



# *The trend towards* **bargained corporatism**



In the first of two articles, JEREMY BASKIN\* argues that the corporatist route is the only realistic one for the union movement, despite the many obstacles – not least the industrial relations system itself.

**“Nostalgia” lamented Groucho Marx, “isn’t what it used to be”. It’s pretty much the same with industrial relations; the 1990s are turning out very different from the ’80s.**

The National Economic Forum (NEF) and a revamped National Manpower Commission (NMC) and National Training Board (NTB) are signs of a trend towards greater, structured, involvement by unions in a range of issues. The trend towards active engagement is also noticeable at industry level. Unions are engaged in talks concerning tariffs and import policies, profit-sharing schemes, training and grading systems, and even the restructuring of their industries – a range of issues more complex and far-reaching than anything with which they have previously dealt.

At plant-level, a significant number of companies are introducing worker participation schemes, in the hope of winning greater co-operation from their employees. Many companies have been compelled to adopt this approach; hoping the carrot will work where the stick has failed.

The shift by unions away from adversarialism and towards engagement with a broader range of issues has been widely noted. Some have spoken of a new “strategic unionism” emerging, others of a shift “from resistance to reconstruction”.

The change should not, of course, be exaggerated. Worker combativeness remains, and there is still industrial conflict; and both are likely to continue. But, for the first time, greater co-operation with both state and

\* Baskin is a former unionist and author of *Striking Back – a history of COSATU*. This article is based on a much longer paper produced for the Centre for Policy Studies, PO Box 16488, Doornfontein, 2028.

employer is now possible. Unions have the chance to influence the macro-environment which fundamentally determines what happens to their members at home and at work. Not surprisingly, the union movement is grabbing this opportunity.



bind organised labour and a political party to the achievement of common objectives (as in Australia). But a corporatist system does not need to rest on a formal social contract. And

a social contract (such as in UK in the 70s) does not imply a corporatist system – unless it produces an ongoing, structured relationship between the social partners, and a web of collaborative interchanges.

Also, corporatism is often associated with tripartism – institutionalised state, employer and union interaction. But, in practice, it can accommodate a range of forms at different levels including bilateral negotiations between employers and unions with little active state involvement. The NMC, for example, is, strictly speaking, not a tripartite body, but rather a bilateral one with state participation. And macro-corporatist arrangements are being echoed at the enterprise and industrial levels, but with little, if any, state involvement.

Many, on both the right and the left, are sceptical of the direction industrial relations is taking; and perhaps they are right to be. I will return to some of these criticisms shortly. But the argument is extremely persuasive that the corporatist path (although it is rarely called that) is the most realistic option for the union movement to take.

### The case for bargained corporatism

Four inter-related arguments, and their specific implications for unions, can be identified:

1. The transition period requires maximum possible social consensus, despite the limits this places on necessary and far-reaching change. Only relative stability can lead to economic certainty and predictability. These, in turn, can (will?) result in positive political and economic outcomes – democracy and sustainable growth, respectively.

Extreme conflict undermines democracy and this is bad for unions, which need a democratic environment to operate most effectively. Democracy in South Africa will be fragile. It will need the support of institutional

### The trend towards corporatism

At the macro-level, the features which are emerging include:

- institutional arrangements which allow organised labour and organised capital a role in the formulation of economic policy, together with the state. The NEF is the obvious, but not the only, example;
- a role for business and labour in monitoring and regulating particular economic phenomena, especially the labour market and industrial relations.

The logic of this approach must lead – as it already is doing – to the acceptance by all parties, but especially unions, of some restraint, in exchange for – in the unions' case – a share in economic policy-making and other gains for members and/or the working class (for example jobs, housing, education, training).

It is hard to avoid seeing in this a trend towards corporatism\*. But this is not, clearly, the corporatism of fascist Italy or authoritarian Latin America – with the state controlling or collaborating with puppet unions. The developments here have emerged through struggle and are closer (but still different) to the European social-democratic paradigm. The major players retain their organisational independence, and frequently conflict with each other, even as they try to co-operate and find common goals. What is emerging is best described as 'bargained corporatism'. We are not yet a corporatist society, but we are en route to becoming one.

Some commentators incorrectly equate social contracts with corporatism. It is true that formalised pacts or accords, either tripartite or between capital and labour only, are often a feature of corporatism; and pacts frequently

\* 'concertation' might be a better term; but since it is not an English word I have avoided it



arrangements which can channel conflict, moderate it where appropriate, and resolve competing claims on national resources.



In a society attempting a democratic transition, one should be wary of concluding too much from corporatist experiences in advanced industrial economies whose relatively stable democratic systems are unlike our own. Negative consequences for labour in those societies may be outweighed here by the pressing need to stabilise democracy.

2. There are strong economic reasons for corporatism. South Africa is in serious economic trouble; the economy contracted by over 2% in 1992. When population growth is factored in, the decline in per capita income is alarming. Unemployment is soaring, and investment and savings are well below the levels needed for future growth.

The problems are not primarily cyclical or simply the product of a protracted transition – though, of course, both factors are relevant. Rather they reflect deep structural problems and a decline which began in the 1970s. No political party or economic class is strong enough, alone, to reverse these trends and effect economic restructuring. But both capital and organised labour are strong enough to block key changes.

Economic growth is in the interests of both capital and labour, even if they differ over how best to achieve it and how to distribute its fruits. Growth is insufficient without redistribution; redistributive strategies, without growth, are nothing more than a one-off solution. Unless the cake grows the outlook is bleak. And without agreed economic policies the cake will not grow.

3. Not all the arguments are negative. For the unions it brings a meaningful say, for the first time, in the development of national economic policy. No longer would they be only on the receiving end of government pronouncements. In addition, it would place socio-economic policy-making in the open and acknowledge the influence of key players. At present big business already helps shape economic policy. But this is done, often informally, in ways

which encourage special interest pleading and discourage transparency.

The structural changes which the economy needs will undoubtedly include hardships and dislocation. An

active industrial policy, for example, will see some industries decline while others are actively encouraged. Union involvement can help guide the process, and also cushion workers from some of the negative effects – through re-training programmes, controlled industrial restructuring, appropriate redundancy and employment programmes, linking productivity and job security deals, and so on.

Finally, the corporatist approach can try to ensure that conflict over resources is not a zero-sum game – even if it cannot make everyone a “winner”. The challenge is to develop an economy which is both productive and profitable, bringing increased employment, higher wages and improved social services. A structured relationship between capital and labour, rooted less in adversarialism and more in co-operation, stands the best chance of delivering social and economic outcomes favourable to both sides.

4. Simply put, all the alternatives are worse. Three other options suggest themselves.

- Revolution – given the domestic and international situation, does any significant grouping believe that an organised seizure of power, and revolutionary rupture, are on the agenda?
- The firm hand option is popular in many establishment circles. “Law and order” is its cry, authoritarian rule its vision. It envisages a strong government taming the union movement, thereby giving itself greater freedom to restructure the economy. But the current government has already tried this and failed. A democratic government might have greater legitimacy to pursue this option (“low intensity democracy”), but in the short- to medium-term is unlikely to have either the political will or the muscle to act against its own support base.
- The status quo option allows industrial relations to continue as at present. Each





*Labour can be a participant, an observer, or a victim: NMC chairperson Frans Barker addressing a union conference*

*Photo: William Matlala*

party continues to try to get what it can out of the other and to pressure government to concede its demands. This can be expected to lead, at one extreme, to macro-economic populism; a short boom followed by hyperinflation and economic crisis. Alternatively perpetual conflict over economic priorities may lead to a "lame duck" outcome; limping along with low growth rates in slow, but inevitable, decline. In both cases, democracy is likely to be an early victim, with the union movement losing heavily.

For the unions the status quo option means "defend your gains and fight the bosses for more". These are laudable aims but entirely inadequate to the changing situation in South Africa. At worst it is class struggle without vision; at best a holding action which only delays the inevitable. Ironically, many major employers are committed to the status quo option. For them it means managing labour conflict in the knowledge (hope?) that the union movement is in slow, inevitable decline.

In practice this means bypassing unions where possible, and weakening them (or making concessions) where necessary.

It seems to me that in the process of transition and development labour must either be a participant, an observer or a victim; and that clearly participation is the optimum route. On balance, it is hard to fault those who see bargained corporatism as the best available option or, more pessimistically, the least worst alternative. However many criticisms remain and we can touch briefly on some of these, before exploring some of the major limits of the corporatist approach.

### **Some critical views**

Many have warned against an elite bargain – a social contract between employers, employees and the state "...to the general disadvantage of other interest groups...such as consumers and taxpayers" (Vorhies); or argued that "...corporatist arrangements which exclude weaker parties might well leave them worse off than they would be under unregulated market



arrangements" (Simkins); or simply cautioned against the exclusion of large "marginal" groupings who find it "difficult to organise and speak" (Friedman).



"The concept conjures up," argues one columnist, "visions of prices and incomes policies and protectionist practices that create inflexible structures. It evokes images of a cosy cartel of powerful interest groups, with no representation for the unemployed, the rural workers, small businesses and consumers" (FINANCIAL MAIL 27/11/92). Finance Minister Keys has, perhaps, strengthened these fears by referring to the "golden triangle" – employers, labour and the state.

The union movement has been sensitive to the elite bargain charge, but perhaps excessively so. COSATU's much-publicised reconstruction accord is an explicit attempt to bind the ANC to a "war on poverty". In addition union emphasis at the NEF has been on practical job creation proposals; even including a willingness to relax certain labour standards to achieve this goal. In collective bargaining, unions have frequently offered to trade wage restraint for a moratorium on retrenchments. All these actions are explicitly aimed at including the excluded, not creating a cocoon around organised labour.

This is not to say that the interests of organised labour are identical to those of, say, the rural poor or the mass of farmworkers. One must also accept that, especially with protracted economic decline, employers and unions may tend to favour protectionist deals\*. But, if there is to be an elite bargain in South Africa, its parties are far more likely to be the "golden triangle" of state, employer and (enlarged) black middle class, than organised labour. If anything, the institutionalised participation of organised labour acts as a counterweight to this.

"But will such an approach bring us closer to our goal of socialism?" is a question often heard. It is difficult to answer this directly, because it depends on how one defines

socialism. If it is held to comprise one or all of the following – proletarian revolution, worker control of the means of production, the subordination of the market – then

corporatism is not a step towards socialism. Those who hold these goals are obliged to reject corporatist arrangements which amount to what one academic has termed "state structured class collaboration".

If, however, socialism is defined less ambitiously – as a striving for "freedom, justice and solidarity" (Harrington) – then bargained corporatism is less problematic. Indeed, from this perspective corporatism is undoubtedly a product of working class struggles and organisation. Progressive developments are more likely "where the strength of the labour movement is officially recognized" (McLennan).

In short, corporatist arrangements can achieve social (socialist?) progress, but are unlikely to lead to dramatic systemic change. The question is then, how far-reaching will any changes be?

Some have criticised the current trends on the grounds that it promotes democratic rupture – a growing gap between leaders and members within the unions. This point is valid and, indeed, the signs of it have been apparent even before the 1990s. Any approach in which the upper levels (either at NEF or at industry-level talks) set the framework for the enterprise or company levels always carries this danger. The challenge is to find ways of avoiding or minimising it.

All these criticisms are, to some extent, valid. But it is hard to see them as fatal flaws which make an alternative route more attractive for the labour movement.

### Can it deliver?

Unfortunately, even if one accepts that the corporatist route is the only realistic option available, a range of obstacles still stand in the way of success. The current path can, at best, deliver incremental changes – improved

\* As I will argue in the next issue of *Labour Bulletin*, the existing industrial relations framework makes this more likely.



conditions, increased employment levels, better education and training, a more equitable distribution of wealth, and so on. There remain real questions as to whether it can 'deliver' even these.



Economically, the challenge is enormous. Without real growth the chance of developing agreed policies is sharply reduced. Competing demands, and the clear need for redistribution, can best be accommodated when the national economic cake is growing. This is a real dilemma – economic crisis is both a reason for developing consensual policies, and an obstacle to the chances of corporatist success.

Worse, the modern economy is less confined within national boundaries and less susceptible to regulation than before. International economic realities – particularly the ease with which capital can move, and production and skilled individuals relocate – place real limits on the policies which can be adopted.

The professionalism and capacity of the union movement is another problem. The sort of interactions which are already emerging at the NEF and at industrial (and even plant-level) negotiations, require sophisticated interventions. The union movement has real problems, not only in getting membership understanding and acceptance of complex policies, but even in developing such policies in the first place. On balance, when it comes to capacity the union movement is no match for its intended corporatist partners.

Questions also emerge around representivity. Union membership is currently only 23% of the economically active population – although it is significantly higher in the core industrial sectors. COSATU members make up only half of the total. What muscle will the unions be able to exert to achieve their key socio-economic demands? And to what extent do high unemployment levels place standing limits on potential union power?

Ideologically, too, it can be argued that the union movement is ill-equipped for the corporatist approach. The culture of adversarialism runs deep – on the side of both employers and workers. On the other hand,

there is an established tradition of unions and employers reaching compromise settlements and package deals, even after the most extreme conflicts.

All of which suggests that although the corporatist route may be the only realistic option, it is by no means an easy one. In many respects the labour movement is caught between a rock and a hard place. There are some obvious things to do, some of which are already happening. It can take steps to increase its capacity – organisationally and in respect of policy development. It can try to construct a new vision (the reconstruction accord?) to guide it through changing times. It can take the "soft pacts" route – focusing on a limited range of issues where it can exert real influence.

Through all of this, one key point is generally ignored – the corporatist direction being taken and the existing industrial relations system, are in fundamental contradiction. While the former tries to move away from simple adversarialism, the latter encourages its continuation. While the corporatist approach implies a defined role for labour in society, the existing industrial relations system continually questions its right to exist (as the Checkers strike makes clear).

Tacking a corporatist head onto an Anglo-Saxon body of industrial relations is unlikely to work – at least not for the unions. The present union approach faces enough obstacles as it is; in the face of the present industrial relations system it must surely founder. The need to re-think the Wiehahn model will be the subject of the second part of this article, to be published in the next issue of LABOUR BULLETIN. ☆

### References

- The Vorhies & Simkins quotes are taken from papers presented to a CPS symposium on social contracts, conflict resolution and South Africa's economic future – October 1991.  
 Friedman, S – Another elephant? Prospects for a South African social contract (1991)  
 Harrington, M – Socialism: past & future (1990)  
 McLennan, G – Marxism, Pluralism and beyond (1989)