

# Where to for an economic codesa?

**W**hen Cosatu, the SA Communist Party (SACP), the government and the Democratic Alliance (DA) all support the same thing, either we have an idea so important that it can demolish most of our divisions – or one so vague that it is not worth calling for.

The 'thing' in question is an economic codesa. Cosatu made the call some time ago, arguing that an economic equivalent to our political negotiation process was necessary 'to build a broader economic consensus in our country', according to its end of 2001 statement. SACP general secretary Blade Nzimande added his support a few months ago, urging a 'broad based commitment to an economic growth path that is not only based on the sacrifices of the working and poor people to the benefit of only an elite'. In September 2000, at the annual National Economic, Development and Labour Council (Nedlac) summit, Labour Minister Membathisi Mdlalana referred to the Cosatu call by noting government support for economic accords and adding: 'we are all saying the same thing'. And then in December, DA member of parliament Ken Andrew urged President Mbeki to convene an economic codesa which 'must include the full spectrum of political, economic, social and civil society opinion'.

## **Which recipe to follow?**

If, as seems likely, all these parties have very different goals in mind when they urge a

*Calls for an economic codesa or growth summit has implications for all sectors of society. Steven Friedman explores what this will mean for the country.*

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codesa, the apparent consensus that we need a process which leads to some sort of economic agreement is important. Whether all the parties realise it or not, it suggests a move away from the economic thinking which has shaped much of the government and business's approach – and, indeed, that of the labour movement and the left – over the past few years. The mainstream view across the spectrum is that economic growth is a matter of following recipes. As long as we follow the 'right' economic policies, we will grow and poverty will begin to disappear. The debate between right and left, business and labour, is about which recipe to follow, not whether recipes themselves can work. It ignores the extent to which economic growth depends less on formulas or recipes than on relationships and bargains.

When key economic actors have enough confidence to behave in ways which promote growth. People with wealth must be prepared to invest it –



workers must be willing to work and save. The recipes tell us that, if we follow their formula, that is exactly what will happen in any economy at any time. The problem with this argument is that different recipes have prompted growth in different economies. And this suggests that the key may not be a formula at all. What creates confidence in one place is not that which does it another: no academic training can equip us to predict what the elements are likely to be in any society – only the economic actors can decide that. And, since in market economies workers and businesses depend on each other, they will need to negotiate, to thrash out compromises, if a successful strategy for growth is to become a reality.

### **Will negotiations bring economic growth?**

The call for an economic codesa recognises that the real growth recipe is likely to be the bargain which makes key economic actors willing to cooperate enough to accept some common goals and rules. To say that we need an economic negotiation process does not, of course, mean, even if a 'codesa' does happen – which is no certainty – it will deliver the economic growth which we need, much would depend on how the parties see a 'codesa' working. Calling for agreement on the economic way forward sounds good, far more would be needed than a Jobs Summit-type event in which the parties gather, agree on some platitudes and projects, and then go back to doing what they were doing before. Any agreement which really took us forward would require compromise and, given the sharp divide in our economic policy debate, that will take time.

Another key ingredient is that the parties will have to be capable of making a deal stick, of ensuring that those they

represent abide by it. In practice, that means the usual three parties – labour, business and government – because only they have the capacity to ensure that their agreements are implemented. It must be stressed that this is not a criticism of civil society groups besides union federations and business associations. Many non-governmental and community organisations play important roles in our society. But experience around the world has shown that only producer groups – those which can withhold investment or labour – are organised enough to strike binding economic agreements.

### **Tough bargaining process**

It is not clear whether everyone calling for a codesa sees it as a tough bargaining process rather than an event at which everyone gathers to endorse the caller's favourite economic recipe. And clearly not everyone understands the need for the process to be driven by the producer groups and the government (which, for obvious reasons, is indispensable to any binding deal).

Cosatu seems to see it as a serious bargaining process. It is urging a process beginning with an Alliance summit, leading to a 'people's summit' at which it would gather civil society groups to assemble what would presumably be a similar coalition of unions and 'pro poor' activist organisations as that which produced the Reconstruction and Development Programme (RDP). This would then be followed by the 'codesa' which, Cosatu says, will be a bargain 'between the owners of the economy and those who produce the wealth of our country'. The clear emphasis here is on tough bargaining – the two earlier summits are designed to strengthen Cosatu's hand ahead of the main event – and on business and workers (government is left out, but Cosatu is



hardly likely to have a problem about its presence at the gathering).

Government and business, for their part, have not said whether they recognise the need to negotiate economic policy and, therefore, to compromise on some of their current positions. Unless they do, it is hard to see an economic codesa achieving anything. The DA also seems to have a clear idea of how the process would work - predictably, a very different one to Cosatu's. Andrew insists that we need a 'codesa' because Nedlac is a limited forum for discussion. And, in his and the DA's view, it is that because it is 'dominated by big business and organised labour'. He says that an economic codesa must 'include the full spectrum of political, economic, social and civil society opinion so that one maximises the possibilities of commitment to decisions reached'. This is consistent with a long-running DA view which is common among those who are sceptical of labour-government-business negotiation.

The DA seems to see the codesa partly as a means of breaking what it sees as the stranglehold of the producer groups on economic policy making. It is true that the unions do not represent the poor since our poorest people are not in formal jobs. But, while the claim that broadening participation will 'maximise commitment' may or may not be true, as noted above, it will ensure the participation of a range of parties who cannot bind anyone to anything. This view also misunderstands the role of the third party in the tripartite deals which people who hold the DA view reject - the government.

### **Mandating process**

Those who ask who speaks for people who are not union members or business people in tripartite negotiations seem to forget that the government is elected. To negotiate a deal you need to be able to



Pic: Nedlac

### *Labour Minister Membathisi Mdladlana.*

bind a constituency to it. But that does not exclude parties who cannot bind constituencies to agreements - if they do not like what the negotiations are producing, they have a democratic right to try to influence or pressure the government to do what they want. The full range of citizen groups should be fully informed at all times of where the bargaining process is going, and given a full opportunity to try to influence it. But it makes no sense to clutter the process with a myriad of groups all making wild claims to represent millions, but entirely unable to bind anyone to any agreements they reach.

At the same time, anyone who expects an economic codesa to achieve the kind of binding agreements produced in routine industrial bargaining will be disappointed. It is not clear whether trade union leadership is currently capable of ensuring that its members implement compromises. What is very clear is that, for a variety of reasons, business in this country has no experience



of implementing negotiated policy agreements reached by national (rather than industry-wide) business associations. Large businesses are often quite dismissive of organised businesses. Smaller ones may find the local chamber of commerce useful in all manner of ways – but that does not mean they feel that it can bind them to agreements. As a result, business negotiators who assume they have the necessary support because they have been mandated by organised business have found to their cost that the mandate is no protection against rejection of the deal by those on whose behalf they are meant to act.

Twice since 1994, labour law has been negotiated between organised business and labour, twice there has been widespread grumbling among business that the bargainers have no mandate. While employers are forced to obey the laws which were agreed, the effect of the negotiation is not to secure business support and so the presumed benefits – enhanced confidence because the law is a result of a negotiated compromise to which business was party – are not achieved. It is not an argument against a codesa. There is plenty of evidence that business attitudes are open to change. If the negotiations produce agreements which leading business figures – those who enjoy the trust of their peers – are prepared to promote, they could influence business thinking and produce the required confidence. But it is a strong warning against treating it like just another bargain between business and labour – with government joining the party.

The kind of agreements which are possible will be much broader and vaguer than those achieved in industrial bargaining – or those reached on labour law. Second, business negotiators will need to work hard to sell even fairly broad agreements to their constituency and their bargaining partners will have to make allowance for this. It is

crucial here – even if the Alliance and People's Summits can produce enough pressure on business negotiators to persuade them to agree to key demands from unions and their allies, these 'victories' will turn out to be fairly meaningless unless business negotiators can make them stick.

## Conclusion

While the interest in an economic codesa is a breakthrough in our economic thinking, the obstacles to it producing the kind of agreement which will put us on a firm growth path are immense. Indeed, before we become too euphoric, we should remember that Cosatu first made this proposal well over a year ago and that the government, through the labour minister, appeared to endorse it over 15 months ago. The fact that there has been widespread lip service to negotiation since then but no 'codesa' suggests that the obstacles even to its launch, let alone to its producing a successful result, are very great.

It is hard to see how the economy can grow without it. Business' resources remain the most feasible source of investment. The unions, despite setbacks, remain strong enough to ensure that economic policy which ignores them can be implemented only amid conflict. The government can ensure that its current economic policy remains in place – but it cannot get it to make businesses invest or workers work on the scale that it wants. Our political negotiation process, an economic equivalent is likely to be tough and slow, filled with severe setbacks wedged in between modest advances. But it, too, is indispensable if our new democracy is to have an economic base capable of offering better living standards for all.

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*Steven Friedman is the director of the Centre for Policy Studies.*