴⁵ Marais, Hein, South Africa: Limits to Change, the Political Economy of Transition, (London: Zed Books, 1998) 11.

⁴⁶ Marais 11.

⁴⁷ Marais 11.

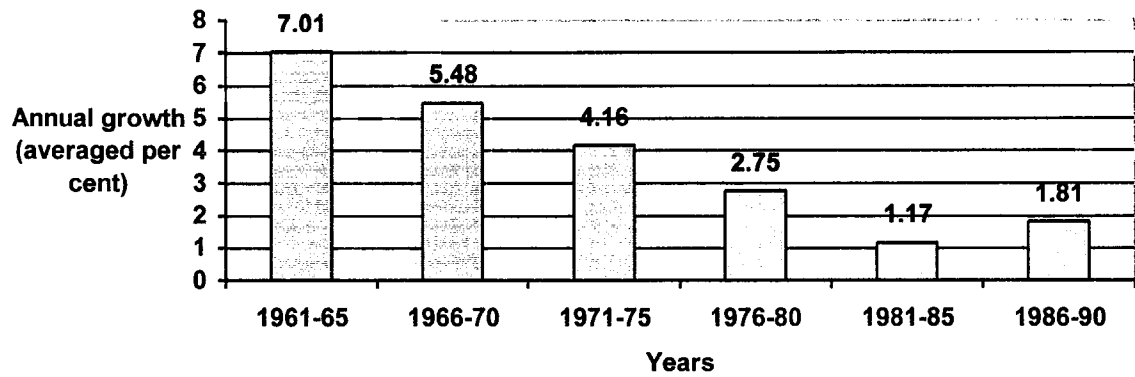
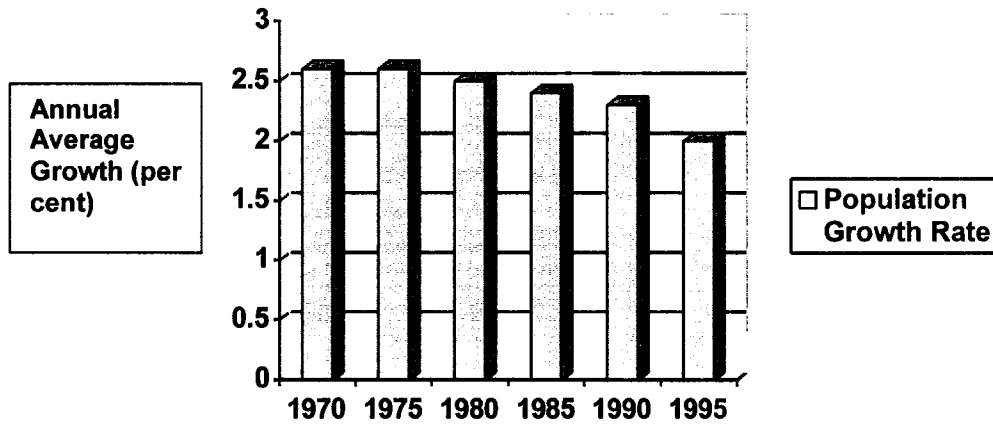


FIGURE 4.2: Average Population Growth South Africa 1970-1995
Source: Adapted from United Nations Environment Programme Website 2001.



Although there were many likely factors leading to the economic decline of the 1980s, including the policy of apartheid, civil unrest, and international sanctions, the country's inward-oriented industrialization path was also a likely contributing factor. The high levels of protection required to sustain local markets for inefficient domestic producers

⁴⁸ Deegan, Heather, *South Africa Reborn: Building a New Democracy*, (USA: UCL Press, 1999) 130.

had proven too costly. The tariff regime had become extremely complicated with different levies being applied to small variances amongst virtually identical products.⁴⁹ Along with limited domestic demand, by the 1980s the government was also under pressure from the international community to reform its economic strategies. In 1989 the government implemented a structural adjustment program to completely undo industry's inward orientation and to encourage export activity.⁵⁰ In addition, the government took steps to liberalize its trade regime and to phase out state supply-side measures.

Socially, the African population was devastated by apartheid, existing in conditions of extreme overcrowding with scarce provision of water, energy and other basic facilities. In 1980 the per capita income of Africans was one-twelfth that of whites and malnutrition and mortality levels were appallingly high. These were all factors contributing to Gini coefficient⁵¹ levels of 0.66 to 0.71 between 1970-1993.⁵² During apartheid the vast majority of Africans never received education beyond primary levels in low quality schools; this deprivation is probably the most disastrous legacy of the racist system.⁵³ Freedom of movement was severely constrained for individuals as blacks could not move about without a valid passbook and some amount of money. Citizen participation was not only restricted by

⁴⁹ Altman M, An Industrial Strategy for the Clothing Sector, (Cape Town: University of Cape Town Press, 1994) 16.

⁵⁰ Lundahl 24.

⁵¹ Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditures) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of zero represents perfect equality while an index of 1 implies perfect inequality.

⁵² Wilson, F. and Ramphela, M, Uprooting Poverty: The South African Challenge, (New York: WW Norton and Co., 1989) 104.

⁵³ Marais 13.

law but also by gender, as men had the opportunity to join unions through work and often participated in covert political planning.⁵⁴

Nelson Mandela's banned political party, the ANC, was the main political party supported by Africans and industrial membership in unions essentially translated into political membership in the ANC. In spite of their meager standards-of-living, black membership in unions and civic councils continued to grow and opposition activities against the state continued unabated as the struggle for democracy surged ahead.⁵⁵

4.3 The decade of struggle: 1980-1990

During the 1980s rising popular activism and state repression reached historically high levels. Violence in the townships was commonplace and activities of the MK (Umkhonto we Sizwe, the armed wing of the ANC) gathered strength and increased levels of disorder.⁵⁶ With townships under heavy police oppression and civilian militancy intensifying, the political parties' task of mobilizing citizens outside of the workplace became virtually impossible. Political parties other than the ANC covertly competed to increase their membership wherever possible, including the United Democratic Front (UDF), Azanian Peoples Organization (AZAPO), Pan Africanist Congress (PAC), Inkatha Freedom Party (IFP), and the South African Communist Party (SACP). Reformers outside of the townships, including many white South Africans, worked to strengthen NGO capacity and develop alternatives to the apartheid system, garnering financial and moral support from

⁵⁴ ANC historical documents. "Anti-Pass Campaigns 1912-1960" (<http://www.anc.org.za/ancdocs/history/campaigns/passes.html>) October 1999.

⁵⁵ ANC historical documents. "The crisis of apartheid and negotiations leading to democratic elections, 1986-1994". (<http://www.anc.org.za/ancdocs/history/transition/>) 1994.

⁵⁶ ANC 1994a.

some members of the international community. With opposition political parties officially banned and freedom fighters exiled, unions became the key vehicles to mobilize the necessary political will and to increase public pressure on the National Party government.

Trade unions flourished during a period of rapid industrial development in the 1960s but were severely repressed by legislation and were largely underground movements until they reemerged in the 1970s with a series of wildcat strikes.⁵⁷ The wildcat strikes in Durban began with a strike of 2000 workers in January 1973 and within weeks thousands of textile workers, followed by municipal workers and others, took to the streets. The first three months of 1973 saw 61,000 workers on strike, more than the total for the previous eight years.

Black unions were officially legalized and granted basic rights in 1979 although banned from participating in any political activity. The early 1980s saw tremendous growth in union membership and strength.⁵⁸ By this time over 80 per cent of shares traded on the Johannesburg Stock Exchange were controlled by four conglomerates and business hoped that the official recognition of black unions would provide a more stable workforce during the 1980s with whom they could negotiate worker demands and avoid costly and disruptive strikes.⁵⁹ Small changes were also made in housing, employment and schooling in order to improve the economy in the longer-term, as firms needed more skilled black workers to fill positions.⁶⁰ The unions allowed black workers to discuss concerns and provided an integral

⁵⁷ Benner, Chris, *Trade Unions and Labour Struggles in the New South Africa*, (USA: Institute of Industrial relations, University of California Berkley, 1995) 1.

⁵⁸ DeFronzo, James, *Revolutions and Revolutionary Movements*, (USA: Westview Press, 1996) 323.

⁵⁹ Marx, Anthony W, *Lessons of Struggle: South African Internal Opposition, 1960-1990*, (New York: Oxford UP, 1992) 193.

⁶⁰ DeFronzo 312.

space for opposition movements to become more mass based and inclusive. Previous opposition movements to the apartheid state had excluded the increasingly radicalized white intellectuals who had been banned from participating in the Black Consciousness movement to liberate blacks and demolish the system of apartheid. The segregated society of apartheid did not permit space where different races could meet together to discuss and organize opposition to the state and thus union activity finally permitted whites to participate in promoting the transition to democracy.

During the mid-to-late 1980s the older, historically more conservative union base virtually imploded and many fragmented; smaller unions amalgamated to become part of COSATU as it emerged in 1985 and became the central organizing body for the labour movement in South Africa.⁶¹ The strength and capacity of the labour movement quickly became clear as union membership swelled and Africans empowered themselves through united defiance. Table 4.4 below illustrates numbers of unionized workers. These levels are conservative approximations based on available data from central union congresses during the period specified while excluding many small, independent unions. By 1985 South Africa had been declared a high-risk country by numerous foreign banks and faced an economic crisis as insurrections in most sectors of the economy became frequent.⁶² Business was necessarily forced to the negotiating table and in 1985 a business delegation led by Anglo-American CEO, Gavin Reilly, met with the exiled ANC leaders in Zambia for discussions regarding the formation of the post-apartheid economy.⁶³ This was extremely important as

⁶¹ Baskin, Jeremy, "The Social Partnership Challenge," Against the Current, Ed. Jeremy Baskin, (Johannesburg: Ravan Press, 1996) 22.

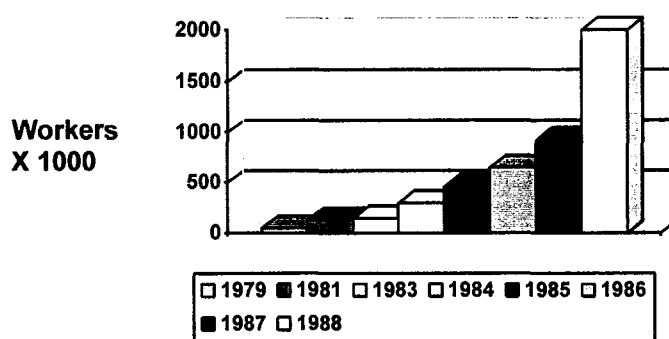
⁶² Harcourt 80.

⁶³ Harcourt 81.

Anglo-American was, and still is, the most important mining house in South Africa. This was the first true signal of success in the struggle to end apartheid and marked the beginning of formal discussions regarding the post-apartheid era.

TABLE 4.3: Number of Unionized Workers 1979-1988

Source: Adapted from Baskin 1996, 23.



In 1986 the government declared a state of emergency and increased state repression in an attempt to crack down on civil disobedience and mounting state opposition. Witnessing the ever-increasing levels of union activity and blatant political alliance with the banned ANC, the government implemented the Labour Relations Amendment Act (LRAA) in 1988 which repealed many of the rights granted to unions in 1979 and restricted labour activity.⁶⁴ Public outcry was not quelled however, and in 1989 70 per cent of African workers participated in a nationwide strike as part of the National Campaign of Defiance against the 1989 elections.⁶⁵ With escalating international pressure, an economy enduring the weight of

⁶⁴ COSATU Shopsteward. "The chronology of the launching of COSATU". (<http://www.cosatu.org.za/shop/ss0406-26.html>) 1995.

⁶⁵ DeFronzo 306.

sanctions and a population made ungovernable, the government had little choice except to begin negotiations for the inevitable end of apartheid.

4.4 The collapse of apartheid

In 1990 the National Party government, led by F.W. de Klerk, repealed the banning of the ANC and other political parties and released most political prisoners including Nelson Mandela and his comrades. However the transition to democracy was far from complete. Business at this point was far more eager to talk and negotiate with the black majority than the government, as they wanted to act quickly and encourage the international community to lift sanctions in order to minimize their growing economic losses.⁶⁶ The government clearly desired an end to civil unrest but did not embrace power sharing with the black majority.

The ANC faced an intense struggle at this point to consolidate political support and distinguish itself from COSATU. The executive members of COSATU reclaimed their roles in the reinstated ANC and union members quickly developed formal political membership in local committees. The party battled to reconstitute its local, regional and national representation and to develop effective organizational structures as well as to contend with other opposition parties, such as the IFP and the SACP, who showed considerable support amongst the population.⁶⁷

Immediately after their “un-banning” the ANC called for the return of all exiled political leaders and presented a set of demands to the government as pre-conditions for

⁶⁶ Mandela, Nelson. Statement to the Party Parliament Group on South Africa.
<http://www.anc.org.za/ancdocs/history/mandela/1990/sp900703.html>, London: July 1990.

⁶⁷ Marx 196.

negotiation.⁶⁸ Despite serious contradictions in policy and procedures the ANC joined forces with the Pan Africanist Congress in 1991 and many other smaller parties quickly threw their weight behind the ANC. During this period the government and the ANC continually found themselves deadlocked and both threatened to end negotiations while civilian militancy increased and nation-wide violent outbreaks resulted in thousands of people injured and killed. The government did however, establish a central forum, the Conference for a Democratic South Africa (CODESA), indicating the government's recognition of the need to negotiate an interim constitution and prepare for the formal transition to democratic rule.

While the ANC was negotiating the political transformation of South Africa, COSATU entered discussions on increasing workers' rights and formalizing the role of labour in the post-apartheid economy. Late in 1990 a historic accord, the "Laboria Minute", was signed by the employers' South African Consultative Committee on Labour Affairs (SACCOLA), the Department of Manpower (NMC), COSATU and the National Council of Trade Unions (NACTU). This accord rescinded the 1988 LRAA and had the effect of extending collective bargaining rights to previously excluded workers and allowing the union federations to negotiate labour legislation before its enactment in Parliament.⁶⁹ In the same vein of cooperation and negotiation, COSATU established the National Economic Forum in 1991 for discussing industrial policy with business groups and government. In addition, COSATU agreed to participate in discussions with the NMC, furthering labour's formal role in consultative forums focused primarily on workers' rights to be consolidated after the first democratic elections in 1994.⁷⁰

⁶⁸ ANC 1994b.

⁶⁹ Harcourt 81.

⁷⁰ Benner 2.

As the major union federations, business and the government were embarking on tripartite negotiations, national stay-aways and protests were still occurring across the country. Many South Africans had expected an imminent transfer of power after the release of Mandela in 1990. Deteriorating economic conditions contributed to the terrible situation of extreme poverty for millions of South Africans. COSATU's focus shifted from an anticipated focus solely on workers rights in the post-apartheid economy to the greater battle of restructuring an entire economic system characterized by gross inequality. Annexes 1 and 2 provide comparative information broken down by racial grouping to provide a picture of income inequality in South Africa. The union federations extended the scope of their activities and worked further with the ANC to ensure that all policy documents emphasized the need for economic reforms and extensive social programs⁷¹. When the National Party government periodically walked out of negotiations with the ANC and other political parties, COSATU organized mass stay-aways that essentially shut the economy down nation-wide and forced the government back to the negotiating table.⁷² Jerome Barrett, a former bureaucrat in the Department of Labour notes the accomplishments made by organized labour during this period:

“the trade unions were involved in numerous political activities such as: getting the government to free political prisoners, developing a mechanism to create a new constitution, drafting the new constitution, educating South Africans about government processes and voting procedures, conducting public debate about democratic institutions, aiding in plans for the 1994 election, persuading the United States and other countries to lift the international trade ban, convincing foreign private investors to increase their investments in South Africa and encouraging

⁷¹ Harcourt 81.

⁷² Benner 2.

companies within South Africa to invest more in private development companies.”⁷³

Compromise and peaceful negotiation did not always characterize the means by which COSATU and other labour organizations achieved such actions but it is critical to note that the majority of their actions provided an influential example of cooperation amongst opposition groups, specifically between the state and labour and between capital and labour. Emerging from a period of intense repression and covert activities, COSATU faced major internal challenges as the federation struggled to organize administrative structures, increase communication systems, consolidate mass support and become self-sufficient without foreign sources to rely on. Nonetheless, the labour movement remained relatively united and kept the population informed and mobilized until the April 1994 elections.⁷⁴

4.5 Building on past success: strategic choices for the labour movement

The exploitation of cheap black labour was at the heart of the apartheid regime. Spending on healthcare, education and all other social services was discriminatory and Africans could expect to live on average a decade shorter than their white counterparts.⁷⁵ The system of apartheid was also economically inefficient which increased levels of poverty due to a slowing national growth rate. Unions attempted to improve this unequal system by reforming the system of worker exploitation through improved wages, working conditions and increasing access to professions previously restricted to whites only.⁷⁶ From the late 1960s onward the role of unions was broad and encompassed community objectives as well

⁷³ Barrett, Jerome, “Trade Unions in South Africa,” (Monthly Labour Review, May 1996) 4.

⁷⁴ Harcourt 81.

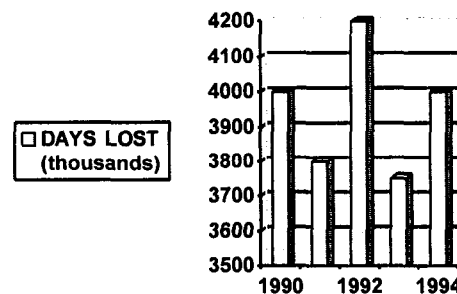
⁷⁵ Barrett 15.

⁷⁶ Baskin 24.

as providing various forms of community support. Unions briefly worked together with firms in the 1980s to provide some financial support for primary education and sports scholarships in black communities that were cut-off during the apartheid regime.⁷⁷ This extended role into spheres outside of the workplace allowed unions to develop a mass base of support across the entire country.

Instead of taking a narrow economic focus during the 1980s “the unions embraced a philosophy of political unionism, emphasizing the common interests of workers and community groups and the advantages of coordinated mass action”.⁷⁸ Thus, it was virtually impossible to distinguish labour activity from political activity during this time. Although strikes and stay-away campaigns resulted in no pay for workers, figures show that the majority of African workers were willing to sacrifice their much-needed pay-cheques in the interests of the broader struggle for democracy. Table 4.7 below shows the levels of industrial action in South Africa in the four years prior to the 1994 elections. Information prior to the 1980s is virtually impossible to locate and would be highly unreliable even if cited due to the government’s exclusion of the African population from official statistics.

TABLE 4.4: Levels of Industrial Action 1990-1994
Source: Baskin 1998.



⁷⁷ DeFronzo 333.

⁷⁸ Harcourt 79.

After the election of the ANC government, unions worked together with government and business to create policy and influence decisions regarding public policy and legislation. As a result of this collaboration public expenditures on social services such as education, health and sanitation were increased. Not only did spending increase but access to social services was expanded and improved so that those who lived in extreme poverty were better able to utilize public services. Annex 3 shows levels of increased government spending throughout the 1990s. With a key goal of protecting exploited workers, unions have also focused on improving wages, ensuring job security and providing safe housing for workers and their families.⁷⁹ In addition, unions have attempted to reduce racial inequality by standardizing wages in industry and increasing wages of blacks relative to their white counterparts.⁸⁰

These approaches utilized by the labour movement to take apart the apartheid system were consolidated and enhanced by the inherent strengths of the union movement. The high levels of unionization in South Africa during the decade of struggle granted the unions considerable organizational leverage by involving most sectors of the economy in strike and protest action.⁸¹ In addition, the external support unions received from other labour organizations, states and NGOs provided much needed financial resources and practical advice for the movement's activities. As a civil organization working in opposition to the state, the movement was strengthened by the absence of a formal relationship with the state. This strategic position allowed the movement to operate autonomously and free from fears of

⁷⁹ Barrett 2.

⁸⁰ Baskin 25.

⁸¹ Harcourt 85.

co-optation or government muzzling prior to 1994. In addition, the negotiating strategies employed by the union federations were usually conciliatory and good-natured which provided a key example for other bodies involved in the process of change. This atmosphere of compromise and negotiation was of vital importance in trying to promote a smooth transition to democracy and attempting to promote an accommodating relationship between unions, capital and government.⁸²

Of prime importance for the opposition movement however, was the resolute internal solidarity of the movement itself. By banning political parties during the apartheid period the government forced political ideology underground and into the union movement and “the result was a politically engaged union movement combining socio-political and ‘bread-and-butter’ demands”.⁸³ This broad class-consciousness that infused the labour movement motivated the unions to act on behalf of all citizens to push for societal reforms. By moving beyond a narrow focus on business unionism and sacrificing opportunities to improve the conditions and terms of employment for workers, the labour movement put the needs of greater society ahead of its membership. Of course this objective could not have been pursued without the active support and participation of the millions of workers who made up the labour movement and devoted years of their lives to the struggle. The collectivist concept of “ubuntu”, the belief that people are people through other people, was likely a driving force behind the liberation movement.

Following the formal end of apartheid in 1994 the challenge for unions would be to maintain this internal solidarity in order to maximize labour’s influence in the “new”

⁸² Baskin 28.

⁸³ Lundahl 22.

state. By reforming the focus of unions from overthrowing the state to transforming society, labour could maintain its broad struggle for societal reform in conjunction with workers' rights. Labour's goals seem fairly explicit as outlined in COSATU organization and policy documents during the early 1990s, with the key focus remaining on the battle to improve standards of living for the non-white population.

Although the various representative bodies of organized labour were essentially unified with respect to the goals of labour activity, the means by which labour would seek to achieve these goals were subject to debate. A majority camp under COSATU's umbrella promoted the idea of a peaceful, conciliatory method of negotiating labour's demands with the ANC-dominated state.⁸⁴ A minority contingent, however, advocated more militant strategies such as the protests, strikes and boycotts employed to resist apartheid policies in the previous period. This minority group feared the government's accommodation of the demands of the business community. With COSATU compromised in a formal alliance with the ANC, blatant, effective opposition to the state could be extremely difficult to undertake. These two perspectives were clearly extolled by different factions within the collectivity of organized labour yet no formal documentation indicates that this issue was officially debated.⁸⁵ The two sides advocating contrasting strategies for labour activity in the new, democratic state, still have contesting opinions on the topic as is evident in media coverage of debates and divides within COSATU.

It also remains unclear in documentation during this period whether or not COSATU clearly understood the inherent limitations of advocating a conciliatory approach of entering

⁸⁴ ANC 1992b.

⁸⁵ Sourced from interviews.

into negotiations with the state and capital through an institutionalized process. Presumably COSATU would have little fear of being cast aside in the post-apartheid period as the socialist, labour-friendly ANC was virtually guaranteed political victory in the 1994 election. From the united, fraternal history shared by the ANC and COSATU it was unthinkable that anything other than a labour-friendly regime would emerge after the election. The stronger contingent in COSATU, favouring a post-apartheid strategy consistent with a corporatist model of industrial relations and well supported by the ANC, emerged as dominant leading into the election period.⁸⁶

4.6 Ready to govern? ANC strategies for governance

As the labour movement debated various strategies and tactics to employ in the post-apartheid period, the ANC faced similar challenges. During the four years between its “unbanning” and the 1994 elections, the ANC struggled to consolidate its ideology and proposed socio-economic reforms into a comprehensive policy document. While the political body faced major organizational challenges it was also forced to develop a plan of action for leading the country. *The Freedom Charter*, drafted 35 years prior, had provided the foundation for ANC policy throughout its history. The policy document portrayed a vision of a mixed economy but critics viewed the charter to be more a statement of aspiration than a coherent view of how an economy should run.⁸⁷ The ANC not only faced challenges regarding policy creation but also of governance. Once in power the party would be challenged to reverse a culture of disobedience and opposition to the state that it had helped

⁸⁶ Bond, Patrick. “Neoliberalism Comes to South Africa”, *Multinational Monitor*, (vol. 17 no. 5, May 1996), 3.

⁸⁷ Lundahl 23.

to create. In this vein, the ANC would be forced to plea with residents to pay for their services such as rent and utility rates, and thus was forced to create the Masakhane program to appeal for cooperation and compliance.⁸⁸

The ANC constitution, delineating the party's rules and political visions, generally stated the goals of governance and implied a strong, interventionist role for the state in the redistribution of wealth in South Africa. Primarily the ANC would "fight for social justice and eliminate the vast inequalities created by apartheid" whilst "promoting economic development for the benefit of all".⁸⁹ Fundamentally reconstructing the state and the economy would be the key objectives while simultaneously embarking on a national challenge to rid society of entrenched racial domination and revitalize the diverse African cultures represented in South Africa. The Macroeconomic Research Group (MERG), a group of ANC-sympathetic academics formed in 1992, produced a research report leading to the creation of a unified policy document entitled the *Reconstruction and Development Program, (RDP)*, a five year plan for governance.⁹⁰

The RDP was founded on six driving principles which together constituted the political and economic objectives underlying the whole program for change:⁹¹

1. An integrated and sustainable programme.
2. A people-driven process.
3. Peace and security for all.
4. Nation-building.
5. Link reconstruction and development.
6. Democratization of South Africa.

⁸⁸ Koelble, Thomas, *The Global Economy and Democracy in South Africa*, (London: Rutgers UP, 1998) 104.

⁸⁹ African National Congress, *Party Constitution*, (1994).

⁹⁰ Lundahl 31.

⁹¹ African National Congress, *Reconstruction and Development Program*, (1994).

These six principles grounded the four major priorities outlined in the RDP: the provision of basic services, the development of human resources, the democratization of state and society, and the improvement of the economy. Nelson Mandela's commitment to "create a people-centered society of liberty" required that the RDP doctrine be the central focus of his government for "without fundamental reforms, social stability and economic prosperity would remain elusive dreams for South Africans".⁹²

With respect to socio-economic policy the RDP detailed the provision of extensive basic services for the population, financed through high rates of economic growth. The program included plans to liberalize imports, increase competition, and to increase support for small and medium-sized enterprises. In addition, technological development to enhance competitiveness would be bolstered by an improved stock of human capital, achieved mainly through increased public education.⁹³ Public investment in affordable housing and infrastructure in dilapidated areas was also envisaged as necessary for improving health and stimulating economic growth, as well as providing basic water and sanitation services, preventative health care and a compulsory ten years of education for everyone.⁹⁴ Nationalization lingered on the RDP agenda, as did the substantial redistribution of land to the landless.⁹⁵

To achieve this economic growth and development a partnership was required and would soon find expression in statutory arrangements involving all the major players in the economy.⁹⁶ Implementing a corporatist model in which unions, employers and the state

⁹² Koelble 106.

⁹³ Lundahl 29.

⁹⁴ Lundahl 29.

⁹⁵ Deegan 130.

⁹⁶ Mandela, Nelson. Speech to COSATU, (South Africa 1994).

would work co-operatively and consensually towards the achievement of (what are assumed to be) mutual social and economic goals, would be a large task for the government to take on. This approach to managing state/society relations would entail a high degree of involvement by selected representative agencies in relevant decision-making processes. The promotion of a corporatist arrangement was not met with unanimity from the parties involved but was viewed by the government as the only viable means to realize the goals of the RDP whilst managing a strong labour movement and the dire need for economic growth.⁹⁷

Moving away from South Africa's repressive past, the ANC faced challenges for governance in the post-apartheid period. In keeping with its ideal of a democratic, egalitarian society the ANC did not envision direct control of interest groups in society nor did it seek to remove the state from involvement in industrial relations. The ANC could have advocated a pluralist form of management, yet would have to have been willing to bear the economic scars of allowing labour and capital to battle out their differences devoid of state interference. With strong, concentrated capital interests and a mobilized, assertive labour movement, a corporatist system, and in particular a neo-corporatist model, could potentially offer a peaceful middle ground; a position of compromise for all of the parties involved. Under neo-corporatist arrangements Wiarda notes that organized labour would be required to confine its debate to hammering out details of economic and social policy while sacrificing its goal of a broader transformation of society by addressing injustices inherent in the capitalist system. Capital would have to accede to some of labour's demands, agree to consultation on industrial policy, and submit to collective representation in the appropriate tripartite structures. The state would have a challenging task in remaining neutral and uncompromised

⁹⁷ ANC 1994b.

in this type of system. In addition, the state would simultaneously have to play a strong role in this model in both the political and economic realms. Nonetheless the neo-corporatist framework, offering the potential for a stable investment climate while granting labour an equal voice on policy-making, was likely perceived of as the most viable option by the ANC.⁹⁸

Although the neo-corporatist model would require certain trade-offs from all parties the benefits probably seemed worthwhile to the parties involved. For the state, the added incorporation of key organizations of civil society into the now “multipartite” structure provided a mechanism through which citizens could voice their concerns and contribute to policymaking. In multipartite forums civil society representatives were permitted to participate in discussions regarding policy development but often were mainly present to voice their concerns rather than to substantively participate in policy formulation. This inclusive model would provide a welcome change from the oppressive, exclusive system of apartheid. By providing an official forum whereby the key players in society were incorporated into the machinery of the state the government could effectively reduce opposition and threats to its authority. In contrast to imposing a rigid set of government controlled interest groups on its electorate or promoting a hands-off, free-for-all approach to state/society relations, the neo-corporatist model seemed to provide the balanced approach that the ANC was seeking.

With their formal tripartite alliance including COSATU, the ANC proposed serious legislative reforms regarding labour rights and exalted the integral role that unions would play in the policy-making arena in the “new” state. Drawing from their historically

⁹⁸ ANC 1994b.

intertwined roles, the ANC repeatedly called for heavy union involvement in economic policy making, even suggesting that labour and the state would together supervise foreign investment and accept investment only if specific conditions were met.⁹⁹ Many unions presented a suspicious attitude towards this co-determination at the national level as many in the labour movement still believed that “militant, defensive unionism is required” in order to ensure that workers’ demands were not compromised to the needs of the business community.¹⁰⁰

The government believed however, that the establishment of formal social partnerships that facilitated cooperation would minimize conflict and decrease political risk during this period of change.¹⁰¹ Bringing government, capital and unions to the same table in order to work out differences and compromises was likely the most favourable way to ensure a smooth transition in the ‘new’ South Africa. The first democratically elected Minister of Labour, Tito Mboweni, noted that “a co-operative partnership between capital and labour is a crucial determinant of stability and international competitiveness”.¹⁰² The ANC, with many of its elected members former prominent union leaders, strongly advocated a position of power and influence for organized labour in this new strategy. Defending the rationale of the corporatist model Mandela stated that business must come to accept labour as a partner in production rather than simply a cost to be minimized.¹⁰³ The neo-corporatist framework would seek to balance the power of both capital and labour in a democratic state in order to ensure mutual gains.

⁹⁹ Koelble 104.

¹⁰⁰ Baskin 34.

¹⁰¹ ANC 1994b.

¹⁰² Mboweni, Tito, Online posting, newsgroup, COSATU, (South African Labour Bulletin, 1995) 26.

¹⁰³ Koelble 110.

In light of this enthusiasm for compromise and cooperation, legislation and structures emerged to support election promises made by the government. Supported by the ILO, the government created the National Economic Development & Labour Council (NEDLAC) in 1994 giving official life to the evolving cooperation in the country.¹⁰⁴ The NEDLAC Act of 1994 was to “provide for the establishment of a national economic, development and labour council; to repeal certain provisions of the Labour Relations Act, 1959; and to provide for matters connected therewith.”¹⁰⁵ Thus began the institutionalization of the corporatist process and the execution of the initial stages of the RDP’s transformative goals.

4.7 Launching the corporatist experiment

Although the political transition to democracy went quite smoothly the ANC’s implementation of its goals as manifest in the RDP was not met with widespread enthusiasm. Critics quickly pounced on the RDP as no clear statement was made on how the program was to be implemented or financed. Koelble points out that

“the initial White Paper failed to produce any clear strategy on how the RDP was to proceed, which organization or governmental body was to plan its activities, or how the various consultative bodies were to cooperate and design policy”.¹⁰⁶

Confusion reigned between the RDP office in government and various ministries as to responsibilities for funding which led to “a trend of double-dipping” whereby projects unlawfully received funds from both the RDP office and the relevant ministry.¹⁰⁷ More

¹⁰⁴ Baskin 31.

¹⁰⁵ South African Government Legislation, NEDLAC Act No. 35 of 1994.

¹⁰⁶ Koelble 107.

¹⁰⁷ Deegan 126.

importantly however, was the realization that investment would never meet the funding needs of the RDP. Meeting the five-year targets became an impossible goal, as public investment in infrastructure would have to grow by 21 per cent per annum to meet requirements and initial investment was approximately 6 per cent lower than this, continuing to decline between 1995-1998.¹⁰⁸

There was also a contradictory element in the RDP which combined “a commitment to meeting the population’s ‘basic needs’, thereby potentially implying a strong state intervention and radical redistribution of wealth, and an acceptance of the mechanisms of the market”.¹⁰⁹ This dual conception of the role of the state in reconstruction and development is reflected continually in ANC documents released over the period 1990-1995. The demise of the Soviet Union and the dysfunctionality of command economies seemed to influence the ANC’s position on the pace and direction of social and economic change.¹¹⁰ The ANC was also forced to contend with the remaining members of the apartheid government permitted to retain their posts under the “grandfather clause” concluded in transitional negotiations. This clause allowed for members of the NP to remain in the GNU and work under the interim constitution to govern during the transition period while developing the final constitution for South Africa.

The ANC seemed more concerned during this time with its social goals than with developing a comprehensive economic policy package that would support its lofty goals.¹¹¹ For South Africa, the path of economic liberalization would continue and was further

¹⁰⁸ Lundahl 30.

¹⁰⁹ Deegan 128.

¹¹⁰ Deegan 128.

¹¹¹ Lundahl 28.

strengthened by the country's entrance into the World Trade Organization (WTO) in 1994. One can only guess that the ANC envisaged strong enough levels of economic growth in the post-apartheid period which would sustain the RDP's lofty spending goals. In order to achieve these high levels of growth South Africa would have to comply with the ground rules of the international financial institutions and thus had few options for post-apartheid economic policy.¹¹² For the ANC to achieve its social goals of redistributing wealth and increasing rights for organized labour whilst simultaneously encouraging foreign investment would have been a miraculous feat. Some of the priority goals of the ANC as mentioned in Chapter 3 included advancing the interests of the underprivileged, promoting a labour-friendly regime and reducing social unrest. The most likely way to achieve this delicate equilibrium between meeting both economic and social priorities would be through a socially balanced, co-operative, and democratic system of corporatist management as described by Wiarda. Emerging from workerist roots and dwelling in a formal alliance with labour, the new government seemingly had little choice in managing industrial relations. The ANC would be expected to accommodate the strong voice of organized labour and advocate for the advancement of workers rights through legislation. Leaving organized labour to independently battle for progressive labour reforms with capital's interests was likely conceived of as untenable. A neo-corporatist model of managing these tensions seemed the most obvious path for ensuring the country's stable future.

Regardless of the difficulties in implementing the RDP and of establishing a comprehensive system of neo-corporatist arrangements the ANC was committed to the transformation process. The commitment to "deepen democracy and ensure grassroots

¹¹² Lundahl 34.

participation in the organs of government” by providing mechanisms through which the labour movement and civil society organizations could influence the processes of government was confirmed time and time again in public speeches by government ministers.¹¹³ Many people doubted the ANC’s willingness to share power with either the old enemy, “big business”, or to bend to the staunch demands of the union movement. Understandably, making certain that the players upheld their agreements to actively participate in corporatist arrangements would provide a great challenge for the state. Nonetheless, the potential for South Africa to reform and progress beyond the horrific legacies of apartheid remained great. The commitment of the state and key organs of civil society towards reconstructing the “new” South Africa seemed resolute. In the words of Nelson Mandela:

“History will judge us extremely harshly if we fail to turn the opportunity, which it now presents us with, into common good. The risk of further pain and affliction arising from violence, homelessness, unemployment or gutter education, are immense. No country or people can afford the extension of this anguish, even for a day.”

4.8 A new industrial relations system?

The transition to democracy in 1994 held the promise of not only a new society developing based on principles of equality but also of a reformed industrial relations system operating in a conciliatory atmosphere of trust and co-operation. Dunlop’s notion of an IRS suggests that the ideology of a national IRS is expected to be compatible with that of the

¹¹³ African National Congress, Ready to Govern, 1992.

larger society.¹¹⁴ Thus, under the system of governance adopted by the ANC and majority rule we would expect to see the emergence of a corporatist IRS.

Dunlop's presentation of the dynamics of an IRS over time leads us to ask what factors would contribute to change the system of industrial relations under apartheid to a corporatist IRS under a new, democratic state. Dunlop identifies four key factors which would likely contribute to changes in the IRS: 1) the historical period, 2) the sequence of social changes, 3) the decisions of the industrializing elite, and 4) the process of economic growth. With respect to the historical period, the obvious and monumental changes of ending apartheid and making the transition to majority rule are major factors to consider. In addition, the implementation of a neo-corporatist model would be consistent with the implementation of parliamentary democracy and was actively supported by the ILO. The integral role of labour organizations in ending apartheid would afford organized labour, under Dunlop's analysis, a more formal role in political organization, again consistent with the corporatist model.¹¹⁵ The political, economic and social "elite" at a general level all seemed to advocate or at least consent to the corporatist experiment in light of South Africa's unique challenges and needs. Finally, the processes of economic development and historical exclusion from the international community had left the state to contend with strong, centralized capital interests and an active, though primarily low-skilled, labour force. These conditions also seemed conducive to the implementation of a corporatist system.

However, Dunlop explicitly notes that an IRS tends to remain stable over time unless a major revolution occurs in the greater society. Whether or not South Africa's negotiated

¹¹⁴ Dunlop 54.

¹¹⁵ Dunlop 232.

transition to democracy would be “comprehensive” enough to reform the IRS and allow a corporatist model to flourish remained to be seen.

CHAPTER 5

The IRS 1994-1999

5.1 Introduction

This Chapter sets out to explore the reality of the neo-corporatist experiment in South Africa. By examining what steps the government took within its first two years in office and then the apparent shift in policy direction and decision-making, we will have greater insight into the demise of corporatism in the country. This discussion is followed by a look at the state of both capital and labour in South Africa, as key parties in the neo-corporatist experiment, assessing the capacity of both of these parties to contribute effectively in such a model. In closing, I return to Dunlop's analysis of important factors to consider for the reform of an IRS and identify some determinant factors which have likely contributed to its demise.

5.2 The first two years

The GNU, formed in 1994, faced many crucial choices in its early days of operation as the emergent state recognized the imperative not to alienate a previously powerful elite or a historically deprived majority. The challenge was to rebuild society and avoid social unrest whilst simultaneously encouraging investment and growth and paying a considerable "debt

of gratitude” to the black labour movement.¹¹⁶ Thus the ANC’s objectives as outlined in the RDP and the pursuit of a model of neo-corporatism were viewed by the GNU as the appropriate means to redress the problems of the past. Looking back to Chapter 3, Wiarda notes that the main elements required for a neo-corporatist model to be successful are 1) strong, representative bodies able to negotiate, 2) a belief by all parties that the system is fair, 3) a commitment by all parties to the corporatist process, and 4) a strong and neutral role of the state.

Following quickly on the heels of the ANC’s 1994 election promises for ‘social partnerships’ was the formal institutionalization of a neo-corporatist arrangement in NEDLAC. It seemed clear that a pattern of cooperation was emerging, not just with respect to industrial relations, but throughout South African society as provincial and local bodies developed forums for negotiation on social issues. As stated by Jay Naidoo, a key ANC Minister, “the NEDLAC process deepens democracy by bringing the social partners, on an ongoing basis, into the policy-making process” and this “process offers South Africa a different path”.¹¹⁷

The creation of NEDLAC was a monumental development as it displayed the commitment of the GNU to multipartite processes and the incorporation of input from labour, business and civil society on economic, industrial and social policy. The NEDLAC Act allowed for representatives from labour, business and five groups representing the concerns of civil society, including women, youth, civic, rural, and disabled peoples, to negotiate agreements on policy issues which would then be implemented by the government.

¹¹⁶ Donnelly, Eddy, “Democratic Corporatism in the New South Africa: Advance or Retreat?,” The State and Globalization, Ed. Martin Upchurch, (England: Mansell, 1999) 195.

¹¹⁷ Naidoo, Jay, “Labour rights ‘a must’” Business Day (29 Jan. 1996) 2.

Government reasoned that power and control over economic resources in South Africa was “clearly distributed among these key constituencies” and consensus on policy issues was viewed as necessary for ensuring smooth relations between the key stakeholders.¹¹⁸ In addition, creating the perception of a stable labour market was essential for guaranteeing much needed investment in the country and preventing further capital flight. This attempt to make a clean break from a turbulent past in the transition from authoritarianism to democracy was also made to ensure that the fragile and relative industrial peace was maintained.

The first ‘success story’ of this approach was the drafting of the new Labour Relations Act (LRA). The partial text of this Act is included as Annex 4. This was the first real example of a multipartite approach to labour legislation illustrating “the use of negotiation, mediation, cooperation and peaceful resolution for the sake of public interests”.¹¹⁹ The new LRA was welcomed by COSATU as “a quantum leap forward”, hailed as one of the world’s most progressive pieces of labour legislation in terms of its protections for striking workers, organizational rights granted to unions, and the promotion of centralized bargaining.¹²⁰ The legislation also further promoted codetermination through the establishment of mandatory workplace forums which met with some controversy. Some workers perceived these forums as expanding democracy in the workplace while others viewed them as largely non-influential with respect to important issues, such as wages.¹²¹ Industrial relations legislation undeniably bore the imprint of the labour movement’s

¹¹⁸ Barrett 37.

¹¹⁹ Innes, Duncan, Power and Profit: Politics, Labour and Business in South Africa, (Cape Town: Oxford UP, 1992) 186.

¹²⁰ Harcourt 8.

¹²¹ Harcourt 8.

influence however, and the drafting of the LRA was a welcome first step in the implementation of the ANC's goals.

Along with widespread acclaim for these advances in establishing and utilizing a corporatist process was a simultaneous undercurrent of doubt as to the feasibility and effectiveness of such a system. If agreements could not be achieved in NEDLAC after a reasonable amount of time was spent on debate, each party was free to do as it saw fit in its own interests.¹²² Business representatives were comforted by the non-binding nature of participation in NEDLAC, and although business as a whole was not unified in its response to the GNU's approach to codetermination, there appeared a pervasive fear that policy would become "susceptible to undue pressure from organized labour".¹²³ Employers also worried that since the top echelon of union leaders had moved off into politics and government there was a real danger that the unions would lack the capacity and credibility to sell NEDLAC deals to their members. On the other hand government was concerned that "a negative attitude" from the unions indicated a lack of trust in arrangements with respect to enforcement or policing of agreements.¹²⁴ In its first year of operation NEDLAC hosted vigorous debates on privatization, social welfare programs, and wage moderation. Late in 1995 a presidential commission on labour market policy met and repeated recommendations to continue the multipartite processes and develop a formal social accord where employers, unions and government were involved and committed as equal partners.¹²⁵

5.3 The system unravels

¹²² Deegan, Heather, South Africa Reborn: Building a New Democracy, (USA: UCL Press, 1999) 133.

¹²³ Donnelly 209.

¹²⁴ Hawkins, Tony, "The New Apartheid," Financial Times (South Africa: 1995) 5.

¹²⁵ Lundahl 37.

Two years after the launching of the RDP much negativity surrounded its lack of progress. The Ministry of Health had achieved notable success in building hundreds of semi-urban health clinics and providing of free health care to pregnant women and children under six. The expansion of access to water, electricity, and telephone connections for many households was also a great achievement of the RDP, although a large proportion of families could not afford to make utility payments.¹²⁶

The government however, fell drastically short of its target goal of building 300,000 new homes by 1996, with only 30,000 homes completed in the two-year period. In addition, the R200 million promised to NGOs dropped to R50 million as funds became constrained, resulting in the collapse of many NGOs whose funding in the post-election period was primarily sourced through the government.¹²⁷ The slow delivery of funds, hampered amongst other things by old apartheid-era bureaucratic structures, resulted in a lack of spending capacity at the local level, and therefore provinces often carried over funds to the next fiscal year.¹²⁸ Fundamentally the RDP resulted in some positive steps in the provision of basic services but its key targets were not realistic in terms of anticipated investment levels required to fund the program. The South African economy did not experience continued high levels of growth after 1994, and thus government spending and promises were forcibly scaled back. Thus, delivering on RDP priorities - the provision of basic services, development of human resources, democratization of the state and society, and increased economic opportunities - was not done as quickly or as comprehensively as the population anticipated.

¹²⁶ Koelble 112.

¹²⁷ Koelble 109.

¹²⁸ Lundahl 29.

Immediately following the 1994 elections the South African economy experienced a brief “Mandela bonus” as stocks soared, investment increased and exchange rates remained relatively stable.¹²⁹ This period of growth was short-lived however, and the country entered into an economic crisis by early 1996. Adding serious strains to tripartism, the sharp drop in the international exchange rate of the rand, capital flight and the declining price of gold soon became a drag on the economy.¹³⁰ Mega-conglomerates began to unravel their elaborate and complex bureaucratic structures in mid-1996 in order to encourage outside investment and the government hurried to reassure both its population and investors that the economy was under control.¹³¹ The crisis continued to worsen as investment rates dropped. The main reasons cited as to why investors lacked confidence to invest in South Africa included a bloated state apparatus, the ANC’s lack of commitment to a viable privatization policy for state owned enterprises, high levels of crime, government vacillation on economic and fiscal policy, and low productivity rates.¹³²

Within government itself, accusations of corruption became common with ministers finger pointing and laying blame on provincial mismanagement of funds and inadequate accounting methods. Within two short years of taking office the national government made a decisive public statement announcing that its goals of delivering basic services and embarking upon redistribution as outlined in RDP would not succeed. Instead the government would now focus primarily on encouraging economic growth above all else.¹³³

¹²⁹ Koelble 114.

¹³⁰ Standing, Guy, John Sender, and John Weeks, Restructuring the South African Labour Market: The South African Challenge, (Geneva: ILO, 1996)136.

¹³¹ Deegan 131.

¹³² Koelble 114.

¹³³ Library of Congress Federal Research Division 15.

With that declaration, the RDP office was closed in March 1996 and Thabo Mbeki, Deputy-President and an avowed critic of RDP goals and strategies, took over the economic policy reins in the Department of Finance. The short-lived RDP was stated to have become “a victim of international monetary flows, domestic constraints, bureaucratic obstacles, and an overestimation of the resources available to the South African state and economy.”¹³⁴

Mbeki was well prepared for his new responsibilities, taking decisive action immediately upon his appointment. Hand in hand with the dismantling of the RDP’s operational structure was the emergence of the government’s new economic strategy, *Growth, Employment, and Redistribution*, commonly referred to as GEAR.¹³⁵ In response to concerns over stagnant economic growth, two separate national budgets had been proposed in early 1996, one by the South African Foundation (SAF) representing fifty of the largest business groups in the country and another by COSATU on behalf of the labour movement.¹³⁶ *Growth for All*, the SAF budget, was based on a neo-liberal framework and its major policy recommendations were to liberalize the trade and investment regime, deregulate the labour market, privatize, and drastically reduce the role of the state in the economy. In contrast, *Social Equity and Job Creation*, the document presented by COSATU, called for the introduction of a capital gains tax and a super tax for luxury goods, the redirection of spending towards social services, encouragement of production for the domestic market and public/private investment in training programs.¹³⁷ The government’s response, GEAR, was presented soon after these budgets and its policies closely resembled those put forward by the

¹³⁴ Koelble 116.

¹³⁵ South African Government website. “Growth, Employment and Redistribution” (www.gov.za/GEAR) 1996.

¹³⁶ Lundahl, 30.

¹³⁷ Adelzadeh, Ashgar, “Growth and Development,” *Against the Current: Labour and Economic Policy in South Africa*, Ed. Jeremy Baskin, (Johannesburg: Ravan Press, 1996) 44.

SAF. The key policies outlined in GEAR were supply-side oriented with the central goal of economic growth. The economic strategy aimed to:

- Double annual real GDP growth to around 6 per cent by 2000
- Reduce the role of government in the economy
- Create a more flexible employment environment
- Control inflation
- Restructure public assets
- Provide tax incentives for small and medium enterprises¹³⁸

After the unveiling of GEAR COSATU stated that it was strongly opposed to the new government policies.¹³⁹ Unions claimed that they would “put our country, its workers and its citizens first rather than attempt to copy the failed policies of the IMF and the World Bank”.¹⁴⁰

The ANC issued a press release soon after the RDP office was closed flatly rejecting claims that cabinet changes and the RDP office closure were part of any individual’s exercise of personal power, particularly referring to the Department of Finance and the new role of Mbeki in this department. The ANC vehemently stated that Mandela himself had made the changes acting in the nation’s best interests.¹⁴¹ Jay Naidoo, the Minister in charge of implementing the RDP, faced an onslaught of criticism and doubt regarding the policies outlined in GEAR and its apparent divergence from the more redistributive policies of the RDP. Commenting to the press he noted that

“a common economic vision is not based on abstract philosophical notions...it has to be grounded in fairly concrete programs which directly and meaningfully impact on the realities experienced by South Africans...this will only be achieved if each constituency is bold enough to work towards longer-term targets...and prepared to consider

¹³⁸Lundahl 30.

¹³⁹ Shilowa, Mbhazima. “Employment Creation” Speech at the COSATU Policy Conference, May 1997.

¹⁴⁰ Congress of South African Trade Unions, “Protect Our Jobs,” COSATU Press Release, (July 1999)

¹⁴¹ African National Congress, “Slump spawns labour unrest,” Mail and Guardian, (19 April 1995) 6.

where necessary, the need for specific shorter-term trade-offs to achieve this vision”.¹⁴²

With reference to the global economy, the ANC stated that a proper understanding of a “given balance of forces is critical in defining the tactics that the liberation movement should adopt at each stage of transformation” and that this balance of forces is dynamic, influenced by changing endogenous and exogenous factors.¹⁴³ The party urged critics of GEAR not to fall victim to a “revolutionary militancy” as the end goals for the transformation of South Africa remained the same under GEAR as under the RDP. In fact, the GNU argued that the RDP would remain as a guiding document for redistribution and societal transformation whilst GEAR would solely direct economic policy. Remaining vocally committed to its goals to promote societal democracy and encourage equality in all facets of life from education to basic service provision, the government faced a crucial decision-making point in early 1996. If GEAR was so controversial, then the question must be asked: why would the ANC hoist the policy package on the country without debate?

Economic demands and constraints compounded by sluggish growth rates during its first two years in office likely left some in the government questioning the economic strategy explicit in the RDP. Noting the high growth rates that were required to sustain government expenditures under the RDP the focus on concentrated economic growth as outlined in GEAR seemed a logical route to some government ministers. Rather than aiming to redistribute resources and address the vast inequities rampant in South African society, GEAR would focus on growth which would then likely be followed by a more thorough

¹⁴² Naidoo 2.

¹⁴³ African National Congress, Executive Speech, “Strategy and Tactics,” (50th National Conference: December 1997).

process of redistribution. As reflected in ANC documents at the time, the ANC did not seem to perceive this decision to alter economic strategies to become inconsistent with ANC ideals or election promises.¹⁴⁴ For government, this decision was a pragmatic, short-term shift in government priorities that would ensure the economic survival of the country and allow for ANC goals to eventually be realized. Although many ANC politicians had little to no formal education, implicit faith was placed in the few colleagues who did have official training in economics, essentially Deputy-President Thabo Mbeki and Finance Minister Trevor Manuel. These vocal critics of the RDP publicly stated in numerous press releases in 1996 that implementing GEAR would finally put South Africa on the “right path” to achieve economic success. No matter was made of the controversy surrounding the neo-liberal policies of GEAR and the government did not invite debate on the issue to explore what other economic alternatives were available.

Admittedly, in choosing a new economic strategy which would encourage greater economic growth the government was in a bind. In an era of “globalization” where neo-liberal economic policies are often a necessity for entrance to organizations such as the WTO and to attract much-needed foreign investment, South Africa’s economic pundits saw little choice. Thus the promotion of trade and financial liberalization, deregulation, privatization, and fiscal austerity would be required under a new strategy to encourage foreign investors and further integrate South Africa’s small, open economy into the international trade and financial regime.¹⁴⁵

¹⁴⁴ ANC Press Statement. Statement on Growth and Development Strategy, (<http://www.anc.org.za/ancdocs/pr/1996/>), 1996.

¹⁴⁵ Lundahl 34.

Labour was vocally quite critical of the government's new "pragmatic adjustments", doubtful as to the long-term benefits of the plan and extremely wary of the potential short-term impact on workers and the poorest segments of the population. A COSATU representative stated that "GEAR is not an appropriate economic policy for meeting the needs of our people" and unions angrily berated the government for backtracking on its promises to support workers' rights and labour standards.¹⁴⁶ Labour argued that the GNU's adoption of GEAR was an example of ensuring the primacy of capital's interests over those of labour and that the ANC was forging the very support of those who put it in power.

The consequences of adopting GEAR as a new economic strategy were not limited to receiving praise from the business community or invoking the hostility of organized labour. Ashgar Adelzadeh, a senior economist at the National Institute for Economic Policy, argued that inherent weaknesses in GEAR's policies would prove ineffective in meaningfully transforming the legacies of apartheid and noted that some of the problems were that,

"...it fails to incorporate monetary policy into the overall growth strategy, (GEAR) adopts fiscal austerity which doesn't take into account high unemployment and the failure of the private sector to create jobs".¹⁴⁷

Hein Marais, another well-known political analyst in South Africa, argued that GEAR's anticipated ineffectiveness lay in the fact that poverty is separated from overall economic policy and treated as an illness rather than an integral part of South Africa's version of capital accumulation.¹⁴⁸

¹⁴⁶ Harvey, Ebrahim, "Alliance still going strong," (*Sowetan*, 7 October 1999) 9.

¹⁴⁷ Adelzadeh 52.

¹⁴⁸ Koelble 114.

Adding to the contentious critiques of the GEAR policies there were also profound long-term implications from the government's altered policies. With respect to reconstructing society and seeking to reform entrenched inequity, the ANC's commitment to redistribution had plainly changed from "growth through redistribution" to "redistribution through growth". The adherence to a more conventional, fiscally conservative economic approach called for a restriction of state interference in the economy and "unleashing the supposedly (self-) corrective powers of unfettered market processes".¹⁴⁹ This neoliberal conception of the relationship between the state and the economy favoured an economic policy which reduced the role of the state in the economy in opposition to the more expansive RDP which called for active state involvement in redistribution. In addition, the changed budgetary priorities as outlined in GEAR redirected state resources away from programs of social welfare and employment creation and towards subsidies for business and increased spending on national defense. GEAR's call for the deregulation of the labour market and liberalization of trade were also based upon the neoliberal framework of economic policy. The consequences were most severe for labour as sudden exposure to international competition has resulted in thousands of lost jobs and the promotion of increased labour flexibility has translated into lower wages and more informal employment.¹⁵⁰

The adoption of GEAR considerably strained relations between COSATU and the ANC. Some observers in the labour camp perceived the "series of 'policy retreats' as a fundamental betrayal of the socialist project forged through years of opposition to

¹⁴⁹ Marais 115.

¹⁵⁰ Altman M, An Industrial Strategy for the Clothing Sector, (Cape Town: University of Cape Town Press, 1994) 18.

apartheid”.¹⁵¹ GEAR inherently weakened labour’s bargaining power and promoted a policy of wage restraint which had always been an issue of extreme importance for COSATU and its labour affiliates. A prime example of the growing discord was the ANC’s threat to dissolve the formal political alliance (after COSATU staged a one-day anti-privatization strike) if organized labour failed to accept privatization. Soon after this COSATU largely abandoned its calls for nationalization and grudgingly signed the National Framework Agreement providing guidelines for privatization.¹⁵² Changed spending priorities for the government were also not supported by COSATU or the SACP and added to the growing divide between GEAR and anti-GEAR supporters.

Many IR specialists in South Africa anticipated the early dissolution of corporatist relationships that had been in place only a short while through a close monitoring of the changes in the political, economic and social spheres.¹⁵³ COSATU repeatedly denounced the government’s adoption of GEAR, predicting it would cause irreparable damage and noting that GEAR had been forced on the country by specific personalities and was inconsistent with ANC ideals.¹⁵⁴ Throughout 1997 NEDLAC reached deadlocks in negotiations over labour legislation with COSATU emphasizing its opposition to government policy and to the continuing endorsement of the rights of employers over those of workers.¹⁵⁵ By 1998 COSATU was refusing to take part in negotiations on the South African budget, the most central of economic debates. The Deputy General Secretary for COSATU stated that the

¹⁵¹ Donnelly 218.

¹⁵² Deegan 136.

¹⁵³ Pretorius, Louwrens, “Relations Between the State, Capital and Labour in South Africa: Towards Corporatism?” *South Africa: Designing New Political Institutions*, Eds. Murray Faure and Jan-Erik Lane, (London: Sage Publications, 1996) 212.

¹⁵⁴ COSATU. “Preliminary Response to the Government Macro Economic Strategy,” *COSATU Press Release*, (14 June 1996)

¹⁵⁵ COSATU. Policy Conference Declaration and Resolutions, 1997.

exclusive character of GEAR's "anti-developmental nature...renders meaningless both contributions by civil society and the deliberations of the elected people's representatives".¹⁵⁶ Observing the fallout between the ANC and COSATU from GEAR, a prominent journalist astutely noted, "alliances are not born in perpetuity and cannot be forcibly held together by bureaucratic measures".¹⁵⁷

The breakdown in relations between the ANC and COSATU was also affected by the contrast between ANC party doctrines and government policies. Confusion appeared to reign within the party as ANC party leaders professed a strong commitment to redistributive measures through heavy state involvement whilst government officials simultaneously reassured international financial institutions and business leaders of their support for a capitalist, free-market driven economy.¹⁵⁸ The support for the interests of capital seemed concentrated in a core group of government ministers led by Mbeki and Manuel while a more socialist ideological perspective continued to influence many ANC representatives.¹⁵⁹ This internal dissent within the ANC has fuelled much of the controversy which has plagued the party since its election victory in 1994. Claiming that short-term, pragmatic adjustments were required to ensure economic preservation of the country remained the justification for such ideological clashes, while the party still remained committed to the longer-term goals of the redistribution of wealth, increasing social spending and advocating a greater reform of capitalist society.¹⁶⁰ This internal conflict within the ANC is made more disturbing given the

¹⁵⁶ COSATU, "COSATU will not participate in 1998 Budget Hearings," COSATU Press Release, (9 March 1998)

¹⁵⁷ Harvey, Ebrahim, "It's time for the SACP to step out of the ANC's shadow," Mail and Guardian, (8-14 October 1999) 26.

¹⁵⁸ Library of Congress 9.

¹⁵⁹ Koelble 166.

¹⁶⁰ Donnelly 196.

recent end of apartheid. The historically stalwart solidarity of the party, epitomized in Nelson Mandela's unwavering linkage between his freedom and that of the oppressed African population, has slowly dwindled. These policy differences have created various hostile factions amongst those who were previously united. The internal fragmentation of the well-populated ANC may have been inevitable but it is doubtful that anyone predicted the swiftness and hostility that has characterized the process.

5.4 State of capital and labour

In the years since the first democratic elections the major players in the industrial relations system have undergone changes in their organizational structures, relationships and publicly stated goals. Sections previous to this have illustrated the different government actions and substantive policy changes during the ANC's first term in office. What is essential to an examination of the success of the neo-corporatist approach attempted by the government in its initial years is an understanding of how changes in the capacity of both the labour movement and capital have altered their respective abilities to both contribute and function within the system. Thus, a brief examination of both capital and labour in the pre and post-apartheid period is germane.

Only when apartheid labour practices proved to be inefficient and damaging to profits did South African business create pressure on the government to institute labour reforms resulting in meager improvements for those repressed under apartheid. Capital formation has always been concentrated in South Africa, with, as an example, six major conglomerates controlling three-quarters of the market capital quoted on the Johannesburg

Stock Exchange in 1995.¹⁶¹ The historical strength of employers in South Africa renders this body particularly crucial in determining the success or failure of corporatist arrangements. And although employers held a strong, concentrated position in South Africa the formal alliance between the ANC, SACP and COSATU played on the fears of business regarding labour's influence on economic policy in the post-apartheid period. With corporatist arrangements operating on a voluntary basis the main concern for employers became ensuring that the policy prescriptions outlined in *Growth for All* were reflected in the government's macro-economic strategy.¹⁶² The evidence of business' success in influencing government policy became clear with the unveiling of GEAR, a testament to the powerful economic voice of employers.

However, business in South Africa has continued to face challenges even after the adoption of GEAR. During the years of apartheid business was largely shielded from international competition and consequently developed highly complex and convoluted internal structures. Under GEAR conglomerates have been forced to dismantle these complex structures in light of fierce competition and with the desire to attract foreign investment. Also, under apartheid, union militancy and high levels of industrial action spurred business to act collectively to press for labour reforms in order to protect profits. This raises the most significant issue with respect to the current state of capital. The current competitive and uncooperative nature of business in South Africa makes acting or organizing as a collective body at the national level quite difficult, as illustrated below. Many divisions have resulted in battles occurring at NEDLAC between business representatives without a

¹⁶¹ Donnelly 209.

¹⁶² Benner 5.

unified position emerging. Rifts now characterize the business community.¹⁶³ The plurality of voices has resulted in prominent divisions between small-and-medium enterprises (SMEs) and major conglomerates; between mining and agriculture sectors; and between Afrikaans and British enterprises.¹⁶⁴ In addition, there is little incentive for business to relinquish autonomy to a collective, representative organization regardless of the necessity for ensuring progress in NEDLAC. Business South Africa (BSA) is the most authoritative central employer body and claims to represent 80 per cent of all employers and 90 per cent of private sector formal employment.¹⁶⁵ Noting its vast membership, the withdrawal of the National African Federated Chambers of Commerce (NAFCOC), which has been widely recognized as the “most credible grouping to speak up for black business and its small-scale employers”, has left BSA open to criticism of existing solely as a voice for whites and big business.¹⁶⁶ Thus, the business community is marked by fragmentation. With the fear of labour’s influence on the ANC diminishing so dissolves an important motivation for cooperation.

Although typically portrayed as highly unified, divisive issues have plagued the labour movement since 1994. From the original “brain drain” of union leaders to government postings in 1994, the labour movement has been said to lack critical aspects of capacity including leadership, influence and vision.¹⁶⁷ Although unions have desperately been trying to prevent South Africa from becoming a depository for cheap Third World labour amidst persistent unemployment and declining growth, unionization rates have stagnated. Annex 5 shows that unionization levels relative to the growth of the workforce

¹⁶³ Sourced from interview data.

¹⁶⁴ Standing 166.

¹⁶⁵ Donnelly 212.

¹⁶⁶ Donnelly 212.

¹⁶⁷ Baskin 31.

have remained relatively constant since 1994.¹⁶⁸ Appearing prominently at NEDLAC and at other national levels, unions appear thinly organized, have few experienced trained negotiators, and function with a poorly developed infrastructure.¹⁶⁹ Critics observe that union objectives remain outdated, representatives are often absent and they are rarely adequately prepared for meetings at NEDLAC. Consequently labour's response to policy proposals is often reactive which does not put forth a programmatic vision. A growing divide has also emerged between the rank-and-file and labour leadership. Many representatives note that there exists remarkably little contact between union officials and workers in plants.¹⁷⁰ To illustrate, a survey conducted in 1998 amongst COSATU members revealed that 67 per cent of members did not know what GEAR was and 63 per cent of workers interviewed knew nothing of NEDLAC.¹⁷¹

Confusion seems to reign in the labour movement with respect to policies and strategies for codetermination. Although COSATU policy documents reveal a staunch commitment to policies supporting "an active, developmental state with the capacity to intervene effectively in the economy", national labour representatives have also supported ANC policies to 'roll back the state'.¹⁷² In addition, COSATU's quick acceptance of privatization was met with outrage by many in the labour movement who perceived COSATU labour leadership as bending too easily to government requests. In addition to disagreements over policy many in the labour movement are opposed to the model of codetermination in operation through NEDLAC. The South African Municipal Workers

¹⁶⁸ Benner 3.

¹⁶⁹ Baskin 31.

¹⁷⁰ Sourced from interview data.

¹⁷¹ Grawitzky, Renee, "Workers do not know what GEAR is," Business Day, (29 March 1999) 3.

¹⁷² COSATU Executive Committee Statement 1999.

Union (SAMWU) voices concern on behalf of many when it advocates “militant, defensive unionism” rather than cooperation and negotiation with business and government.¹⁷³ This persistent vacillation towards co-determination at the national level is a significant issue and adds to pressure on NEDLAC labour representatives attempting to enforce agreements achieved in this forum. The success of the neo-corporatist model lies with all parties maintaining trust and a belief that deals reached will be uniformly implemented and enforced. Thus, growing labour militancy does not bode well for successful negotiation and compromise.

5.5 The neo-corporatist experiment

As the beginning of this Chapter details, South Africa began to institutionalize a neo-corporatist model immediately after the first democratic elections in 1994. According to Dunlop, implementing a changed system of industrial relations would entail a remarkable revolution in the greater society. As he noted, an IRS tends to remain stable over time and requires quite a dramatic shift in ideology and rules to be reformed. The four major factors mentioned which influence the changing of an IRS over time are the historical period, the sequence of social changes, the economic development and growth, and the decisions made by the industrializing elite. As noted in the preceding Chapter many conditions in South Africa in 1994 seemed conducive for a corporatist system to take hold. However as this study has attempted to make evident the neo-corporatist experiment was not successful. There has been a clear shift in economic policy goals and decision-making processes since 1996. Although the introduction of GEAR was a dramatic turning point for South Africa,

¹⁷³Baskin 1996 31.

this shift in economic policy cannot solely be blamed for the demise of the corporatist experiment. Returning again to Dunlop, a further examination of the conditions and factors surrounding the potential reform of the IRS provides some insight as to why the corporatist experiment was not successful. Drawing on the work of Dunlop, what needs to be examined is whether or not the conditions truly were conducive for transforming the IRS. Simultaneously I draw on Wiarda's work to examine whether or not the conditions were conducive to the adoption of a neo-corporatist framework

The historical period (the 1990s) in which the "new South Africa" has emerged has witnessed increased challenges for states with a neo-corporatist model.¹⁷⁴ The growing economic integration of the world through the processes of globalization has placed increased pressure on neo-corporatist states to develop macroeconomic policies which are consistent with the liberal-pluralist policies dominant elsewhere in the world.¹⁷⁵ Thus the pressure to move towards a more pluralist system of industrial relations with a less interventionist role for the state in directly managing competing interest groups has likely been a major factor in encouraging the state to abandon its attempt to implement a neo-corporatist model. The historical period has therefore likely fostered a process of change of the IRS, but not towards the development of a corporatist system.

The sequence of social changes in the 1990s in South Africa can be considered as supportive for reforming the IRS and moving towards a new IRS with a strong role for labour. Emerging triumphant in the struggle to end apartheid and formally aligned with the governing ANC, the inclusion of labour in the new IRS would be central and an important

¹⁷⁴ Kusnet, David and Robert Taylor. "Economic Growth and Social Justice in the Global Economy: Political Challenges, Policy Choices". <http://www.ippc.org.uk/download/ippc3.pdf>, IPPC 1998.

¹⁷⁵ Henley 170.

part of policy and decision-making in government. However, following the elections in 1994 both COSATU and the ANC were not the same cohesive, unified and strong parties that they had been in the past years. The eroded unity of these parties seems a consequence of the leadership vacuum following the elections. Progressively throughout the first term in office these strong relations between organized labour and the governing political authority only seemed to deteriorate further, as documented earlier in Chapter 5.

The economic decisions made in the immediate post-apartheid period were largely in favour of supporting the neo-corporatist system as a means of ensuring much needed economic success for greater societal transformation. However, as the country did not experience the economic growth necessary to fund its social programs there emerged some concern over the economic priorities of the new government. The high level of concessions required for a neo-corporatist system to be successful was increasingly hard to meet as the level of international capital in South Africa increased.¹⁷⁶

The pressure began to mount against the RDP and business interests encouraged the government to consider implementing more business-friendly economic policies. Adding to this pressure was the increased presence of international capital as the country opened its doors to foreign investors. This increased presence means that participation in a national system becomes difficult to ensure as international capital has less incentive to submit to a system which may seem as a hindrance to conducting business. Coercing national actors is a much simpler task, as international capital can easily pick up shop and move elsewhere rather than submit to lengthy processes of negotiation within a system of codetermination. Additionally, the internationalization of production has meant that foreign investors in South

¹⁷⁶ Lundahl 54.

Africa could easily shift investment elsewhere if policies in the country were not favourable for increasing their profits, and thus further pressure has mounted against a neo-corporatist system.

Lastly, the decisions of the elite, both political and economic, although vocally supportive of reforming the entire political, economic and social systems in place in South Africa in the 1990s, have not yet come to fruition. The true commitment behind the decision to reform the IRS was seemingly not strong enough in either the political will to implement the sweeping changes required nor in the genuine commitment to leveling the playing field between capital and labour to allow for more equity in participating in the formal system of the IRS.

Using these four considerations for evaluating the lack of success in transforming the IRS to a neo-corporatist model provides mixed results. Although some conditions seemed relatively conducive to supporting the transformation of the IRS, some conditions were made to promote a subtler change, but not necessarily the transformative changes required to move to a corporatist system of relations. Thus, although the conditions for change may have been present in the South African case, whether or not these would support the implementation of a neo-corporatist setup must be examined.

During the years of apartheid capital in South Africa had become highly concentrated in the hands of domestic investors and thus it would have been much easier to implement a centralized, uniform corporatist framework under these conditions. As illustrated in this Chapter, the internal fragmentation of both labour and capital within South Africa following 1994 created conditions which were not conducive to the success of corporatism. Both parties had factions which were unconvinced of the long-term benefits of participating in a

corporatist framework and this seriously undermined the very nature of corporatist arrangements.

When the democratic government came to power in 1994 there was widespread support for overhauling society and ridding the country of all vestiges of apartheid. With respect to industrial relations, the government seemed wholly committed to implementing a neo-corporatist model. However, the two key parties involved were not as convinced of the benefits of such an arrangement and much of the tension, distrust and animosity between “white” capital and “African” labour remained. Thus the “revolution” that Dunlop stated was required to overhaul an IRS seems not to have occurred in South Africa. Instead, many of the historical characteristics - fragmentation, inequality and divisiveness - that had marked South African society under apartheid remained in place following the transition to democracy. Notably, the GNU did not attempt to implement a new process of economic development with the dramatic change in political rule to democracy. The revolutionary transition of legally and politically recognizing equality of the races did not seem to translate into a fundamental transformation of South African society, that which Dunlop claims would be required to reform an IRS. And in response to South Africa’s economic woes in 1996, the government took steps to weaken the corporatist framework that was only tenuously in operation. I would argue that these conditions and decisions have undermined the neo-corporatist model to the extent that it cannot be claimed to realistically be effectively in operation any more. The government still claims to be pursuing a corporatist model however, and predicts the further extension of formal corporatist processes to provincial

levels.¹⁷⁷ A further examination of the recent state of industrial relations however, will reveal that the neo-corporatist experiment in South Africa has not succeeded.

¹⁷⁷ ANC 1997.

CHAPTER 6

Industrial Relations at the Crossroads

6.1 Introduction

The preceding Chapters have provided an examination of the history of the labour movement in South Africa, a review of the collapse of the apartheid system and a study of the attempt to pursue a form of corporatism in managing industrial relations in the post-apartheid period. Chapter 5 provided a brief summary in its conclusion of some of the conditions which may have prevented the reform of the IRS which the ANC had envisioned. This concluding Chapter reviews why the South African state decided in 1994 to pursue a system of state management consistent with a neo-corporatist framework, followed by a summary of the essential components for this type of an IRS. Assessing the state of industrial relations since 1996 will show that the key criteria for success of a neo-corporatist model, according to Wiarda, have not been met in the South African case. Applying both Dunlop's work, which provides criteria for reforming an IRS, and Wiarda's work, which provides criteria for measuring the success of a corporatist system, I argue that the corporatist experiment has not been successful.

6.2 Why corporatism?

The negotiated and relatively peaceful transition to democracy in South Africa was celebrated as representative of the new and harmonious means by which the country would be governed in the post-apartheid period. However, the price for this peaceful settlement was the extension and rationalization of the capitalist system rather than the overthrowing of the socio-economic system to replace it with a more socialist oriented regime.¹⁷⁸ For the ANC the best way of managing capitalism, in light of the need to accommodate strong interest groups in society, was to develop institutions and to follow an ideological path adhering to a framework of neo-corporatism.

With the moral imperative to make a clean break from its despotic past, address redistributive justice and promote productivity and stability, the goal of encouraging social partnerships was foreseen by the state as the surest way to achieve these goals and simultaneously strengthen the fabric of democracy. A corporatist system would seek to balance power between capital and labour, both of which had considerable strength in 1994. In addition, the ANC recognized the need to create some level of social harmony and to prevent the risk of an economic crisis facing the newly emergent state. Commenting on the African continent as a whole, Hutchful notes that

“state incapacitation, the high level of economic and cultural fragmentation in African countries and the consequent need for devolution of power, for consultation, and for social cooperation, would seem to recommend neo-corporatist frameworks”.¹⁷⁹

¹⁷⁸ Donnelly 196.

¹⁷⁹ Hutchful, Eboe, “The Limits of Corporatism as a Concept and Model,” Corporatism in Africa: Comparative Analysis and Practice, Eds. Julius Nyang’oro and Timothy Shaw, (USA: Westview Press, 1989) 20.

It would seem that the ANC pursued a neo-corporatist model for managing state/society relations out of functional necessity.

It has been implied by some academics however, that the same core group of government ministers who developed GEAR also initially advocated the institutionalization of a corporatist model as a means of controlling left-wing labour and limiting debates on economic policy to mere details. Because the objective of corporatism is “the stable reproduction of a determinant structure” the possibility of raising fundamental issues and of transformative politics could essentially be excluded.¹⁸⁰ Adopting a cynical perspective, the promotion of an institutionalized multipartite forum with organized labour, formally aligned with the ruling party, could be perceived as a simple means of reducing any threat to political authority.

6.3 The neo-corporatist model

According to scholars, corporatist ideology is founded on the principle of integration rather than separation of the political, social and economic aspects of life and the involvement of capital and labour in the process of government.¹⁸¹ The ANC pursued a form of neo-corporatism whereby the system has relatively free interest groups and non-authoritarian or limited state activity. As mentioned in Chapter 3, South Africa pursued a form of corporatism which is typically found in social-welfare oriented countries with economically based interest groups directly brought into the decision-making machinery of government. This formal incorporation of interest groups into the processes of government,

¹⁸⁰ Hutchful 24.

¹⁸¹ Salamon, Michael, Industrial Relations: Theory and Practice, 3rd ed. (Europe: Prentice Hall Europe, 1998) 50.

characterized by compromise and peaceful negotiation, is the key characteristic of neo-corporatism in contrast to a more non-interventionist, disengaged approach that is more characteristic of a liberal-pluralist system.¹⁸²

Key characteristics, noted by Wiarda, of a corporatist model are a strong, directing state, restrictions on interest group freedom and activity, and the incorporation of interest groups into the state system.¹⁸³ The four major functions for interest groups in this system are representation, deliberation, regulation, and implementation.¹⁸⁴ For the neo-corporatist model to be successful and effective certain settlements and actions are required from the three major players: capital, labour and the state.¹⁸⁵ Important concessions from the major players are as follows:¹⁸⁶

Capital

- Accession to key economic demands of labour
- Consultation on industrial policy
- Representation on responsible bodies

Labour

- Acceptance of basic political and economic institutions of capitalist society
- Limitation of its political perspectives to reformism

State

- Enhancement of its supervisory, regulatory and extractive functions
- Ideological claim to arbitral neutrality

Any of these players has the ability to undermine the efficacy of this model through not fulfilling their specified role within the system.

¹⁸² Wiarda 22.

¹⁸³ Wiarda 8.

¹⁸⁴ Adams 20.

¹⁸⁵ Hutchful 24.

¹⁸⁶ Pretorius 204.

6.4 The reality of corporatism in South Africa

It has been noted that many of the socio-economic conditions conducive to success were missing in the South African experiment, although Baskin noted, “it is a path-breaking attempt to apply tripartite and co-determinationist institutions to a developing country, a route unprecedented”.¹⁸⁷ These conditions were noted previously in Chapter 3. Although on a surface level many of these conditions appeared to be present, it seems that the operational reality was quite different, and that the conditions mentioned by Wiarda for measuring the success of corporatism, were not achieved. Some have argued that a key weakness in the South African case was that the social contract was not extended to include seats on health, education and other social boards and that the model merely focused on industrial and economic forums.¹⁸⁸ As well, some have claimed that there was an absence of any real unifying cultural homogeneity within the system citing ethnic and historical factors. These variances in culture, ethnic, and socio-economic background also encompassed the wide range of ideological perspectives formally present in society at the 1994 elections. What is said to often emerge when corporatism arises from such non-hegemonic foundations “is ideological monism, a grandiose, exclusive, official ideology whose neo-corporatist rhetoric is frequently at variance with its actual practice”.¹⁸⁹ This claim may well be substantiated by the South African case whereby the state advocated strongly for the establishment of a corporatist system yet did not take the extensive steps required to ensure the success of the system.

¹⁸⁷ Baskin 38.

¹⁸⁸ Wiarda 120.

¹⁸⁹ Hutchful 28.

Additionally, Wiarda's other important factors which concern the actual commitment, composition and capacity of the main actors in the system were not optimal for the successful implementation of a neo-corporatist model. Marais noted that the key players in the system all voiced divergent interests and expectations of what the system was geared towards or capable of accomplishing.¹⁹⁰ Capital, for the most part, favored participation in a social contract as it was perceived that only moderate costs would accompany involvement and that industrial stability would be ensured as the scope for economic debate was inherently limited within such a model. Capital also lacked a strong collective coalition for representation at NEDLAC and largely deserved accusations leveled against it as being dominated by white big business. Labour, on the other hand, was extremely hesitant towards the model of codetermination; some unions favoured more militant, oppositional unionism while others preferred the cooperative, peaceful instruments of negotiation offered in a corporatist setup. With a large proportion of union leaders moved off into government positions and substantial restructuring of the state underway, labour also had to contend with challenges of capacity and representation.

Not only were labour and capital dealing with issues of unity and capability necessary in a neo-corporatist model, but also the "new" South African state was undergoing substantial internal restructuring and organization. The unwarranted optimism of many ANC government ministers sharply contrasted with the brutal reality of the challenges facing the country coupled with a lack of state resources and widespread bureaucratic inexperience. More importantly is that the ruling party had to contend with the formidable task of transforming a culture of resistance, amongst ANC officers, to a culture of governance.

¹⁹⁰ Marais 230.

These arduous responsibilities left the state relatively incapacitated to take on the interventionist role required of it under neo-corporatist model.¹⁹¹

The questionable capacity of all three key parties in this model was exacerbated by the ambivalence of the bodies towards codetermination. Without all parties wholly committed to the system, the concessions required for the process to be successful were unlikely to ever be realized. Implementing a corporatist IRS requires more from the state than establishing an institutional forum for negotiation; what is needed is a thorough commitment to achieving a balance of power between capital and labour in society along with greater economic democracy. In South Africa today little more than NEDLAC remains evident that a neo-corporatist system was pursued.

6.5 The demise of corporatism

I argue that South Africa's attempt to pursue a neo-corporatist system of managing state/society relations has not been successful. Noting that numerous conditions typically present in a neo-corporatist system are absent in the South African case, governmental decisions have also played a large role in its demise.

The weakened capacity of organized labour in the post-1994 period has left labour largely unable to exploit the opportunity of corporatism. Internal disorganization, scarce resources, and confusion over policy perspectives have left COSATU and other labour affiliates unable to articulate comprehensive strategy and policy alternatives at NEDLAC. In addition to this, it seems clear that frequent absenteeism, a lack of preparedness and a tendency to make use of dogmatic rhetoric has continually weakened labour's already

¹⁹¹ Donnelly 208.

dwindling clout at the bargaining table.¹⁹² Adding to this, the strategic alliance between the ANC, the SACP and COSATU has inherently limited the ability of organized labour to argue in open opposition to government policy. This alliance has left COSATU open to accusations of government co-optation or muzzling from other labour organizations and various 'left' bodies. Regardless of these potential accusations, COSATU's well-vocalized belief that "the ANC is the only organization in the country that is strategically best placed to deliver a better life for all our people" seems to be largely representative of the majority opinion within the populous.¹⁹³ This overwhelming loyalty to the ANC remains strong as the belief prevails that the liberationist ANC will eventually deliver on its unwavering promises to free the population from the legacies of apartheid.

Another negative impact on the success of the neo-corporatist model is the accusation that the operation of NEDLAC entrenches a labour aristocracy which is non-representative of the largely rural, female and formally unemployed population. This lack of full support for the multipartite forum only serves to undermine its legitimacy. How the economically underprivileged and rural poor fare is a powerful consideration in the South African case, as Dunlop notes that measuring the achievement of a corporatist system must be measured against the reasons for its implementation.¹⁹⁴ Adding to this, although NEDLAC functions as a multipartite body, the disintegration of the NGO sector has left the diverse organs of civil society struggling to participate effectively in the neo-corporatist framework.

If having internal capacity issues and widespread disorganization were not enough to negate any positive role labour had in the neo-corporatist model then the government's

¹⁹² Barrett 10.

¹⁹³ COSATU, "Millennium Message," COSATU Press Release, (22 December 1999).

¹⁹⁴ Donnelly 220.

adoption of a neo-liberal framework would do the trick. It seems that the architects of GEAR misled supporters of the ANC by promoting an economic strategy that would fundamentally be unable to address the issues and goals outlined in the RDP. This change of policy, to embrace economic growth ahead of social justice and redistribution, stands in stark contrast to the historically strong socialist-oriented policies of the ANC. This transition is even more alarming considering that Mbeki himself has admitted to being a 'Thatcherite' and that to this day there exists "no international example where neo-liberal adjustments of the sort championed by GEAR have produced a socially progressive outcome".¹⁹⁵

Regardless of whether or not GEAR was ever intended to address the rampant injustice in South African society, government's changed perception of labour under a neo-liberal strategy is key to this discussion. Under neo-liberalism, trade unions are generally seen as barriers to the achievement of government objectives and thus need to be curtailed through legislation.¹⁹⁶ It is well recognized in the literature on industrial relations that in order for a neo-corporatist system to operate effectively, economic actors must be bound by social duties and the state needs to play a lead role in the regulation of the economy. Therefore, Wiarda concludes, "clearly the triumph of neo-liberalism and its free market ideology runs counter to the system of controls, both political and economic, associated with corporatism".¹⁹⁷

In addition to the controversy over GEAR's economic tenets, the process by which it was implemented seemed clearly to subvert the fundamental goals of the neo-corporatist model. Mandela himself admitted that the ANC never consulted any relevant bodies

¹⁹⁵ Marais 117.

¹⁹⁶ Salamon 51.

¹⁹⁷ Wiarda 172.

regarding GEAR and in fact only consulted NEDLAC after the decision and public announcements had been made.¹⁹⁸ This 'slipping in' of substantial, controversial economic policy without submission to NEDLAC for debate has become a thorn in the side of the ANC. The government has also entered into many bilateral agreements with business (and some with labour) and has thus retreated from the pretence of being a neutral adjudicator of conflicts between capital and labour.¹⁹⁹ It seems that the government has met a majority of demands made by business, with small concessions permitted to subdue opposition from labour and other minority groups.²⁰⁰

Another justification for the claim that corporatism has not been successful in South Africa is the current polarized and antagonistic positions occupied by organized labour and a faction of the ANC contingent on one hand and the government and capital on the other. Negotiations on social and economic policy are now characterized by distrust and labour's perception of the ideological betrayal by the governing faction of the ANC has left discussions rife with accusations and hostility. COSATU's leaflets now describe job losses as "a blood bath and massacre of workers by greedy bosses bent on throwing more workers into the streets to face poverty", which only serves to encourage rank-and-file militancy and allegations of industry-wide promotion of apartheid economics.²⁰¹ The general levels of shop-floor dissent are not only in protest to state policy and inaction but also aimed at COSATU leadership which is often characterized as being too friendly with government officials, extremely acquiescent to their demands, and out of touch with working conditions

¹⁹⁸ Marais 160.

¹⁹⁹ Donnelly 219.

²⁰⁰ Donnelly 221.

²⁰¹ Congress of South African Trade Unions, "Protect Our Jobs," COSATU Press Release, (July 1999)

of the average employee. All of these factors combined with sluggish economic growth have resulted in a dramatic upturn in industrial action which has only aggravated the possibilities for labour to bargain efficiently. The atmosphere of compromise and negotiation, which is required for corporatism to function effectively, is undermined by continuous widespread strike action.

Lastly, and most importantly, is the condition of the South African people as a whole. A lack of substantial improvement in alleviating poverty, particularly the inequality of poverty and well being, is illustrated in Annex 6 and 7. Although the data presented in these two tables may not present an immediate picture of extreme poverty, the high levels of inequality that persist in South Africa are not conveyed in these simplified indicators. Researchers note a widening gap in racial groupings in relation to economic prosperity, with Africans still representing the most impoverished racial grouping.²⁰² Although indicators may show small improvements in levels of literacy and reduced infant mortality along with a substantial increase in GDP per capita, the majority of South Africans have not experienced these improvements in their lives. What is important to be considered is that the overall living conditions in South Africa have not improved substantially for the majority since the end of apartheid, and I do not think that the current policies put forth by the government will improve this situation. Critically, the economy is still very much in the hands of a rich minority and “this legacy (apartheid) continues to further constrain the choices and efforts of the ANC to economically liberate its people from all forms of social ills”.²⁰³

6.6 Where are we now?

²⁰² United Nations Development Programme, South Africa Human Development Report, 2000.

²⁰³ Mahlangu, Brian and Sandile Gwexe, “Unlocking our wealth,” *Sowetan*, (7 October 1999) 8.

As the discussion in this Chapter has illustrated, the attempt to pursue a neo-corporatist system in South Africa can only be classified as unsuccessful. As organized labour has struggled in the post-apartheid era to reconstruct its collective representation to contend with the new challenges in a democratic system, its internal strength, capacity and bargaining power have all weakened. Unable to contend with its articulate, well-resourced and highly experienced counterparts in the business community, labour has been unable to participate in and contribute to policy-making debates with any substantial impact. Rather than having a situation whereby the parties are both active and equally strong the role of labour in the South African experiment seems to be one of merely observing the process of change.

Indeed, with the increased dissent between the rank-and-file and union leadership, periods of dramatic industrial action, and frequent public episodes of in-fighting within unions themselves, it would seem that the fragmentation of organized labour would be a challenging issue even if the rest of the system was intact and working under ideal conditions. Adding this to the atmosphere of distrust and antagonism characterizing industrial relations and labour's belief that the government has acceded to the demands of the business community only serves to clarify the reality that corporatism is not functioning in South Africa.

In addition to this inoperable state of the corporatist experiment, the momentum to improve or reform the system of neo-corporatist relations seems to be non-existent insofar as the government is concerned. Government statements and actions indicate there is no recognition that major problems exist except for the increasingly 'intolerable' actions of labour. Government has responded with little sympathy to strike action and perceives that

criticisms emanating from labour are a result of the unions' non-acceptance that "ideal reforms" reflected in ANC policy had to be pragmatically adjusted to the reality of certain economic factors.²⁰⁴ And the pervasive perception that the emerging black bourgeoisie represents a growing middle class supports the belief that the system is actually working. As an article in the magazine *World Trade and Investment* stated, "we must remember that black economic empowerment succeeded because it was just", highlighting the conviction that this noble goal has de facto been achieved.²⁰⁵ With the new economic elites advocating stronger cracking down on union action, critics speculate that the government may resort to more conservative and possibly authoritarian measures in order to curb protest.²⁰⁶ With another term in government secure and no reasonable threat to the political dominance of the ANC, reform of the neo-corporatist model is not likely to occur and what is more likely is its dissolution.

What now exists in South Africa points to the likely adoption of a more liberal-pluralist model of industrial relations. If the alliance between the ANC, SACP and COSATU dissolves, which is where things seem to be headed, this scenario becomes even more likely. Allowing interest groups to battle independently outside of state machinery will create a system of industrial relations in South Africa which looks similar to Western states. This model of industrial relations would be ideologically consistent with Mbeki's recent calls for a more "democratic" society, where no specific interest group has preferred status. As the power of international capital increases, the ability of labour to secure labour-friendly legislation or to lobby for greater social spending will diminish. And if the government does

²⁰⁴Donnelly 191.

²⁰⁵Sceales, Ted, "From Black to African Empowerment," World Trade and Investment, (Vol. 3. June 1998) 22.

not opt for increased social spending and instead continues on its path of fiscal conservatism and increased military expenditures, as was evident in the 1998 national budget, levels of poverty are likely to increase.

Would things in South Africa be better now if a neo-corporatist system had in fact been successful? The neo-corporatist experiment in South Africa would have ideally offered a balanced approach to policy making, meeting the needs of both capital and labour, in pursuing the equitable transformation of society. As previous sections have stated however, many of the conditions necessary for the success of this model were not present. What needs to be considered though is whether the success of a neo-corporatist system in South Africa would have offered the possibility of a greater transformation of society than has happened since 1994.

The inherent scope of a neo-corporatist framework limits debates on the economy and social policy to mere details of the greater system which essentially precludes the possibility of transforming the system. Entering into this system only offered labour in South Africa the ability to formally negotiate industrial policy without discussing the greater transformation of society. With the socialist-oriented ANC in power however, this was not considered a cause for concern until the introduction of GEAR. Once tied into a co-determinationist structure and locked into legislated agreements, organized labour was essentially forced to swallow GEAR and negotiate within its narrow, pro-capital scope. The formal alliance with the ANC has provided an added burden as direct opposition to and condemnation of government policy would be perceived by all of as labour talking out of two sides of the same mouth.

²⁰⁶ Marais 233.

Other limitations of the corporatist model include the exclusivity of corporatism as only specific interest groups are invited to participate in the framework, at the governments' invitation. Thus, only certain representation is afforded to civil society and the system is therefore often claimed to only be representative of a minority of the population. The neo-corporatist framework, although multipartite, allows for tripartite domination in relevant areas of political competition and does not allow for other parties to be included in the decision-making process.²⁰⁷ The consequences of this arrangement can be very severe, especially when implemented in a 'developing' country with a large proportion of the population unorganized or unemployed and thus underrepresented at the bargaining table. This type of arrangement would be more functional if organized labour was merely pursuing an agenda of workers' interests or 'populist unionism', as is more typically found in Scandinavian countries. However, African unions operate in countries with serious economic and social imbalances and they "cannot secure rights, wages, or conditions of employment while the majority of working people of these countries have not been unionized, are unemployed and living in desperate poverty".²⁰⁸

With the government pursuing a neo-liberal agenda, more concerned with economic growth rather than social or civil rights, the battle for social justice and an equitable redistribution of wealth lies with the organs of civil society.²⁰⁹ In a corporatist framework then, with unions being the organs of civil society with a seat at the decision-making table, unions are forced to choose between "developmental unionism" concerned with the interests

²⁰⁷ Pretorius 202.

²⁰⁸ Keet, Dot, "Labour Issues in Southern Africa: Critical Choices for Trade Unions," Prospects for Progress: Critical Choices for Southern Africa, Ed. Minnie Venter. (Cape Town: Maskew Miller Longman Ltd., 1994) 128.

of greater society or a more “sectional unionism” concerned with the rights of organized labour.²¹⁰ If labour adopts a narrower sectionalism within a neo-corporatist regime the responsibility for pursuing societal transformation falls to NGOs and other bodies who also face severe capacity and funding issues. In such a short time we see the priority of addressing the legacies of apartheid once overwhelmingly embraced by the ruling party now reduced to the priority of struggling NGOs.

But why is it the case that corporatism did not take hold in South Africa despite the ANC’s praising of its utility and potential for transforming society? According to Dunlop, “the major characteristics of a national industrial relations system appear to be established at a relatively early stage in the development of a country...(and) appear to retain these characteristics despite subsequent evolution.”²¹¹ Thus, barring a violent revolution in the greater society, an IRS is unlikely to be reformed in its fundamental nature. Although South Africa experienced a tremendous transformation in overthrowing the apartheid regime, it would seem that many aspects of the old regime remained in place. The political changes that occurred in 1994 were primarily a transfer of political authority to majority rule. The locus of power, in the hands of white corporate interests, has not experienced a substantial transformation and has in fact been reinforced as a result of the government’s economic policies. Although South African society underwent a pivotal and substantial revolution in demolishing social apartheid, the economic and industrial relations systems have not experienced similarly critical changes. Drawing from Dunlop’s work then, it can be said that

²⁰⁹ Mamdani, Mahmood, “Democratic Theory and Democratic Struggles,” Democratisation Processes in Africa: Problems and Prospects, Eds. Eshetu, Chloe and Jibrin Ibrahim, (Senegal: CODESA, 1995) 43.

²¹⁰ Jeremy Baskin coins these terms in his work cited in the Bibliography.

²¹¹ Dunlop 227.

a greater reformation of society and the sub-systems within it would have been required to fundamentally alter the historical IRS in South Africa and to successfully implement a neo-corporatist model. In hindsight, the ANC would have had to have struggled against the advice of the international community to undertake sweeping reforms and to make substantial changes to implement the changes detailed in core ANC policy documents, remaining committed to reforming society along corporatist lines. On reflection, a more 'revolutionary' revolution was required.

The possibilities for reforming the neo-corporatist system and refocusing the state's agenda to again place the goals of equality and justice ahead of economic growth exist. However the government would need to be committed to redistribution, resist deregulation of the labour market and regain credibility with both capital and labour through a more neutral and less-compromised stance. Employers would need to submit to a more collective body and include black business to deal with fragmentation and would need to address the political, moral and economic imperatives to redress the historical inequity in South African society. Union leadership must become more organized, strengthen leadership capabilities, retain union membership levels and seek to influence the state through becoming more independent of its political affiliation with the ANC and SACP.²¹²

The corporatist experiment was short-lived and new arrangements are emerging, rooted in a more pluralist perspective, which is inconsistent with neo-corporatist ideals. However the neo-corporatist framework exemplified by NEDLAC with the expansion of this at provincial levels, still exists. The current system places labour in a dangerous position. Not only is organized labour tied into an alliance with the ruling political party but it is also

²¹² Donnelly 220.

bound to the neo-corporatist framework through participation in NEDLAC. With the ANC pursuing a political agenda at odds with both the developmental and workerist visions of COSATU, and with the SACP essentially defunct, labour faces dim prospects for advancing its agenda within this tripartite political alliance. And again, with the majority of the populous remaining loyal to the ANC and stagnating union membership, little hope exists for organized labour to operate successfully on its own outside of this political alliance. Continuing to operate within a defunct neo-corporatist model also severely restricts the gains that labour will be able to achieve on behalf of its membership and greater society. Negotiating with a pro-business government and a competitive business community leaves labour to discuss minute details within NEDLAC, unable to contribute to discussions on broader economic policy. This risky situation for labour in South Africa, struggling to act within a weak neo-corporatist framework and to challenge state rhetoric, is of grave concern if labour hopes to retain its historic role of fighting on behalf of the oppressed majority.

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ANNEX OF FIGURES AND TABLES

ANNEX 1: Income Inequality by Sector, South Africa 1985

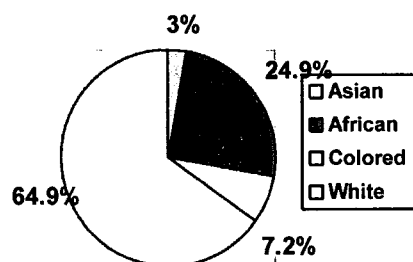
Source: Wilson and Ramphele 56.

AVERAGE EARNINGS (current Rands per month)		
	African	White
Banking	655	1432
Central Government	480	1307+
Universities	472	1833
Manufacturing	468	1848
SA Transport Services	421	1600
Construction	384	1807
Mining and Quarrying	327	1675

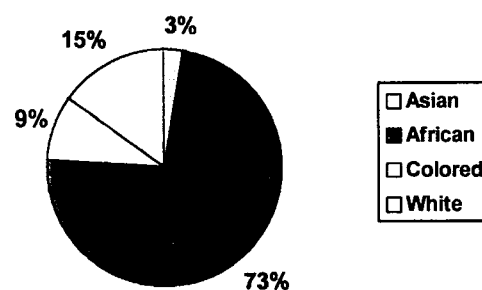
ANNEX 2: Income Inequality, 1980

Source: Wilson and Ramphele 20.

Income by colour caste, 1980



Population by colour caste, 1980



ANNEX 3: Human Development Indicators and Government Spending on Social Services, 1990-1998

Source: United Nations Development Reports 1992-2000.

	1990	1994	1998
Education expenditure (as % of GDP)	4.6	6.0	6.8
Health expenditure (as % of GDP)	0.6	3.2	--
Life expectancy at birth (years)	61	62.2	64.1
Adult literacy (%)	70	--	81.8

ANNEX 4: Labour Relations Act, 1995

Source: South African Government Gazette

OFFICE OF THE PRESIDENT

No. 1877. 13 December 1995

NO. 66 OF 1995: LABOUR RELATIONS ACT, 1995.

It is hereby notified that the President has assented to the following Act which is hereby published for general information:-

No. 66 of 1995: Labour Relations Act, 1995.

ACT

To change the law governing labour relations and, for that purpose-

- to give effect to section 27 of the Constitution;
- to regulate the organizational rights of trade unions;
- to promote and facilitate collective bargaining at the workplace and at sectoral level;
- to regulate the right to strike and the recourse to lockout in conformity with the Constitution;
- to promote employee participation in decision-making through the establishment of workplace forums;
- to provide simple procedures for the resolution of labour disputes through statutory conciliation, mediation and arbitration (for which purpose the Commission for Conciliation, Mediation and Arbitration is established), and through independent alternative dispute resolution services accredited for that purpose;
- to establish the Labour Court and Labour Appeal Court as superior courts, with exclusive jurisdiction to decide matters arising from the Act;
- to provide for a simplified procedure for the registration of trade unions and employers' organisations, and to provide for their regulation to ensure democratic practices and proper financial control;
- to give effect to the public international law obligations of the Republic relating to labour relations;

to amend and repeal certain laws relating to labour relations; and

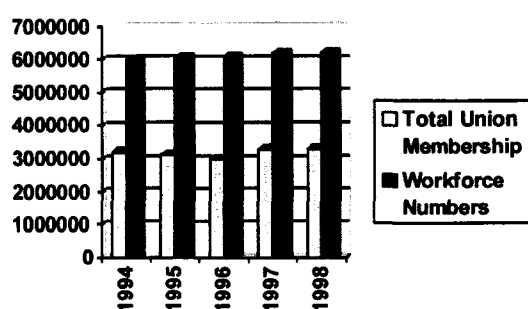
to provide for incidental matters.

(English text signed by the President. Assented to 29 November 1995.)

BE IT ENACTED by the Parliament of the Republic of South Africa.

ANNEX 5: Unionization Levels, 1994-1998

Source: Baskin 1996, 12.



ANNEX 6: Comparative Social Indicators, 1994-1999

Source: United Nations Development Program; Human Development Reports.

INDICATOR	1994 REPORT (1992 Data)	1999 REPORT (1997 Data)
HDI rank	93	100
Real GDP per capita (PPP/USD)	3885	7380 male:10,216 female: 4637
Life expectancy at birth	62.2	54.7
Adult literacy	80%	84%
Infant mortality per 1000	53	50
Access to safe water (%)	70%	59%
Population living below \$2 /day (USD: Int. Poverty Line)	**	50.2%

ANNEX 7: Human Development in South Africa

Source: UNDP, SA-HDR 2000.

Human Development in South Africa: A Brief Glimpse

“...although South Africa is an upper-middle-income country in per capita terms, most households experience either outright poverty or vulnerability to poverty. It was found that:

- **18 million people live in poor households** which earn below R352.53 per month, per adult;
- **10 million people live in ultra-poor households** earning less than R193.77 per month, per adult;
- 45% of the population is rural, but **72% of poor people live in rural areas**;
- 71% of people in rural areas **fall below the poverty line**
- **3 in 5 children** live in poor households
- **61% of Africans are poor** compared with **1% of whites**”

“...the growing inequality between rich and poor in the provinces is blurred in the aggregate indicators...South Africa is lagging in poverty alleviation...inequality in South Africa is among the highest in the world...”

“Comparisons of inequality between races in South Africa reveal that, measured by the Gini-coefficient, the gap between white and African is increasing.”

“Remarkable though South Africa’s road to transformation has been, all the indicators reveal the need for an acceleration of the pace of development for the poorest if the gains achieved through political and institutional transformation are to transcend the legacy of apartheid.”