

■ *a response to Leslie Boyd and Karl von Holdt*

# Wages, wage policy, democracy

COSATU publicity officer  
NEIL COLEMAN responds to a  
range of issues raised in an  
interview with Leslie Boyd and an  
article by Karl von Holdt in the  
last issue of *Labour Bulletin*.

**T**he interview with Anglo American deputy chair Leslie Boyd and Karl von Holdt's article in the last *Labour Bulletin* have one feature in common: they both believe, from opposing perspectives, that the trade union movement has not developed a vision which can drive the country's economy forward.

In Boyd's view, the trade unions have to come to terms with a low-wage, high productivity economy – with some higher-paying enclaves – if we are to compete internationally. He argues that the wage militancy of workers in recent strikes demonstrated the lack of leadership in trade unions. Further, he explicitly rejects any notion of economic democracy, and argues that it is the job of management to manage. He favours the Japanese approach to work organisation over the system of co-determination developed



in the social democracies.

Von Holdt suggests that the union movement has become trapped in a 'strategy of militant wage strikes.' This strategy, he argues, is a cul de sac economically, isolates the trade unions politically and acts as an obstacle to the transformation of industry. He proposes as an alternative route a Reconstruction and Development Accord (RDA), which would include an incomes and prices policy, expansion of the social wage, an investment strategy, an integrated framework of training and grading and workplace democratisation. The RDA would inter alia involve a 'degree' of strike and wage restraint.

Boyd would like us to look at the Pacific Rim countries as a model of economic development. Von Holdt points us more in the direction of the social democracies, although emphasising the need to develop a home-grown formula.

## **A low-wage, high productivity economy**

Boyd starts from the premise that the fundamentals of our economy are basically

sound – mineral wealth, a solid base for exports, good management, etc. The most important thing now, he argues, is to unleash market forces to encourage foreign investment. A combination of increased productivity and low wage, export-oriented industries will make us internationally competitive. Unleashing our productive potential will be achieved through the introduction of Japanese-style workplace reorganisation. All this will result in large scale job creation.

This is in stark contrast with the analysis provided by the RDP of the economic malaise in South Africa. The RDP identifies a five-pronged crisis:

- ❑ The crisis of industrial stagnation – an over-reliance on raw material exports; import of capital equipment, know-how and technology; lack of research and development; failure to develop affordable products for the domestic market; etc.
- ❑ The crisis of poverty – the abject poverty of over half our population excludes them from any meaningful economic activity, as producers and consumers; the poverty cycle is exacerbated by the collapse of rural subsistence economies and concentration of productive land in white hands.
- ❑ Investment crisis – the unproductive circulation of tens of billions of rands, inside and outside South Africa, is accompanied by the longest and most crippling strike in our history, the investment strike. The failure to invest in productive activity has systematically marginalised our economy in international terms, led to obsolescence in plant and equipment and generated unemployment. The monopolisation of ownership and control, combined with apartheid protectionism, have removed any competitive forces which might have led to innovation and pressure to invest.
- ❑ Human resources crisis – the suppression and destruction of South Africa's human resource development is one of apartheid's most notorious legacies. This

is linked to the irrationalities of workplace organisation which have been generated by the apartheid division of labour: many-layered hierarchies, proliferation of grades and fragmentation of education and training. The result is a production structure unable to adapt to world-class manufacturing methods, and a contradiction between the over-supply of labour and the shortage of skills.

- ❑ Crisis of transformation – faced with these structural flaws, the obvious problem is how we move from the present situation to where we want to be. The RDP argues we need to harness the energies and resources of the major stakeholders to negotiate solutions. The most serious obstacle to this at the level of production is the culture of unilateral management decision-making. This has led to what is glibly referred to as 'adversarial industrial relations'. The institutions, culture and legislation needed to drive our economic transformation are vigorously resisted by employers.

In relation to each of these elements, the economic route proposed by Boyd would either exacerbate the crisis or defeat the objectives which Boyd is wanting to achieve.

For example, the development of an Indonesian-style low wage economy would stifle the market he is so keen to create for Amic television sets and cars. In contrast, the RDP proposes to boost our manufacturing sector by unleashing the economic potential which has been stifled by poverty.

Further, it is a pipe-dream to think that in a democratic state, with a strong trade union movement, South Africa could make cheap labour its competitive advantage, when successive repressive regimes failed to achieve this.

Boyd argues that high wages depress economies, and low wages create employment. Therefore where there is high unemployment workers must accept low wages, and economic growth will follow. If this were true one would expect to see mass unemployment in the social democracies and full employment throughout the Third World.



## International examples

The international examples Boyd uses to back up his formula for growth are contentious. He claims that high levels of growth in the Pacific Rim resulted from workers in countries such as South Korea and Taiwan 'accepting low wages'. He suggests that the experience of these 'Asian Tigers' has been fundamentally similar to countries such as Indonesia and Malaysia. While repressive regimes in Indonesia and Malaysia certainly have opted for the cheap labour route (workers earning as little as a fifth of South African workers' wages), it is simplistic to suggest that the fundamental characteristic explaining the 'success' of the Asian Tigers was their cheap labour (workers in South Korea, Taiwan and Singapore earn up to three times the wages of their South African counterparts).

While there is no doubt the Asian tigers have adopted authoritarian anti-union policies, key features of their success include:

- ❑ decisive, but selective, state intervention in strategic areas of the economy, including nationalisation of significant elements of the financial sector;
- ❑ draconian measures to force domestic businesses to invest in the local economy;
- ❑ huge resources being ploughed into the development of human resources, and research and development into technology;
- ❑ narrow differentials, in comparison to South Africa, between management and production workers.

If these features were adopted in South Africa, they would constitute radical changes in our economy.

A further factor was the preferential treatment these countries received, particularly from America, to develop them as bulwarks against communism in the region. Extensive assistance was given on a range of fronts, including the transfer of technology which had been denied other developing nations. In our country, for example, investment is being withheld as a stick to 'encourage' acceptable economic policies.

International experience also does not

bear out Boyd's claim that low wages leads to economic growth and international competitiveness. In fact the reverse may be true.

In analysing the qualitative advance of Italy since the 1970s from having a backward economy to a more competitive economy, Michael Porter identifies the fact that they could no longer rely on cheap labour and subsidies to compete internationally: 'Italian industry upgraded when pressure built to jolt it from this path. Wage escalation, a rising lira, the threat of low-wage NICs, and globalisation, forced Italian industries to seek more sophisticated forms of competitive advantage... (As a result) Italy has emerged with a vibrant economy in the last two decades' (*Competitive Advantage of Nations*, 1990, p449).

In South Africa cheap labour, combined with subsidies and protectionism, has resulted in an economy riddled with inefficiency, wastage, nepotism and corruption. The *Financial Times* reported in a survey of South Africa's investment prospects (18/7/94) that rather than 'high wages' being the factor inhibiting foreign investors, their main concern was 'the presence of big conglomerates without a proper anti-trust legislative framework.' Anglo American for its part has fiercely opposed the introduction of anti-trust measures. New-found converts to the cause of non racial control of the economy are now arguing that anti-trust measures will jeopardise black economic empowerment. We need a multi-factored analysis of elements which result in high-growth competitive economies. Simplistic formulae such as those offered by Boyd do not advance our understanding of this issue.

Furthermore, the union movement is questioning whether the current obsession with international competitiveness is what South Africa should be concentrating on. We need to ask ourselves what leads to the promotion of social development and equity as part of our growth pattern. Such a perspective then helps us to assess if we want to adopt the Indonesian growth path advocated by Boyd of super-cheap export



processing zones, with all its attendant evils, including abuse of human rights, child labour, starvation wages, etc.

### **A Reconstruction and Development Accord?**

Have the unions become trapped in a 'strategy of militant wage strikes', as Von Holdt suggests?

Reading press coverage of recent strikes one could be forgiven for supporting Leslie Boyd's view that trade union leaders are engaged in mindless wage militancy. Alternatively, looking at events from the perspective of workers, one could take the view that employers have been mindlessly involved in union-bashing, rather than taking a sober view of what they can afford.

A deeper analysis reveals that the issues are more complex than a fight over wage increases. If we look at the motor industry strike, the real battle was not whether employers agreed to ten or 12%. At the heart of the strike was the battle for restructuring of the industry. NUMSA had put forward a two-year plan for the reorganisation of the apartheid-based grading system, linked to a new system of training and a skills-based wage system. This was linked to a campaign to reduce the racially-based wage gap in the industry. NUMSA's proposals were designed, in their view, to address the major structural problems of the motor sector, to make it more effective and competitive. But through a sustained propaganda offensive employers were able to caricature the strike as being about the bloody-minded pursuit of half a percent. They were allowed, and we must partly accept responsibility for this, to escape scrutiny as to



Pic: William Matlala

why they were refusing to engage constructively with a comprehensive proposal to restructure the industry.

Even the Pick 'n Pay dispute was not purely wage-related. At the end of the day the key issues on which the union made advances were issues relating to affirmative action and democratisation of decision-making. The strike also served to highlight continued racism and discrimination at South Africa's 'most progressive company'. The wage issue was an important trigger in mobilising workers around these 'non-wage' questions.

Very few of the recent major strikes have been purely wage-related. Strikes have begun to challenge workplace discrimination on a range of issues, including wages. What we are seeing is the redefinition of wage battles in a





*Striking workers: deeper analysis reveals complex issues of workplace democratisation*

way which is potentially linked to the transformation of our industries. The challenge for the union movement is not to suppress this militancy, but to direct it in a way which achieves precisely the strategic vision of transformation which Von Holdt is attempting to map out.

If we follow Von Holdt's logic that there is tremendous inequality in the wage structure within companies and between companies, surely this is not an argument to abandon militant struggles, but a compelling reason to focus struggles on addressing these inequalities. This does not mean that 'militant wage strikes' become the strategy to address a problem of transforming our industries, but one weapon among others, which can never be abandoned, suspended or 'restrained' by the trade union movement. This obviously does not mean either that trade unions should use the strike as a blunt instrument.

The linking of bread and butter demands to demands for transformation and democratisation is not without its contradictions. This is becoming particularly clear in the public sector, where NEHAWU and COSATU are currently opposing a

proposed strike led by conservative white-dominated staff associations. While the latter are calling for 15% across the board increases, progressive unions are calling for a wage freeze, or even a wage cut, for those at the top of the hierarchy and the total reorganisation of the wage and grading structure.

This needs to be seen against the backdrop of the huge wage disparities in the public sector; the over 300 grades which exist; and the 20% increase for high-paid civil servants last year as against the 5% for low-paid public sector workers. The fact that these staff associations are taking on board NEHAWU's demand for a R1 500 minimum wage cannot escape the reality that a living wage for public sector workers is only possible with a radical reorganisation of the sector, involving a major sacrifice by higher paid civil servants. This is further compounded by the fact that the staff associations have systematically blocked NEHAWU's proposals for restructuring, affirmative action and reorientation of the public service to deliver the RDP.

If the assessment by the NPI is correct that



total remuneration in the manufacturing industry is made up of 60% salaries (to white-collar employees, supervisors and management) and only 40% wages (to blue-collar workers), this has far-reaching implications for the wage strategy of the trade union movement. It also has potentially contradictory consequences for COSATU's growing involvement in organising white-collar and white workers. Before making premature conclusions on this issue, however, a comprehensive analysis of the wage and salary structure is needed in all sectors. This makes the introduction of legislation compelling access to information all the more urgent.

Most of the elements of Von Holdt's proposal for a RDA are moving in the same direction as COSATU's proposals for restructuring industry and the economy. Proposals for an integrated training and grading framework, workplace democratisation, a social wage, progressive taxation and other elements, are not controversial or new. The trade union movement is only beginning to grapple with the question of ways to regulate and channel investment in a productive direction, and to end capital flight and speculation. Proposals in this area need to be developed further if our industrial strategy is to have any hope of leading to large-scale job creation.

### **Incomes policy**

Von Holdt's proposal for an 'incomes policy', however, is not clearly defined. This is the most contested terrain in our economy today, and broad, vague statements in this area will be appropriated by parties with totally opposing agendas. Von Holdt does indicate that an incomes policy would aim to redistribute income from the highest paid to the lowest paid, and elaborates on various mechanisms to achieve this. But he does not define the dividing line between 'low paid' and 'high paid'. According to Boyd and the IMF, all workers in employment are an 'elite' and therefore should accept wage restraint or a total freeze (while top executives need to maintain high increases to ensure that their

salaries remain 'competitive').

Von Holdt's definition clearly differs, but he vacillates as to whether he is confining wage restraint to the true elite – the 'highest paid' – or whether he includes in this category well-organised blue-collar workers – 'higher paid union members'. Concern that he may be straying into the latter area (workers who are barely earning a living wage) is reinforced by Von Holdt's earlier statement that 'the best organised workers in the bigger and wealthier companies make real gains, while the rest fall back into real poverty'.

While we share concerns about wage differentials between low-paid workers, and the necessity for centralised bargaining to address this, wage policy cannot uncritically accept the notion that organised blue-collar workers in large companies have somehow reached a 'threshold', which needs to be maintained by inflation-pegged increases, while other workers catch up. There needs to be a simultaneous process of raising the standard of living of all low-paid blue-collar workers, at the same time as reorganising the wage/salary bill in a way which drastically reduces the wage gap. This may require more militancy, not less, in struggling for a new wage policy and restructuring of industry.

The need to clarify the idea of an incomes policy is linked to the question of the 'social wage' which Von Holdt raises as part of the Reconstruction Accord. While apartheid was a virtual social welfare state for whites, the majority had little social security, were denied access to physical infrastructure and had to travel long distances because of apartheid geography. This has placed an enormous burden on the income of formal wage earners, who have to support the unemployed, and supplement the limited housing, health, water, education, transport and other facilities made available to them by the state.

It has been suggested by a number of people that because the RDP envisages the comprehensive provision of a 'social wage', this could have a radical impact on wage policy, and in the view of the IMF, provide the basis for wage restraint. It is true that the expanded social wage envisaged in the RDP



will raise the quality of life for large numbers of working people. It should also relieve some pressure off workers currently supporting the unemployed. However, it is not clear yet how extensive the social net will be, and what elements of the social wage will be fully subsidised by the state. The implications of the new housing policy, as well as the resumption of payment of rents and services, still have to be properly analysed.

Further, if the social wage is to be linked in any way to an incomes policy, including the question of price control, taxes and subsidies on essentials, the sequencing of this process must be clarified. It is ludicrous to think, as the IMF suggests, that workers would be prepared to accept a wage freeze now, for a 'social wage' which is still a concept which has little bearing on their daily lives. If after the next couple of years, the RDP has established the social wage as a reality for working people, it then becomes possible to meaningfully determine the relationship of this to an incomes policy, with the various elements which Von Holdt describes. One of the first priorities of the National Economic Labour and Development Council should be to address the issue of a radical restructuring of our wage/salary structure.

### The need for democratisation

If we look at the five-pronged crisis of the economy described by the RDP we have to ask ourselves whether employers in South Africa have the vision or the will to address the problems.

The challenges of a reorganisation of the grading and wage structure, linked to affirmative action and a flattening of hierarchies; a new system of training and education; investment and industrial strategies which develop innovative technologies, create jobs, and expand our manufacturing base; reorganisation of production to develop world-class manufacturing techniques; restructuring of our public sector to orient it towards



delivery... all this requires democratisation of decision-making in our economy, despite Boyd's statement that 'I don't believe in workplace democracy'.

Management will have to come to terms with the fact that, at

company level, real decision-making goes way beyond Japanese-style consultation through green areas, quality circles, or suggestion boxes. It will have to involve institutionalised forms of decision-making, resourced and provided for in legislation, for workers to participate in strategic decisions over everything ranging from organisation of production to investment decisions.

### Challenge

It remains to be seen exactly what type of institutions of workplace democracy will emerge in South Africa. But it is becoming increasingly clear that a voluntarist approach to the introduction of such institutions is a cul de sac (see paper by Streeck on p86). In this regard both the RDP and the RDP White Paper are too vague and open-ended. They broadly support the concept, but fail to commit government to a legislative and institutional framework, beyond a commitment to introduce legislation on access to information.

At the level too of sectoral industrial restructuring, this should not be something which is extended out of generosity of employers, or withdrawn at their whim. The setting up of comprehensive, statutory, centralised bargaining structures in every sector is indispensable if there is to be the coherent formulation and implementation of industrial policy.

Only with the development of these first and second-tier institutions of workplace and industrial democracy, will the third-tier level of national economic negotiations begin to be effective and take on concrete meaning for working people. ☆

NOTE: A full unedited version of this article is available from COSATU.