

**WHY CORPORATISM FAILED:
COMPARING SOUTH AFRICA AND SOUTH KOREA**

YEJOO KIM



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SUPERVISOR: PROF. JANIS VAN DER WESTHUIZEN

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DECLARATION

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ABSTRACT

In this study the aim is to examine what the impact of the imbalance in the power dynamics between the state, business and labour is on corporatist institutions in South Africa and South Korea. In both countries, the corporatist institutions have failed to bring the actors together and to resolve the various issues as these institutions were expected to do. When looking at the establishment of corporatist institutions in the two countries it is clear that the state had to incorporate the interests of labour in their decision-making process due to the increasing power of labour during the democratisation process. However, the current situation proves that the corporatist institutions in South Africa and South Korea have faced various problems. Therefore why the corporatist institutions in the two countries have not functioned properly is explored in this study.

It was found that labour has been placed at a disadvantage compared to the state and business. The influence of labour as an agenda setter and a representative of labour has diminished. On the other hand the state and business, which used to form a coalition under the authoritarian governments, have started gaining power along with globalisation. The adoption of neo-liberal economic policies, has resulted in the fragmentation of labour, generating unemployment and irregular jobs. The imbalance of power between the actors has negatively affected the corporatist institutions.

Under the circumstances, the corporatist institutions did not ensure that the voice of labour was heard and heeded. Instead of using corporatism, labour in South Africa tends to use the tripartite alliance in order to advance its interests. Labour in South Korea is likely to use mass action, and this tendency prevails in South Africa as well. Also, the corporatist institutions

have been criticised due to their lack of accountability and institutional problems; this has negatively affected their credibility. The corporatist institutions have become little more than names.

In the cases of South Africa and South Korea, corporatism seems to have been adopted as a mere crisis response when the two countries faced political economic crises and it is seen as another control mechanism created by states experiencing democratisation. Furthermore, the imbalance in the relationship between actors negatively affected the corporatist institutions and in the end they collapsed.

OPSOMMING

In hierdie studie word die impak van die magsbalans tussen die staat, sakesektor en georganiseerde arbeid op korporatisme in Suid-Afrika en Suid-Korea ondersoek. In beide gevalle het die korporatiewe instellings nie daarin geslaag om die nodige konsensus tussen die drie sleutel akteurs te bewerkstellig nie. As gevolg van demokratiseringsprosesse in beide state, en die toenemende invloed van arbeid, was die staat verplig om die belange van arbeid in besluitnemingsprosesse in ag te neem. Die korporatiewe instellings in Suid-Afrika, nl. NEDLAC en die KTC in Suid-Korea staar egter verskeie probleme in die gesig, Waarom die korporatiewe instellings nie behoorlik gefunksioneer het nie, word in die studie onder die loep geneem.

Arbeid het in 'n onderdanige posisie jeens die staat en die sake sektor te staan gekom aangesien die invloed van georganiseerde arbeid as 'n agenda skepper en verteenwoordiger van arbeid afgeneem het. Aan die ander kant het die aanvanklike koalisie tussen die staat en die sakesektor gedurende die outoritere periodes - voor demokratisering - weer eens verstewig as gevolg van die invloed van globalisering. Namate neo-liberale ekonomiese beleide nagevolg is, het die vakbond beweging al meer gedisintegreer, werkloosheid het toegeneem en gelei tot werksgeleenthede wat al meer tydelik en ongereguleer is. Die ongelyke magsbalans tussen die rolspelers het die korporatistiese instellings negatief beïnvloed.

Onder die omstandighede, kon die korporatistiese instellings nie daarin slaag om aan die stem van arbeid gehoor te gee soos wat gehoop is nie. In plaas daarvan om dus van die korporatistiese instellings gebruik te maak, het arbeid in Suid-Afrika eerder van die vakbond

beweging se rol in die regerende alliansie gebruik gemaak om beleid te probeer beïnvloed. Arbeid in Suid-Korea, soos in Suid-Afrika, is ook meer geneig om van massa aksie gebruik te maak. Daarbenewens is die korporatiewe instellings daarvan beskuldig dat hulle nie deursigtig is nie en gebuk gaan onder institutionele gebreke, wat die geloofwaardigheid van die instellings ondermyn het.

In die Suid-Afrikaanse en Suid-Koreaanse gevalle blyk dit dat korporatisme bloot as 'n soort 'krisis reaksie' tot ekonomiese en politieke probleme ontwikkel het – in samehang met demokratisering - en nie as diepgaande beïeldsprosesse in eie reg nie. Die gebrek aan 'n magsbalans tussen die drie rolspelers het daartoe gelei dat die korporatiewe instellings in beide gevalle effektief tot niet gekom het.

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LIST OF ABBREVIATIONS

AMCU	Association of Mineworkers and Construction Union
ANC	African National Congress
ASGISA	Accelerated and Shared Growth-South Africa
COSATU	Congress of South African Trade Unions
DLP	Democratic Labour Party
EMU	European Monetary Union
ETIA	Employment Tax Incentive Act
FDI	Foreign Direct Investment
FKI	Federation of Korean Industries
FKTU	Federation of Korean Trade Unions
FOSATU	Federation of South African Trade Unions
GDP	Gross domestic product
GEAR	Growth, Employment And Redistribution
ILO	International Labour Organization
IMF	International Monetary Fund
KCTU	Korean Confederation of Trade Unions
KEF	Korea Employer's Federation
KLFIP	Korean Labour Federation for Independence Promotion
KTC	Korea Tripartite Commission
LRA	Labour Relations Act
NACTU	National Council of Trade Unions
NDP	National Development Plan

NEDLAC	National Economic Development and Labour Council
NEF	National Economic Forum
NICs	newly industrialised countries
NMC	National Manpower Commission
NP	National Party
NUM	National Union of Mineworkers
OECD	Organisation for Economic Co-operation and Development
RDP	Reconstruction and Development Programme
SACP	South African Communist Party
SACTU	South African Congress of Trade Unions
SAF	South African Foundation
SARB	South African Reserve Bank

CHAPTER I. INTRODUCTION

1-1. BACKGROUND¹

The National Union of Metalworkers of South Africa (NUMSA) has been building a broad coalition to force the government and employers to take concrete steps to address youth unemployment in South Africa. After protracted negotiations within the National Economic Development and Labour Council (NEDLAC), NUMSA has been granted the right to embark on a protected strike on the issue of youth unemployment. The union's National Executive Committee (NEC) set Wednesday 19 March 2014 as the National Day of Action (NUMSA, 17 March 2014).

The Federation of Korean Trade Unions (FKTU) has withdrawn from the Tripartite Committee, comprised of labour, management and government sectors. The worry became a reality... the Committee is in danger of extinction. This will certainly result in additional instability in the labour market (*Yonhap News*, 23 December 2013).²

In March 2014, NUMSA, the Congress of South African Trade Unions (COSATU)'s largest affiliate, announced a national strike, lashing out at the government and business for bypassing NEDLAC regarding the youth wage subsidy issue. This is illustrated by the above quotation. Labour's criticism was that NEDLAC had not engaged with labour and community as it used to, even though workers would be influenced directly by the Employment Tax Incentive Act (ETIA). The youth wage subsidy issue, which will be discussed in 3-3-4, shows the current dwindling status of NEDLAC as a social dialogue mechanism in South Africa. In the case of South Korea, it is possible to observe that labour withdrew from the corporatist

¹ There are several common surnames such as Kim and Park in South Korea. In order not to make it confusing, names of Korean scholars and important figures such as presidents are written in the following order, surname and first name.

² In this dissertation excerpts from minutes and conversations in Korean were translated into English. The original Korean can be seen in the relevant footnote. 한국노총의 노사정위원회 탈퇴가 우려하던 바와 같이 사실화되었다. 노동시장이 좌초 위기에 빠지게 될 가능성이 커졌다 (*연합뉴스*, 23 December 2013).

institution at the end of 2013. Both South Africa and South Korea established corporatist institutions, NEDLAC and the KTC respectively, that were supposed to coordinate the state, business and labour's demands, however labour's discontent shows that the corporatist mechanisms have not worked properly.

South Africa was under the apartheid regime until democratic elections took place in 1994 and ended the era of politics dominated by a minority. South Korea, on the other hand, has a long history of military authoritarian rule from 1961 to 1987. In both countries, individual and political freedoms were severely restricted under the authoritarian governments in the name of protecting national security and fostering economic growth. Given these conditions, it is noticeable that labour in both countries was heavily suppressed. While there was a close relationship between state and business, labour was exploited in the interests of rapid industrialisation and not organised enough to challenge the collaboration between state and business. Under these circumstances, the fact that labour played an important role in achieving democratisation in both countries is intriguing.

In South Africa and South Korea labour has been referred to as the most significant actor in the process of democratisation. Von Holdt (2003:8) and Koo (2000:231) point out that militant and mobilised trade unions in newly industrialising countries emerged in opposition to authoritarian regimes and repressive workplaces towards the end of 1990s. The growing number of members and increased labour unrest stemming from this posed a significant challenge to both governments. The ever-increasing power of labour forced both governments to incorporate the interests of labour in their plans for the future, in one way or another. According to Rothstein (1987:306), the stronger the organisation of labour, the more likely the state is to construct corporatist frameworks and associate labour with these. In South

Africa the strong trade union movement, COSATU, became an important role-player with the African National Congress (ANC) and the South African Communist Party (SACP) in the political decision-making process. The establishment of NEDLAC indicated the realisation of a partnership among state, business and labour. The South Korean government also sought a way to incorporate labour. As a result, the Korean Tripartite Commission (KTC) was established in 1998.³

After democratisation however, the corporatist institutions in South Africa and South Korea have deteriorated. Labour's discontent with the corporatist institutions can be seen from the statements above. The establishment of corporatist institutions initially brought about hope for labour, which was a largely marginalised group under the authoritarian governments. Both countries pursued reforms to transform the political and economic institutions inherited from the authoritarian governments to those appropriate to liberal democracies and liberal market economies. Labour in both cases expected to gain political rights as well as fair access to economic redistribution. However, at present, the corporatist institutions in neither country are functioning.

Against this backdrop, the aim of this study is to compare NEDLAC in South Africa and the KTC in South Korea, focusing on the impact of the power dynamics among the actors after democratisation. Although I discuss authoritarian periods in both South Africa and South Korea, the main focus is on the relationship between actors after democratisation. Corporatism is a means of organising interest representation. The interaction between state, organised business and organised labour in both countries will be analysed. Organised

³ The KTC changed its name to the Economic and Social Development Commission (ESDC) in 2007. In this process, the ESDC amended its structure. The KTC used to have subcommittees and special committees, however, the ESDC now has standing committee instead of these two. The restructuring was conducted in order to raise the efficiency. In this research, the KTC will be referred to as the corporatist institution in South Korea. Many people are still likely to refer to the corporatist framework as the KTC.

business and organised labour are associations of members united as a single, representative entity for the purpose of serving their members' interest through collective bargaining. In terms of the conceptualisation of the state, it is useful to look at Migdal's (1988) *State in Society*, which provides state-society relations in the Third World. Migdal (1988) defines the state ideally as "an organisation, composed of numerous agencies led and coordinated by the state's leadership (executive authority) that has the ability or authority to make and implement the binding rules for all the people as well as the parameters of rule making for other social organisations in a given territory, using force if necessary to have its way". It is noticeable that Migdal also argues that the state does not exist outside or above society, but that it is a part of society. The state and society constantly influence and reshape one another. These concepts will be used throughout this research.

In this research, results indicate that the balance of power between the actors have significant impacts on corporatism. Furthermore, by examining these two corporatist institutions, it will be possible to identify the patterns of similarities and differences between these two cases.

1-2. RESEARCH QUESTION

The study of corporatism increased in Western European countries during the 1960s and 1970s. Schmitter (1974) in particular contributed heavily to reinvigorating corporatism which was initially advocated by Manoilescu (1934) during the 1930s. Beyond the European continent, corporatism in Latin America drew attention from Wiarda (1997). Wiarda (1997) pays attention to the modernisation process of institutions under the military regimes across Latin America. He focuses on the regional characteristics, mostly traditional patriarchal norms, which are attributed to corporatism in Latin America.

Countries in Africa and Asia embarked on corporatism relatively late in comparison to countries on other continents; thus, corporatism in Africa and Asia emerged in the late 20th century. Possibly because of the relatively short lifespan of corporatism in these two regions, little attention has been paid to corporatist features in Africa and Asia. As can be seen in the literature review, relatively few comparative analyses across different regional contexts have appeared. Wiarda (1997)'s *Corporatism and Comparative Politics: The Other Great Ism* is one of the few in which corporatism in history is traced and in which its practice in various regions including Africa and Asia is analysed. However, this comparative approach was done as a brief introduction of the variety of forms of corporatism in Asia and Africa. Thus, this researcher hopes to fill some of these gaps by providing more detailed and the latest information. This researcher pays attention to the cases of South Africa and South Korea, which underwent political transition during the late 20th century, indicating complex relations between the state, business and labour within the corporatist framework.

South Africa and South Korea are late-late-industrialising countries; their development experience, especially the relationship between the state and society, is somewhat different from that of developed countries. The term "late-late-industrialisation" describes a situation where industrial development and modernisation began in the later phase of world history. Ishida (2011) attempts to distinguish early-industrialising and late-industrialising countries by using two indicators: GDP and the proportion of agricultural labour in the total workforce. According to Ishida (2011:6), "any nation whose proportion of farm labour force was greater than 15 per cent in 1975 is considered a late-industrializing nation, and a nation whose GDP exceeded US\$ 4,000 later than Japan did is considered a late-industrializing nation." Among late-industrialising countries, Ishida (2011) identifies two categories, namely, late-

industrialising countries and late-late-industrialising countries, the latter of which consists of countries that fulfilled these requirements above during the 1980s or even later.

However, in this study, I instead follow Amsden's (1989) definition and focus on the characteristics of the state, which is the capacity that can mobilise society in order to achieve rapid industrialisation. Despite their late start, late-late-industrialising countries have reached a certain level of industrial development by means of a more rapid path of industrialisation. In order to do so, these late-comers faced the challenge of importing, adapting, and improving the technologies and know-how already developed by other countries. Amsden (1989) claims, on the basis of a careful examination of the industrialisation processes of South Korea and Taiwan, that late-late-industrialising nations share "industrialisation on the basis of learning" (Amsden, 1989). The late-comers learned and borrowed technology from the more advanced industrial powers rather than inventing new technologies or products. In this process, the state penetrated the society efficiently, constraining it, if necessary. Since this process had to take place within such a short time, the way that the state penetrated society was intense.

However, as the industrial work force grew, tensions increased between labour and business (supported by the state). Labour and business disagreed over issues such as wages, length of the working day, and working conditions. Labour unions emerged to protect the rights of workers and to represent them during negotiations with their counterparts. Most employers vigorously opposed trade union activity, and struggles between workers and employers became violent. In both South Africa and South Korea, the labour movements represent the interests of workers and struggle for workers' rights, and their establishment took place simultaneously with the emergence of political movements which led to democratisation. This led the state in the end incorporating labour. Labour in South Africa and South Korea gained

autonomy and became institutionalised, which means that it became an equal partner in the decision-making process. The establishment of NEDLAC and the KTC in the two countries reflect the increasing power of labour and the fact that the state, business and labour were considered to be equal, which is different from in the pre-democratisation period.

In the cases of South Africa and South Korea, it should be noted that the state realised that without the consent and support of labour it would not have been able to realise economic development along with democratisation. Under the authoritarian governments, the state was able to push forward economic policies based on the coalition with business. However, after democratisation, in addition to labour becoming stronger, the state also faced pressure from international organisations, such as the International Labour Organization (ILO) to abide by international norms regarding labour relations.

One of the major roles that these corporatist institutions were expected to play was to contribute to further economic growth by bringing about peace between conflicting social partners through consensus-building. For example, these institutions, NEDLAC and the KTC have been expected, among others, to bring about real wage increases, “defend” or “protect” jobs, and train workers.

However, as seen in 1-1, labour’s discontent erupted as mass action and withdrawal from the corporatist institutions. This shows that NEDLAC and the KTC have not succeeded in bringing these groups together. Against this backdrop, the focus of this study will be on the corporatist institutions in both countries and I will explore interactions between the state, business and labour, the imbalance in the power dynamics between the actors and its impact more specifically on corporatism. To do so, I will attempt to answer the following research question:

What is the impact of the imbalance in the power dynamics between the state, business and labour on corporatist institutions in South Africa and South Korea?

In response to this question, there will be an attempt to address the following issues:

- What are the dynamics of state-business-labour relations within NEDLAC and the KTC in South Africa and South Korea respectively?
- What are the differences and similarities between the two cases in the context of their corporatist institutions?

In this study the above questions will be studied by means of case studies. The corporatist institutions, NEDLAC in South Africa and the KTC in South Korea will be analysed. NEDLAC will be analysed through macro-economic policies and the ETIA and the KTC will be analysed through the Non-regular Workers Protection Act (see Table 1.1.). Further explanations of this case selection can be seen in 1-4-3-3.

Table 1.1. Selected Issues in this Research

	South Africa	South Korea
Macro level	Key economic policies since democratisation (the RDP, GEAR, ASGISA and the NDP)	None
Micro level	Employment Tax Incentive Act of 2013 (Youth wage subsidy)	Non-regular Workers Protection Act of 2007

1-3. LITERATURE REVIEW

In this section, a *brief* review of corporatism in both South Africa and South Korea will be provided. How this research is related to previous studies and how the gaps in research will be filled, will be shown. *Since the theoretical perspective of corporatism is provided in Chapter 2 and corporatism in South Africa and South Korea are discussed in Chapters 3 and 4 respectively, only the key perspectives will be provided in this section.*

1-3-1. LITERATURE ON CORPORATISM IN SOUTH AFRICA

In this section literature on corporatism in South Africa will be divided into literature on the pre-apartheid, apartheid and post-apartheid eras. Literature on corporatism in the pre-apartheid period mainly focuses on the relationship between capitalism and the state on one hand, and how these two actors subdued labour on the other hand. One of the prominent examples is Yudelman's (1984) *The Emergence of Modern South Africa: State, Capital, and the Incorporation of Organized Labour on the South African Gold Fields, 1902-1939*, in which how a symbiotic alliance between the state and business, especially mining companies, successfully subjugated labour, is discussed. Yudelman's work also describes the corporatist tradition of South Africa in the 1920s; at that time organised (white) labour was subordinated and co-opted by an alliance of the state and business.

Simons and Simons (1969) in *Class and Colour in South Africa, 1850-1950* provides a historical overview of how and why the white working class compromised its socialist principles for a share of white power. The classes had different interests and this often caused

conflicts among them. However, in order to gain political and economic interests under White rule, the differences were put aside.

Lipton in her book (1986) *Capitalism and Apartheid*, also suggests that capitalism could benefit from or coexist with apartheid. Lipton traces and analyses the evolution of apartheid and suggests that the close relationship between the state and business became the driving force for the economic growth in South Africa. Lipton in her analysis of the relationship between capitalism and apartheid raises questions about class and race with regard to the development of South Africa (e.g. the role of white liberals), and describes how the nature of capitalism and its relationship to government stimulated debates between liberals (e.g. arguing that racism had a negative effect on the accumulation of capital and that the development of capitalism would eventually discourage racism) and Marxists (arguing that Apartheid benefited capitalism). Corporatism per se is not discussed, however, these classical works show that there was dualism in labour relations along race lines, and that the workplace was governed by a highly corporatist system. However, only white workers were incorporated, they had bargaining power and benefited from corporatism within the regime of racial oppression and segregation.

During the late 1970s and early 1980s South African industrial relations entered a critical phase with the emergence of independent Black trade unions. Before this African workers and their freedom of movement were heavily controlled. As a result, African workers faced limited employment opportunities and had negligible bargaining power (Kingdon and Knight, 1999). Along with industrialisation, black workers gained more leverage by using the capacity to organise unions and mobilise union members. Van der Walt (1997) argues that business showed interest in engaging labour in a range of issues as early as the mid-1970s and

Friedman (1987) highlights that a democratic culture or union democracy existed among union activists at that time.

The move towards corporatism was cemented in the mid-1980s, when COSATU and the South African Employers' Consultation Committee on Labour Affairs (SACOLA) revised the Labour Relations Act during negotiations (van der Walt, 1997). COSATU played a significant role when most political organisations were banned during the 1980s, standing in the forefront of the anti-apartheid movement. There was an increase in the power of labour after democratisation such as active intervention in the development of economic and labour policies, and as a result the state decided to establish the corporatist institution (Adler and Webster, 2000:2).

From the 1990s onwards, there was heated debate over the adoption of corporatism. There were two sides, proponents and opponents of the adoption of corporatism in South Africa. Lundahl and Petersson (1996) were of the opinion that corporatism would bring about benefits for the working class in South Africa, which experienced social and political marginalisation and polarisation. Webster (1995) argued that labour's participation in policy arenas would help strengthen workers' control of economic decision-making, and democratise the workplace. The opinions of opponents are given later in this section.

Adler and Webster (2000) describe the trend towards corporatism in South African industrial relations. These authors highlight the consultation and negotiation of public policies between the government, trade unions and employer associations, which may have played a direct role in the implementation of NEDLAC in South Africa. The authors point out the importance of labour's capacity vis à vis other actors at NEDLAC as well as its own members regarding

mobilisation and restraint when necessary. On the other hand, Maree (1993) points out some limitations. One of them is that corporatism can worsen the “dualism” of the workers, those who belong to the formal economy or are members of unions and those who belong to the informal economy which accounts for a large part of the South African economy.

In an article written for *the South African Labour Bulletin*, von Holt (2002) shows his concern with regard to corporatism and the labour movement, arguing that unionism receded as unions focused more on “strategic” state-level bargaining, participation and negotiations. Habib (1997) and Habib and Padayachee (2000) were concerned that corporatism might be a mere tool used by the state to control labour, by binding it into the corporatist framework. Buhlungu (2008), Lehulere (2003) and Mckinley (2003) point to the marginalisation of labour within the alliance and its decreasing influence on the state; however, most researchers do not go into details about the dynamics of the relationship of key participants within the corporatist institution (Habib, 2013). Therefore, this researcher aims to fill the gap between the existing literature of corporatism in South Africa and whether these dynamics are *sui generis* or can be compared to those in other developing countries.

It is noteworthy that Habib (1997:69) sees corporatism as a “crisis response” to the adoption of a neo-liberal economic programme in the early 1990s. In terms of the emergence of corporatism, Habib (2013) uses Stepan (1978)’s analytical framework which highlights the response of the elite to the mass labour movement and challenges especially in the Third World context. Especially after democratisation in South Africa, political and economic elites recognised that their neo-liberal economic programme was bound to provoke massive discontent and protest. As a result of this perspective, and in order to achieve social peace, these elites adopted corporatism, emphasising social unity and reconciliation.

In this context, it will be significant to examine the relationship among the actors and how they interact in the decision-making process. Interestingly, Maree (1993), Schreiner (1994) and Habib (1997) point to a rift that has emerged between the actors, that is, the ANC and COSATU. They state that the demands of labour have been constrained and absorbed in the name of national unity and that COSATU has become marginalised in the course of decision-making. Webster and Buhlungu (2004) also point out that, while the ANC has become the dominant participant in the alliance with COSATU and the SACP, labour has become marginalised. Labour has been expected to discard its own interests in the name of national development by being incorporated and recognised as one of the participants in the corporatist structure. However, members of labour unions expected the unions to represent their interests and furthermore, the interests of the working poor and the unemployed. This turned into a challenge for labour (Habib, 1997; Southall and Webster, 2010). Seekings and Nattrass (2006) explore the continuing inequality in South Africa in the post-apartheid era, they point out that the South African labour market is now divided into “insiders” and “outsiders”, in other words, those who are skilled and employed and those who lack skills and education and remain in the informal sector. The latter remain out of corporatist institutions; they do not benefit from agreements made under corporatism.

All in all, this imbalance of power between the state and labour after democratisation in South Africa is noticeable and negatively affected labour’s bargaining power vis-à-vis the state and business. Against this backdrop, the researcher will focus how this imbalanced power impacts on the corporatist institution in South Africa.

1-3-2. LITERATURE ON CORPORATISM IN SOUTH KOREA

Since South Korea is one of the prominent examples of a developmental state, the symbiotic relationship between state and business, which are deeply intertwined was addressed in a number of studies. The relationship resulted in the rapid economic growth (Amsden, 1993; Kang, 2002).

Under Japanese colonialism in the early 20th century, capitalism began to burgeon, the colonial government and business (mainly Japanese capital) started forming a coalition in order to monopolise natural resources through mining rights. After independence, *chaebols* inherited this tradition of coalition (Minns, 2001; Kim Dong-won, 1993). Since South Korea is a late-late-industrialising country and remained an agricultural state until the 1960s, it was difficult for labour to forge any political links.

Although the labour movement was oppressed, the right-wing Korean Labour Federation for Independence Promotion (KLFIP) was created in 1946 right after independence (Rowley and Yoo, 2004). In Rowley and Yoo's (2004) *Trade Unions in South Korea*, evidence of the existence of state corporatism in South Korea is presented and it is stated that the KLFIP enjoyed monopoly status by cooperating with the state. It can also be seen that South Korea used to have a tradition of state-corporatism.

Unlike the KLFIP, unions' political activities were banned and there was strong government intervention in labour disputes (Chang Dae-oup, 2006; Gang Shin-joon, 2002). Deyo's (1989) *Beneath the Miracle: Labour Subordination in the New Asian Industrialism* and Koo's (1990) *Korean Workers: The Culture and Politics of Class Formation* trace the origins and early

development of the South Korean labour movement. These authors argue that South Korea's successful economic development is partly attributable to the political subordination of labour and its compliance with the corporatist state.

However, along with the industrialisation, labour started showing more awareness of poor working conditions such as low wages, long working hours and industrial accidents. Kwon Seung-ho and O'Donnell's (2001) *The Chaebol and Labour in Korea: The Development of Management Strategy in Hyundai* shows the emergence of the organised labour movement during South Korea's industrialisation and there is an analysis of labour-management policies.

With democratisation in the latter half of the 1980s, the model of government-labour-business relations changed from state corporatism to pluralism. In this context, (societal) corporatism as a new model of an interest representative system drew attention (Park Moon-kyu, 1987). Along with globalisation and after the Asian financial crisis of 1997, a number of studies were focused on the increasing power of labour and the emergence of societal corporatism. Since the latter half of the 1990s, when South Korea was facing an adverse economic situation, a search ensued for a policy making style of societal corporatism. This is also because the rapid change in the industrial structure, which is associated with the economic crisis, has led to the demand for some kind of policy agreement and cooperation between the state, business and labour.

Han Chong-hee, Jang Ji-ho and Kim Sun-hyuk (2010:290) point out that the Asian financial crisis of 1997 became the reason why the government incorporated labour. Baccaro and Lim (2006) argue similarly that the economic crisis became the momentum for the adoption of neo-liberal policies, which made it possible for social pacts to be formed in South Korea.

Baccaro and Lim (2006) are of the opinion that the government had to introduce neo-liberal industrial relations and expected discontent from the unions; thus, they argue that the incorporation of labour became inevitable. These analysts share Habib's (1997) view of corporatism as a "crisis response".

Han Chong-hee, Jang Ji-ho and Kim Sun-hyuk (2010:291) point out the limitations of the relationship between labour and the state. Although corporatism was officially adopted, these authors argue that this was more about formalities. In reality, along with globalisation, the neo-liberal labour market reforms increased the flexibility of the labour market, and curtailed the power of the trade unions as significant layoffs occurred. The authors also argue that the influence of the "state-led economic development" model still prevails and hampers labour when it exercises its power within corporatism.

From the process of literature review, it is possible to see that South Africa and South Korea developed in a similar way and how labour gained power along with the industrialisation process, how the state had to incorporate labour by creating corporatist institutions, and how these corporatist institutions were perceived by both the opponents and the proponents. In this regard, it is noticeable that many scholars have already suggested undertaking studies in late-late-industrialising countries on the subjects mentioned above. Scholars such as Adler and Webster (2000) assert the necessity of filling the literature gap by comparing late-late-industrialising countries with South Africa. Habib (2013) also points out that the South African literature on corporatism needs a more sufficient approach moving from the discussion of the adoption of corporatism to the analysis of whether it will contribute to the "sustainable inclusive development" of South Africa. This can be applied to the case of South

Korea as well. However, little has been written in terms of an explicit analysis in this regard, furthermore, there has been little comparison between South Africa and South Korea.

Bramble and Ollett's (2010) studies are the only studies on this topic that the author of this study is aware of. Bramble and Ollett (2010) contend that corporatism was adopted to shift power from the working class to the capitalist class. One interesting argument that Bramble and Ollett (2010) put forward is that corporatism in South Africa has a stronger policy and/or more political influence than it has in South Korea, due to the different political arrangements between the state and labour. In other words, the state-labour relations in South Korea differ from those of the ANC and COSATU which were built during the long struggle against the apartheid government. Also another main difference is that the ANC has more than the majority of the population's support, while South Korea's ruling party has only slightly more than half of the population's vote, and there is more competition.⁴

Despite the difference between the two countries resulting from the different political environments (in South Korea there is not such a close relationship between the ruling party and labour), there is an important similarity; that is, corporatist arrangements were adopted with the expectation of eliminating conflicts of interest among the state, business and labour. However, the corporatist institutions in neither of the countries have functioned successfully.

Furthermore, it should be noted that corporatism originated in Western European countries. In these countries interests are represented in a different way within the existing structures and there is a long history of corporatism. Therefore, the researcher will examine whether it is possible to apply the European experience of corporatism to the cases of South Africa and

⁴ In South Korea, it can be said that there is a balance between the ruling party and opposition, however, in reality the practice of "winner takes all" prevails. Also, parties remain tied to the rather simple patron-client networks dominated by an individual leader.

South Korea. This can be one of the contributions of this study to the body of the existing literature.

1-4. RESEARCH DESIGN AND METHODOLOGY

In this section an overview of the methodological approaches used to conduct this study, is provided. This research entails a qualitative comparative analysis of the cases of South Africa and South Korea. A discussion of comparative analysis and related approaches, case selection, data collection and their validity will be provided. Furthermore, the strengths and limitations of the research methods will be discussed.

1-4-1. RESEARCH DESIGN

Before embarking on a research path, it is crucial to identify the appropriate method to design the research. A research design is defined as: “a blueprint of the research, dealing with at least four problems: what questions to study, what data are relevant, what data to collect, and how to analyse the results” (Philliber, Schwab, and Samsloss, 1980 in Yin 2003:21). Thus, a research design is the framework or plan for a study, and furthermore is used as a guide in collecting and analysing data. Yin (2003) notes that the importance of the research design is to: “help to avoid the situation in which the evidence does not address the initial research questions” (Yin, 2003:27).

In this study, a (comparative) case study research design is used to demonstrate the causal argument of this study. According to Yin (2009), a case study is “an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially

when the boundaries between phenomena and context are not clearly evident”. By adopting this design, the researcher provides an in-depth study of corporatist institutions and the interactions among actors within the framework. The power dynamics of relevant stakeholders in the context of the corporatist institutions in South Africa and South Korea will be observed.

The researcher is aware of several weaknesses in the case study design. Case studies involve analysis of small data sets, such as one or two cases. This aspect of “a lack of rigour” is also noted by Yin (1984, 21). Biased views by the researcher can also influence the findings and conclusions of the study. This can lead to a problem with generalisation, since small data sets are not enough to produce a valid generalisation. In order to overcome these weaknesses and to ensure the validity of the result, multiple sources of evidence, both primary and secondary sources are utilised to see if they converge. Also, a case study research design is selected for this study not to generalise a theory but to extend the existing theory of corporatism and to establish whether the theoretical foundation can be applied to the new settings around corporatism institutions and the power dynamics of stakeholders in South Africa and South Korea.

1-4-2. THE LEVELS OF ANALYSIS

The unit of analysis refers to the objects that are observed and about which information is systematically collected in order to create “a summary of descriptions of all such units and to explain the differences among them” (Lambrechts, 2014). The unit can be an individual, group, or organisation. In this study, the researcher seeks to explain the similarities and differences between the two social organisations, namely NEDLAC and the KTC. These are

determined by the research question and this also affects the data collection methods. In this study, firstly, actors' interaction at corporatist institutions in South Africa and South Korea are analysed and secondly, the corporatist institutions themselves to see whether they functioned by bringing the actors together and resolving various agendas as they were expected to do.

1-4-3. RESEARCH PURPOSE

The study comprises three types of research: exploratory, descriptive and explanatory (Babbie, 2007). All three approaches are used in this study. According to Marshall and Rossman (2011), exploratory research is used to investigate issues about which little is known. In this study, the main focus is on what the impact of the power dynamics of the state, business and labour is on the corporatist institution. In descriptive research detailed information is provided about the nature of issues. Looking at representations of two case studies involving the decision-making processes at NEDLAC and the KTC respectively, this study generates information about the power dynamics between the state, business and labour. Explanatory research involves explaining why something happens, and assessing causal relationships between variables. Causes and reasons for why corporatism collapsed in both South Africa and South Korea are provided.

1-4-4. RESEARCH METHODOLOGY

In the process of this research, the qualitative approach will be used. According to Babbie (2007:286), qualitative research can help us to interpret and better understand the complex reality of a given situation. Qualitative research contributes to the understanding of the

complexity of a problem; thus, providing deeper understanding of the state-business-labour relations and corporatism in South Africa and South Korea, which this researcher wishes to analyse.

The qualitative research will draw on analyses of both secondary and primary source material. The data collection section will provide more information in this regard. Data analysis of this research is inductive, which involves developing generalisations from a limited number of specific observations or experiences.

1-4-4-1. CASE STUDY

This research is case study-based. A case study is defined as: “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon in its real life context, using multiple sources of evidence” (Robson, 2002:178). Case study research can involve single and multiple case studies. This study is a multiple case study, because it involves the empirical analysis of two countries (South Africa and South Korea) and uses multiple sources of data. Multiple case studies are expected to yield more robust results and compelling arguments, than a single case study (Gerring, 2007).

There are several advantages and disadvantages associated with conducting case study research. According to Robson (2007), one of the most prominent advantages is that it gives the researcher the opportunity to conduct an in-depth study, capturing complexities, relationships and processes. The researcher in this case, studies dynamic processes within NEDLAC and the KTC. However, there are some challenges as well. One of the major

challenges is that it might not be possible to generalise the knowledge to other people or other settings. Additionally, results are more easily influenced by the researcher's personal biases.

1-4-4-2. THE COMPARATIVE APPROACH

The major aim of comparative research is to identify similarities and differences and interrelationships among political actors, institutions, political systems and political processes.⁵ As Mills et al. (2006:621) point out: "comparisons not only uncover differences between social entities, but reveal unique aspects of a particular entity that would be virtually impossible to detect otherwise". Comparative research enables the researcher to develop concepts and generalisations based on identified similarities and differences among the social entities under comparison. This then serves as a means of enhancing one's understanding and awareness of other social entities (Sasaki, 2004).

A comparative analysis can be challenging, as the researcher is required to study a variety of contexts and cases. Collier (1993:6) pointed out several "inherent problems" of a comparative analysis. For one, conducting a comparative analysis can challenge researchers to find comparable cases. Furthermore, since it involves very few cases, the researcher can face difficulty in reconciling contradictory explanations. Since this study could face similar

⁵ This study follows the tradition of comparative politics, which involves the systematic study and comparison of the world's political systems. Comparative Politics is one of the oldest fields of political analysis. It seeks to explain differences and similarities between as well as among countries. Comparative Politics covers a broad range of topics. A single country or institution, such as political parties, militaries, parliaments, interest groups, political process (decision making) in a country can be categorised as comparative politics. Studies of two or more countries/regions provide more extensive information. Such studies are useful because they involve groups of countries that may have several things in common, such as similar history, cultures, language, religion, colonial backgrounds, and the like. Regional or area studies allow you to hold common features constant, while examining or testing for certain other features. Classic themes of comparative politics are: industrial development; social revolution; democracy and authoritarianism; and state formation. Atul Kohli (2004), James Mahoney (2010), Daron Acemoglu and James Robinson (2012) focus on economic development. Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens (1992), Ruth Berins Collier (1992) are leading scholars in their field of democracy and authoritarianism. Theda Skocpol (1979), Farideh Farhi (1990) are devoted to the comparative analysis of revolution.

problems, its case selection was information-oriented and thus able to reduce variables by including only comparable cases that pertain to the research question and hypothesis.

The researcher looks at only two cases in this study. Through selecting the two cases, it became possible for the researcher to conduct an in-depth study capturing detailed information. Throughout the process, it was also possible to identify causal processes which provided the researcher with internal validity which allowed her to prove causality. Since the researcher tries to establish a causal relationship, that is, the impact of the imbalance on the power dynamics between the state, business and labour on corporatist institutions, selecting a small number of cases as was done in this study was crucial. This would have been impossible if the research had chosen to discuss a large number of cases.

Also, if the units of analysis are two different countries/institutions, the researcher might be required to make a field trip to a foreign country and to understand a foreign language. However, in this case the researcher is a native Korean speaker, thus there was no language barrier during the field research that took place in South Korea. During the field research in South Africa, the researcher was accompanied by an English native speaker who could transcribe the conversation. Also, e-mail was used to confirm whenever there was confusion. In that way, the language barrier could be overcome. Despite the disadvantages mentioned above, a comparative analysis can indicate different patterns or similarities that may exist within a specific set of cases chosen by the researcher (Ragin, 1994).

1-4-4-3. CASE SELECTION

Selection of cases should not be random, but information-oriented. Case selection can be challenging to a researcher, since the researcher can be faced with bias. Also, problems are likely to develop if one chooses a very small sample in a completely random fashion. In the same context, Seawright and Gerring (2008:295) argue that: “even if cases are initially chosen for pragmatic reasons, it is essential that researchers understand retroactively how the properties of the selected cases comport with the rest of the population”. Seawright and Gerring (2008:296) also argue that: (1) a representative sample and (2) useful variation on the dimensions of theoretical interest should be considered.

Some might question the possibility of a comparative study between these two institutions/countries (NEDLAC in South Africa and KTC in South Korea). There are however, several reasons why the researcher chose these two countries.

First of all, the two case studies were chosen on the basis of their similarities. The countries experienced similar political and economic situations. Both are late-late-industrialising countries and both South Africa and South Korea were under authoritarian governments until the late 20th century. During the democratisation process, labour in the mining sector in South Africa, and in the heavy industries such as ship-building, chemical- and automobile industries in South Korea played a leading role in achieving democratisation. Their mass action, including stoppage at work, was a threat to both countries’ economies. From these similarities, it can be seen that these two countries represent certain characteristics of late-late-industrialising countries. Considering that corporatism is derived from advanced

countries in Europe, South Africa and South Korea are suitable cases for the study of whether corporatism works in a similar way elsewhere in the world.

However, if there were only similarities, the comparison would not be meaningful. There are also certain differences between the two countries, for example, in South Africa, COSATU and the ruling party, the ANC, have a close relationship through the tripartite alliance. On the other hand, labour and the state do not have a close relationship in South Korea even after democratisation. Also, South Korea has a relatively better socio-economic environment than South Africa, in terms of the level of inequality and poverty. These two variables could have influenced the relations between the state and labour and have implications for corporatism. A case study of a country in Latin America or Eastern Europe could have been possible. However, as will be discussed as one of the limitations that the researcher faced, inclusion of another case was restricted.

There was another problem in the process of selecting cases. Since a comparative case study was adopted, one more issue area from South Korea should have been selected. However, the country's macro-economic policy was structured before democratisation. When studying the KTC, the researcher tried to find another issue which could show the interaction between the state, business and labour. However, there is no further issue like the Non-regular Workers Protection on which the KTC spent such a long time and so much effort (As another case, the labour brokering issue was initially considered, however, in the case of South Korea, using labour brokers has already become widespread and it did not emerge as an issue and most importantly it did not receive as much as attention the Non-regular Workers Protection Act did). In this process, it is also possible to conclude that the corporatist institution in South Korea never functioned efficiently and failed to intervene in many important issues.

1-4-4-4. THE PROCESS TRACING APPROACH

This study is a comparison of South Africa and South Korea's corporatist institutions, NEDLAC and the KTC, from the establishment of these institutions in the late 1990s to 2014. Also, the power dynamics in the state-business-labour at the corporatist institutions are analysed. Some historical background will be provided in order to increase the understanding of the relationship between the state, business and labour, and the creation of corporatist institutions. In this process, process tracing, a data analysis method for identifying, validating, and testing causal mechanisms within case studies, will be used.

Gerring (2007: 173) explains that process tracing involves looking for a continuous chain of sequential events. Since it requires the researchers' patience and given that resources are limited, only a small number of cases can be included. However, additional cases can strengthen confidence in the generalisation of findings from process tracing. Since this research aims to assess hypothesised causal mechanisms, process tracing can help address interaction effects. This helps to extract the best way to answer to the research question of this research project.

Process tracing requires the collection of large amounts of data. In the case of South Korea, minutes of the KTC were predominantly used to explore the interactions among actors. In this process, a process-tracing technique, in this case the minutes of meetings, was used to look for a continuous chain of sequential events. The minutes and annual reports were obtained when the researcher visited the KTC in Seoul, Korea in December 2012. Also, various related reports were later obtained from the website of the KTC. The issue related to the Non-regular Workers Protection Act was discussed from April, 2007 to April 2009. Thus the researcher

obtained the entire minutes from 2007 to 2009, these minutes are a detailed report of the interaction between actors and this enabled the researcher to analyse each participant's interactions and the outcomes. Since its creation, the KTC has dealt with several issues such as the reduction of working hours, however, the issues related the Non-regular Workers Protection Act received the most attention, thus detailed records were available with regard to this particular issue.

1-4-4-5. INDICATORS OF COMPARISON

While conducting a comparative study, the researcher might face a problem with regard to setting up indicators that can best represent analysed social phenomena. In this research, the focus is on assessing corporatist institutions in South Africa and South Korea and on the interaction among the actors at the corporatist institutions. The influence of the imbalance of the relationship between the state, business and labour over time will be analysed to figure out the impact of the dynamics of the relations among these actors on the corporatist institutions. With this in mind, the researcher had to consider the process of selection and construction of reliable indicators that enable the researcher to investigate the state and labour relations effectively.

In order to assess the dynamics of relations between the state, business and labour, the macro-economic policies (South Africa) and the labour-related policies (South Africa and South Korea) will be described. The process of decision-making and how the actors engaged in this will be used to assess the corporatist institutions in both countries.

In South Africa, the state has adopted a series of macro-economic programmes such as the Reconstruction and Development Programme (RDP) (1994-1996), Growth, Employment and Redistribution (GEAR) (1996-2005), Accelerated and Shared Growth Initiative for South Africa (ASGISA) (2006-2012) and the National Development Plan (NDP) (2013 onwards). Thus, it is possible to observe the interaction between the state, business and labour in terms of the adoption of each programme. In addition to this, there are cases that indicate the decreasing influence of NEDLAC. When the ETIA was formulated and enacted in 2014, NEDLAC was bypassed. In this process, it is possible to observe the imbalance in the power dynamics among the state, business and labour since labour's demands were not incorporated. This is a significant indicator that shows the imbalanced power dynamics among the stakeholders.

In South Korea the state has not introduced specific macro-economic programmes as in the case of South Africa. Thus, the focus is on the various agendas negotiated between the state, business and labour when the KTC was created in 1998. In South Korea, the Asian financial crisis in 1997 brought about a tremendous change in employment structure. South Korea, which used to have the lifelong employment system, was under pressure from the International Monetary Fund (IMF) and transnational companies to adopt the flexible labour market system. This critical event and its consequences have led to a fluctuating pattern in state-business-labour relations. This reached a climax when the Non-regular workers' problems became a huge social problem in society and when the Non-regular Workers Protection Act was introduced and discussed at the KTC's sub-commission from 2007 to 2009. However, the Non-regular Workers Protection Act has not led to a solution regarding the use of non-regular workers. Furthermore, the fact that labour withdrew from the KTC indicates the collapse of the corporatist institution in South Korea.

It is significant to make an assessment of the corporatist institutions in both countries in the context of the emergence of corporatism in late-late-industrialising countries. Within the corporatist institutions, the society and economy of a country was organised into major interest groups, and representatives of those interest groups were expected to settle any problems through negotiation and joint agreement. In this context, labour, which used to be marginalised vis-à-vis the state and business, became an equal partner at the corporatist institutions. This is in stark contrast to the period under the authoritarian governments in both countries. However, when looking at the today's state-society relations at the corporatist institutions in both countries, it is clear that the power of especially labour has ebbed and flowed. In the end, it has been placed at a disadvantage again. This in the end led to the collapse of corporatism. A comparison of corporatism in South Africa and South Korea and the evaluation will provide the grounds for analysis of one of the most pertinent dilemmas in these late-late-industrialising countries today. Since corporatism was adopted to pursue two main goals namely economic growth and social stability in South Africa and South Korea which experienced a massive transition period prior to democratisation, how to maintain corporatist institutions is an intriguing question. It is interesting to assess how/whether this approach worked, and if not, why it has failed.

1-4-5. SECONDARY DATA COLLECTION AND ANALYSIS

In this research, secondary sources including academic books and journal articles were the main source of information. Secondary data was information collected by others; thus, the researcher could save time as he/she did not have to collect the data himself/herself and could move quickly to the data analysis phase. However, the researcher had no control over the

research design or the methods for data collection. In order to balance this, the researcher used interviews and primary sources to complement secondary data.

Secondary data were mainly used in Chapter 2 (various approaches to state-society relations and the corporatist approach in particular, which is the framework for the study), Chapter 3 (historical context and the creation of corporatism in South Africa) and Chapter 4 (historical context and the creation of corporatism in South Korea) of the study.

1-4-6. PRIMARY DATA COLLECTION AND ANALYSIS

Primary sources are used to complement other measures, in this case secondary sources. A primary source is an original object or document; first-hand information. Primary sources enable the researcher to get as close as possible to what actually happened during a historical event or time period. Primary sources that are used in this research include official government records such as National Treasury, Statistics South Africa (Stats SA) from the national statistical service of South Africa and documents from the Korea Labour Institute, as well as annual reports and various other documents (working papers and special reports) published by NEDLAC and the KTC. Interviews are another data collection strategy used in this project. Interviews in social research are encounters between a researcher and a respondent, in which the latter is asked a series of questions relevant to the topic of investigation (Ackroyd and Hugues, 1981:66). In this research project, minutes of the KTC were analysed in order to generate primary data about the South Korean case.

1-4-6-1. INTERVIEWS

Interviews are classified according to their degree of standardisation, such as the standardised (structured) interview and the non-standardised interview (Henning, 2004). In this research, the non-standardised interview method was chosen, since it can give the researcher and interviewee a great deal of flexibility in asking and answering questions. Sometimes this “go with the flow” approach can be time-consuming but it has flexibility and gives the researcher the opportunity to explore new avenues; thus, resulting in first-hand opinions from interviewees. Though the non-standardised interview method was chosen, by integrating a problem-based approach, conducting interviews was both effective and efficient. Only participants aware of the problem of corporatist institutions who could both describe and evaluate the problem were selected. During the process of interviews purposive and snowball sampling were used. Purposive sampling served to establish the profile of interviewees. Snowball sampling made the selection of a few individuals who could identify other individuals who might be suitable participants in the study, possible. These techniques were used especially when the researcher conducted key informant interviews. Whenever the researcher faced difficulties contacting interviewees, the researcher asked respondents to refer her to other possible respondents.

Interviews were conducted in South Africa and South Korea. Concerning the selection of respondents for interviews, the researcher selected the most suitable participants (Henning, 2004). In order to select the most suitable interviewee, a desktop-based analysis of the background literature was used. After analysing minutes of the KTC and annual reports of NEDLAC and the KTC it was possible to identify possible participants at NEDLAC and the KTC, who could pass on their first-hand experience and provide insights for the study. Based

on the series of preliminary interviews, in-depth interviews including interviews with related actors were conducted in 2014.

Interviews were of two categories: informal interviews and key informant interviews. The researcher conducted several informal interviews (7 participants in total) with related actors in order to understand the broad situations in South Africa and South Korea in 2012 and 2013. In South Africa, interviews were conducted with members of NUMSA and the Southern African Clothing and Textile Workers Union (SACTWU) in the Western Cape Province. They were chosen since NUMSA is one of the biggest affiliates of COSATU and the textile industry is one of the biggest industries in Western Cape. During the series of interviews, the main focus was on how these shop floor members perceived labour's leadership and corporatism in South Africa, in other words, whether it has brought about any benefits for them. This preliminary assessment helped with the shaping of a questionnaire for the next phase, that is the key informant interviews. Also, their perspectives indicate that the corporatist institution in South Africa has not functioned properly. In this research project, informal interviews comprised loosely structured conversations with various respondents mainly from labour, which seems to have been put at disadvantage compared to the state and business. Key informant interviews targeted stakeholders in NEDLAC who could provide more in-depth information about the corporatist institution in South Africa. In South Africa, NEDLAC does not provide detailed minutes to the public, thus key informant interviews were chosen to generate primary data. The key informant interviews were conducted with the actors from the government (Department of Performance Monitoring and Evaluation and Department of Labour), NEDLAC, business (BUSA) and labour (COSATU and NUMSA) representatives at the corporatist institution of South Africa. Also, political commentators from media who have been researching NEDLAC were interviewed in order to gain insights

from observers. Key informant interviews were conducted with a minimum of 2-3 participants from each group (9 participants in total), who were selected according to their comprehensive experience at NEDLAC. When it was difficult to get hold of interviewees, the researcher interviewed former (BUSA and NEDLAC) officials. Each interview lasted 45-60 minutes. Most of them were conducted face to face, however due to time constraints, telephonic interviews were also used. The series of interviews were supplemented by e-mails, and e-mails were also used whenever there was lack of clarity.

In South Korea, key informant interviews were conducted with high-level labour officials of the Korean Confederation of Trade Unions (KCTU) and the FKTU in December 2012. During the interviews, it was possible to confirm the officials' discontent with regard to the KTC. Also, the researcher was able to see how severely fragmented labour in South Korea is. In the case of South Korea, the minutes of the KTC yielded detailed information about interactions between actors. This will be discussed in the next section. In March and April 2014, additional interviews with an academic who was in charge of the series of KTC commissioned reports were conducted. He was especially helpful when selecting the case of the Non-workers Protection Act of South Korea for this study.

1-5. LIMITATIONS OF THE STUDY

In this research the focus was on the corporatist institutions and the nature of the relations between the state, business and labour and how they influenced the corporatist institutions in both countries. The research design and methodology used in this study had to be rigorous in order to understand the complexity of the state, business and labour relations at corporatist institutions. The two cases, NEDLAC in South Africa and the KTC in South Korea, were

carefully chosen based on their similarities but several variations made it possible for this to be called a comparative study.

Corporatism was initially adopted in order to achieve social stability as well as economic growth. This happened at the same time in South Africa and South Korea. However, in this research project, the main focus is the imbalance of power among actors and the impact of this on the corporatist institutions in both countries.

Thus, other aspects such as the implications of corporatism, the macroeconomic effect on commerce, employment, and incomes among others, were left to further research. Rather this research project is focused on the general assessment of corporatism. However, some statistics were used to show that corporatism could not achieve its goals such as contributing to economic growth.

In addition to this, several methodological problems were experienced while conducting the research. For example, the inclusion of more cases of late-late-industrialising countries, such as Eastern European countries, would have deepened the findings. Another issue is that the researcher faced several difficulties while conducting interviews with actors from business and the state. In South Africa, NEDLAC recently underwent restructuring and experienced organisational problems; therefore, it was initially difficult for the researcher to identify contacts. In order to overcome this obstacle, the researcher worked through other informants. The interview with a former coordinator at the Trade and Industry Chamber was useful and helped the researcher to grasp the interaction between actors at NEDLAC, and their various attitudes.

In South Korea, there was lack of participatory willingness from interviewees, including those from labour. Officials from the KTC declined to be interviewed, even though they were assured of anonymity. They reasoned that they needed to get official permission from the institution. Furthermore, the research itself is not necessarily related to positive aspects of the KTC. In other words, the aim of the research is to figure out the causal relations regarding the collapse of the KTC, thus, the interview request was turned down. However, the officials kindly allowed me to access documents and publications. Also, minutes and various reports were easily accessed through the website, which helped the researcher based in South Africa, to gain detailed information despite the geographical distance.

One of the most significant limitations is that the researcher chose two issues from South Africa (macro-economic programmes and a labour-related law) and the one issue (a labour-related law) from South Korea. As mentioned earlier, South Korea did not adopt macro-economic programmes within the corporatist framework, since the country had achieved relatively high economic development before democratisation. The researcher is fully aware of the imbalance in terms of issue selection. In order to overcome this, the researcher went through the minutes and annual reports of the KTC from the 1998 to the present. Also, the researcher consulted with an academic in South Korea in order to find another issue. *However, there is no such issue which weighs as heavily as the non-workers protection issue.* Therefore, the researcher tries to show a broad picture of the relations between the state, business and labour to overcome this limitation. Also, the fact that the KTC has been involved in only a few issues indicates that the corporatist institution in South Korea has not worked properly.

1-6. OVERVIEW AND DISSERTATION STRUCTURE

The corporatist institutions in South Africa and South Korea have been assessed as not being successful. Labour in particular has been placed at a disadvantage in the decision-making process. This has led to labour becoming discontented and finally withdrawing. Business seems to be indifferent and the state that is supposed to play the role of mediator, is also pushing forward its own agenda unilaterally.

Even though labour could gain some benefits, ranging from the legalisation of labour movements and the establishment of labour parties to wage increases, labour has yielded autonomy and lost members, due to the fact that it allowed retrenchment. This led to the imbalance of power between labour and other actors and this negatively affected corporatism in both South Africa and South Korea. Against this back drop, the dissertation is structured as follows:

- **CHAPTER 2: THEORETICAL FRAMEWORK – CORPORATISM**

In Chapter 2 the focus is on corporatism as a theoretical tool. In the first part, there will be a comparison between corporatism, pluralism and Marxism. Pluralists see society as consisting of numerous individuals and interest groups, and focus on conflicts among them. Marxists feel that the state is a coercive instrument of the ruling class. In the Marxist framework, the state is criticised because it is seen as only representing the capitalists' interests (Cawson, 1986). Both sides overlook the role of the state as a mediator preventing a clash between competing interests. The state should pursue the shared common good, which is beneficial to all members of society. Especially in countries like South Africa and South Korea which

underwent democratic transition, it is a prerequisite to have a mediator to coordinate different interests, and this mediator should have a sense of urgency. In the second part, the focus will move to corporatism, including its historical development and defining it within the South African and South Korean contexts, with the aim of positioning this study in a wider discussion on corporatism.

- **CHAPTER 3: CORPORATISM IN SOUTH AFRICA**

In this chapter the corporatist institution, NEDLAC, in South Africa will be examined. The focus is on the relations between the state and other South African societal actors, business and labour, within the corporatist framework. There is firstly a brief discussion of the history of corporatism in South Africa. Also, the evolution of the labour movement will be discussed. In this process, it will be possible to observe how the power of labour increased as time went by; how it became a driving force to end apartheid, and also how it led to the establishment of NEDLAC in South Africa.

After that, the institution itself and its policies, as well as the implications of these policies, will be discussed. The macro-economic policies and the ETIA as a case study will be examined to show how corporatism in South Africa failed as a social dialogue mechanism. An overall assessment of NEDLAC will follow.

- **CHAPTER 4: CORPORATISM IN SOUTH KOREA**

In this chapter the corporatist institution, the KTC in South Korea, will be examined. The focus is on the relations between the state, business and labour within the corporatist

framework. Firstly, the history of corporatism in South Korea will be discussed. Secondly, the structure, functions and outcome of the KTC will be discussed. Afterwards, the shifting balance of power between the state, business and labour will be discussed to show how this negatively affected the KTC. The focus of the chapter is specifically on the Non-regular Workers Protection Act in order to illustrate the interaction between actors at the KTC. In conclusion, an overall assessment of the KTC will be provided.

- **CHAPTER 5: CONCLUSION**

In Chapter 5 results of the analysis of the case studies are reported. There is a summary of research findings and conclusions are drawn. Also, whether the theory of corporatism, as derived from the European experience, fits into the context of South Africa and South Korea will be discussed in the theoretical reflection section. The preliminary findings of the study are as follows:

- After democratisation, the balance of power among the actors became asymmetrical, which negatively affected the corporatist framework. In both South Africa and South Korea, corporatism is not regarded as important by the state, business and labour. The corporatist institutions are seen as formalities or as lacking institutional capacity and accountability. In this context, it is difficult for the KTC and NEDLAC to play the role of social dialogue institutions.
- Along with globalisation, both countries have adopted neo-liberal economic policies, whereby the influence of labour has been affected. The flexible labour market policy in particular has negatively affected the membership of trade unions through retrenchment, in turn, labour's overall influence at the corporatist institutions has

declined. On the other hand the state and business have gained influence vis-à-vis labour. These actors have formed a form of coalition similar to what could be found in both countries before democratisation. Labour still maintains its influence in the mobilisation of union members; thus, it uses strikes and mass action instead of corporatism to achieve its goals.

- Even though labour has gained some influence in the policy decision-making process and as a result several laws have been introduced in favour of labour, labour has become marginalised at the corporatist institutions. The state and business have formed coalition vis-à-vis labour. The state in particular pushed forward their agendas unilaterally. The imbalance of power among the state, business and labour resulted in the collapse of the corporatist institutions in South Africa and South Korea.
- Corporatism seems to have been adopted as a mere crisis response to South Africa and South Korea's political economic crises, and it is seen as another control mechanism created by states in transition to democracy.

CHAPTER II. THEORETICAL FRAMEWORK

2-1. INTRODUCTION

The aim of this chapter is to provide a framework for the study, in which the research questions, developed in Chapter 1, can be analysed. Firstly, a comparison between pluralism, Marxism and corporatism will be made, in order to examine how state-society relations are viewed by the advocates of each theory. The three theories share many characteristics; however, corporatism sheds light on the analysis of the relations between the state, business and labour in the capitalist industrialisation process providing close nexus between them.

Secondly, the emergence and development of corporatism will be analysed. This historical approach reflects how corporatism emerged and developed over time. Particular historical conjunctures which influenced the characteristics of corporatism will be reviewed. In this process, it is inevitable that the focus will be laid on the European experience, since corporatism emerged as a means to address problems in capitalist countries in Europe.

In addition, corporatism in the Latin American countries will be discussed. The strong and centralised governments in Latin America used to be referred to as state-led corporatists. Subsequently, corporatism in Africa and Asia will be briefly discussed. By looking at other regions and countries, it will be possible to understand how corporatism in different countries, other than Europe, has developed.

In the next section, the focus will be on corporatism itself and macro-, meso- and micro-corporatism will be examined. In the beginning, macro-corporatism was in the limelight,

which deals with the interest representation system of state, business and labour at a national level. However, in the 1980s, the focus shifted to meso- and micro- rather than macro-corporatism. In 2-3-3, the differences between the derivatives will be discussed. Some scholars such as Allen (1990), Cawson (1986) and Moore and Booth (1989) have pointed out that the adoption of meso- and micro- corporatism has become one of the crucial conditions for the success of corporatism. By focusing on sector and enterprise levels, it was possible for some countries to foster competitiveness in a certain industrial sector.

In 2-3-4, the resurrection or re-emergence of corporatism in some European countries will be discussed. In the 1980s, corporatism was in decline, some corporatist scholars argue that corporatist structure in itself had become weak and moderate compared to the past (Baccaro and Lim, 2006; Baccaro, 2003; Molina and Rhodes, 2002). Baccaro and Lim (2006) and Molina and Rhodes (2002) analyse which characteristics of corporatism still exist, as indicated in Baccaro's *What is Dead and What is Alive in Corporatism* (2003). From the 1990s onwards, the main feature of corporatism changed; "political exchange" in corporatist arrangements rather than "a system of interest intermediation" was highlighted as the fundamental element of corporatism (Molina and Rhodes, 2002:322). Through this process, it is possible to understand how this trend was adjusted and implemented in both South Africa and South Korea.

Since most studies on corporatism are based on the European experiences, it is not possible to apply the European corporatist model directly to South Africa and South Korea, which are late-late-industrialising countries. In European countries societal actors have become institutionalised and have become part of the fabric of society. South Africa and South Korea, which experienced democratisation recently, did not follow the same pattern nor create the

same environments for establishing corporatist traditions. Another distinctive feature of the relations between the state and society in South Africa and South Korea is that both countries simultaneously experienced democratic transition inward and globalisation outward. These aspects were coupled with particular historical conjunctures in South Africa and South Korea, which may have influenced the characteristics of corporatism in both countries. By examining the existing literature, an all-encompassing theoretical framework for the dissertation can be provided in this chapter.

2-2. VARIOUS APPROACHES TO STATE-SOCIETY RELATIONS

In this section the different theoretical approaches of pluralism and Marxism regarding the state, and how they view the state will be discussed. Through this process, it will be possible to examine common and conflicting elements that exist between pluralism and Marxism, corporatism and pluralism, and corporatism and Marxism.

2-2-1. THE PLURALIST APPROACH

Pluralism has been flourishing on the background of societal groups being autonomous, and equal in their influence on the policy making process (Smith, 1995:209). Based on this premise, pluralism has secured the dominant position in the political discourse in the United States. The existence of a multitude of different groups is one of the fundamental democratic principles in the United States, and the government is designed to encourage the representation of competing interests. Under these circumstances, no one group dominates as Smith (1995:209) says: “the modern liberal state means that no single group, class or organisation dominates society”. The reason that competing interests can balance is due to

power and access being dispersed among several groups. This is the concept of “polyarchy”; different groups have power on different issues. In the process of competition, “bargaining” and “compromise” tend to be fair to all (Held, 1997:247).

Scholars such as Dahl (1967:24) advocate certain advantages associated with pluralist democracy that exists in the United States: the system fosters the peaceful settlement of conflicts to the mutual benefit of most; coercion can be minimized; the consent of all citizens is promoted. However, since the main assumption in pluralism is that power is dispersed to the various interest groups, many different groups representing various interests end up competing for their own desirable outcome, access to formulating policies (Held, 1997:247). For Cawson (1986), the concept of access to the decision-making process is important in pluralism. Cawson (1986:46) posits that: “the more access is available, the more pluralistic the system is”. However, it seems to be inevitable that there are conflicts of interest between various groups in pluralism. How can these conflicts be settled? Another question also arises in tandem: “What is the role of the state in this situation?”

Some scholars such as Williamson (1985) and Smith (1995) point out that the theory of pluralism is underdeveloped when it comes to conceptualising the state. Smith (1995:212) defines the state as “a set of institutions” including the executive, legislature, judiciary and civil service, or as a “discrete” organisation making policy in response to a multitude of groups pressing on the government. In the same way, Williamson (1985:141) also points out that pluralists are likely to highlight the significance of government institutions. These arguments suggest that pluralists do not sufficiently analyse the state and the state is a mere responsive actor in the political arena. In this regard, Smith (1995:218) emphasises the need for the examination of the position of the state from the pluralist perspective.

The characteristics above reflect the concept of classical pluralism; different points of pluralist view have emerged recently (Jordan and Richardson, 1987). So called reformed-pluralists and neo-pluralists agree to most of the assumptions of classical-pluralism; however, they argue that economic resources affect interest groups, thus inequalities in power and access exist. Lindblom (1977) points out that the political arena in the West is controlled by business, identifying an “unusual kind and degree of control over governmental policy making exercised by business”. Dunleavy and O’Leary (1987:275) argue in the same vein, namely that business is often in a superior position to other groups and enjoys advantages. It is justifiable to refer to Dahl’s (1967:137) statement that “groups who make themselves heard can be heard”, meaning that the group which has more resources can have more access among a multitude of groups. Neo-pluralist scholars suggest that groups have different degrees of access to the decision-making processes and that the state is biased towards certain interest groups, such as highly resourced groups. However, in this situation, balance can still be achieved because, “internal checks” by politicians and bureaucratic agencies and “external checks” by rival interest groups, play an important role to counterweight the domination of a certain group (Smith, 1995:210).

When it comes to a group-centred view, it seems that pluralism and corporatism share a common characteristic. According to Schmitter (1974:96), the focus in both theories is on the importance of “formal associational units of representation”. Also, the potential of conflicting interests among societal groups lies in both theories. However, while pluralists value diversity and competition among groups, corporatists believe that the state should co-opt a few and selected groups, and control and coordinate the activities of these groups. In corporatism, even if it is a form of societal corporatism, power is not evenly dispersed between the state and interest groups. The main position of corporatism is that the state grants only a limited

number of interest groups the power of decision-making (see the definition of corporatism in 2-3-1) (Schmitter, 1974:96). What should be noted is that the significant difference between pluralism and corporatism is not the number of interest groups. In corporatism there is a much closer link between the state and interest groups than in pluralism. Another difference is that, while in pluralism, bargaining can take place in situations where interest groups decide that they will gain in the event of a decrease of conflict; corporatism is based on the scope for positive-sum gains; in other words, interest groups may be asked to give in now in exchange for gains in the future.

Several problems related to pluralism are evident when this state-society relationship is applied to countries other than the United States. As discussed already, the possibility that the state can also generate demands to which groups or society as a whole must respond, is overlooked. For this reason, pluralism has been challenged by state-centred approaches, such as neo-Marxism and corporatism. In reality, most late-late-industrialising countries have experienced top-down decision-making processes and implementation in the process of economic development and this political culture still prevails in many countries.

2-2-2. THE MARXIST APPROACH

Marxism is another theory which focuses on the problem of state-society relations and develops studies on the exercise of power both within and between states. Scholars such as Crouch (1983:320) point out that Marxism has a theoretical power, which is capable of explaining the relationship between the political and the economic power relations in the modern society. However, the end of the Cold War and the collapse of Communism threatened the position of Marxism. Even though in some societies, organised labour has

gained political control of the state, it has not succeeded in ending the ownership of private property and replacing the capitalist mode of production. Marx's prediction of the inevitable economic collapse of capitalism has not taken place and it became necessary for its adherents to revisit Marxist theories (Solo, 1978:831).

Initially, Marxism made a great impact on the labour movements in Europe since Marx advocated for the organisation of workers in trade unions and revolutionary movements, which ultimately led to the formation of socialist political parties. In Marx's analysis of the capitalist mode of production, the key premise is that capitalism was based on class exploitation. In contrast, Marxism stresses class interests. In Marxism, the asymmetric relationship between classes is believed to lead to conflictual relationships in the capitalist mode of production. Marxists posit that when capitalists increase the rate of exploitation, the workers revolt, which can lead to the collapse of capitalism. Marxists regard the state as a veil or façade; in other words, the state is seen as an instrument of the dominant ruling class, which owns the means of production (Taylor, 1995:249).

There are several corporatist criticisms of Marxism. First of all, to Marxists, economic relations and class relations are crucial because these determine the actions of the state, the importance of the state seems to be minimal (Marsh, 1995:272). In corporatism, the role of the state as mediator cannot be discarded. Secondly, Marxists treat interest groups as less significant in the analysis of power structure and political conflict. Thirdly, Fremantle (1956:174) argues that the Marxist notion of a class being hostile to other classes and the associated inevitability of conflict, is mistaken. Since capitalism cannot develop without labour, nor labour without capital; the two classes can be in harmony and agreement, as corporatists suggest.

One of the fundamental assumptions of Marxism has been criticised even within the Marxist stream, in terms of the relations between the state and society, especially, a capitalist society. Crouch (1983:320) questions why the state in a capitalist society must serve the interests of capitalism and argues that Marxist theory does not provide a satisfactory answer. Regarding this, neo-Marxism provides some useful insights.

According to Poulantzas (1973), capital is composed of several distinct fractions and even their interests often conflict. In this situation, Poulantzas (1973) argues that the state must not serve the interests of capital as a whole. Even though the central function and responsibility of the capitalist state is still to protect the capitalist interest, the state can be wedded to one particular interest. In this way, the state has a degree of independence in adopting policies. This is the concept of relative autonomy and it is one of the crucial points that neo-Marxists make. It shows that Marxist theories have evolved to accept that the capitalist state has a degree of autonomy to manage conflicting interests of capitalist economies (Poulantzas, 1973; Jessop, 1990).

The most distinctive feature of corporatism compared to Marxism is that it pays attention to cooperation rather than conflict between state and society; in other words, the possibility of peaceful social change. Corporatists presuppose collaboration and harmony between capital and labour as a desirable goal and as a potential driving force for further economic development. In corporatism the focus is not on class conflict but on “social cooperation” along with the “process of collective action” and “interests intermediation” (Panitch, 1980:166). With regard to capitalism, corporatists argue that the capitalist state can provide welfare guarantees to the working class. In this way, it is possible to achieve “cross-class” equilibrium (Solo, 1978:841). Cawson (1986:50) argues that the state can improve the

welfare, working conditions and the material progress for the working class at the same time as serving the interest of capital. Cawson (1986) suggests that the state can serve the interests of the dominant class and guarantee the long-run interest, not only of the dominant class, but of the state as a whole.

Then, how is it possible to achieve a common goal, prioritising the interests of the nation without any resistance from societal groups? In this context, the explanation of Gramsci (1971), who broadens the whole Marxist perspective, would be useful. According to him, capitalist society is not controlled by coercion but by consensus or consent. To Gramsci (1971), the concept of hegemony is vital; hegemony is a relationship between classes in which a dominant class presents its interests as the interests of all. He emphasises ideas and ideology which can play a crucial role in making the ruling class convince everybody that its ideas are universal, and thereby win consent. If a class succeeds in legitimising its dominance through the formal political structure of the state, the class is considered as hegemonic. Consent and consensus play a decisive role in achieving hegemony. Gramsci sees a crucial role for both intellectuals and the education process (Gramsci, 1971:182). This parallels the ideas of neo-Marxists such as Poulantzas (1973). Some corporatist scholars share this perspective; corporatism is a strategy pursued by capitalism, justifying the subordination of working class (Crouch, 1979:19).

So far, the main characteristics of pluralism and Marxism have been reviewed and there has been an attempt to try to figure out their similarities to and differences from corporatism. Common and contrasting aspects exist in pluralism and Marxism; that is, both sides doubt whether the state really represents the common good and posit that society is an arena of conflict.

It should be noted that pluralism and Marxism have reshaped themselves over time. According to Smith (1995:224), Dahl and Lindblom have shifted towards positions more aligned to Marxism, and accepted the criticisms of Marxism against classic pluralism. When it comes to Marxism, the collapse of Communism resulted in Marxists reconsidering the importance of basic assumptions of pluralism such as “diversity of society” and “parliamentary democracy”. This development led to the term “Marxist pluralists” (Jessop, 1990:248-249).

In this section, different assumptions from pluralism and Marxism regarding the state and concepts of the state were reviewed, some of which are compatible with corporatism. The most important feature about corporatism, as stated by Schmitter (1974) is that the state is autonomous and it should be treated as the most important variable in state-society relations. The corporatist approach towards the state-society relations will be discussed in more detail in 2-3.

2-3. THE CORPORATIST APPROACH

In the previous sections, it can be seen that overlaps and conflicting elements exist between corporatism and pluralism, and also corporatism and Marxism. In this section the emergence and the development of corporatism over time will be reviewed. In this process, it will be possible to extract the initial conditions needed for corporatism to emerge and to see what its functions are. Corporatism contributes to the theory of the state by focusing on the political and social impact of a limited number of interest groups and their complex relations with the state. Looking at how corporatism has been applied and adjusted in different countries, will also give more insight into the cases of South Africa and South Korea.

2-3-1. EMERGENCE AND EARLY THEORETICAL DEVELOPMENT

In this section, the emergence and theoretical development of corporatism will be examined.

In this process, the corporatist experience of Europe will be revealed. It is often said that the history of corporatism can be traced to the mediaeval era when the co-existence of monarchy and church, and the guild system prevailed. Williamson (1985:19) argues that the monarchy and the church were locked into an “organic community”, which shared common features with corporatism. The existence of guilds as a third force along with the church and the monarchy serves as a reminder of the present corporatist structures.

One of the prominent scholars in corporatism, Crouch (1979:123) views “Roman Catholic social thought” in the 19th century as leading to corporatism. From the early 1800s onwards, the Roman Catholic church started focusing on social problems; the deteriorating conditions of labour drew particular attention and various Catholic social initiatives were developed in the light of this situation. In this classical form of corporatism, all classes of society would be united through the agency of the Catholic church (Crouch, 1979:22).

Crouch (1979:17) argues that the tendency of corporatism became stronger as a result of both World Wars. The total mobilisation needed to wage the war and justified the integration of state, business and labour. In the process of confrontation against an external enemy, internal conflict derived from societal actors became less important. After World War I, along with the financial crises of the 1920s and 1930s, and in order to protect the national economy, the corporatist state became widespread. At the same time, it is also possible to observe that corporatism was associated with each country’s unique political economic situation.

One of the prominent examples is that corporatism was associated with Fascism. In Italy from 1922 until 1943, corporatism became influential amongst Italian nationalists led by Mussolini. Italian Fascism involved a corporatist political system in which the economy was collectively managed by state, business and labour through formal mechanisms at the national level. One of the distinctive features is that corporatism under Fascism was legitimated to use coercion to resolve persisting social conflict (Crouch, 1979:18).

The corporatist approach was developed with certain historical conjunctures but corporatism in earnest emerged as a result of focusing on problems in Western advanced capitalism. Manoilescu's (1934) argument that the 20th century will be the century of corporatism is often referred to when describing the early burgeoning of corporatism, because he predicted the gradual "corporatisation" of Western capitalist economies. Manoilescu (1934:80) states that:

within a corporatist economy the individuals were to become once more socially embedded as members – or working parts – of a natural organic whole, namely through the establishment of a series of links and socially meaningful relations according to individuals' natural vocations and ascribed occupations (Manoilescu, 1934:80).

Manoilescu describes economic policy-making in advanced capitalist countries, as increasingly dependent on the process of consensus-building within the political system (Lehmbruch, 1979:153).

Shonfield (1965:231) argues that in order to achieve a high level of macro-economic performance, modern capitalist states had to include the major interest groups in decision-making. In the same vein, Panitch (1979:119) sees corporatism as having developed as an

approach for solving the individualism and competition in the capitalist mode of production, which led to industrial and political conflict between classes. Panitch (1979:119) argues that corporatism promises “class harmony” and “organic unity” in order to resolve conflicts in capitalism.

The rise and fall of corporatism was closely linked to the state’s economic activity, mainly to the resurgence of industrial conflict and government’s attempts to regulate it. The revival of corporatism took place after World War II. In Western advanced capitalism, the eclipse of the economy after World War II led to the re-examination of the pluralistic “overloaded government”; meaning, the state faced excessive demands from various societal groups (Crouch, 1979:14-16). At that time, labour became strong enough to organise itself to face capital in order to improve working conditions, and many scholars argue that this triggered the re-emergence of corporatism (Molina and Rhodes, 2002:307).

Against these backgrounds, it is also possible to link corporatism to the development of Fordist society. In the early 20th century *Fordism* appeared as a response to the capitalistic crisis of the worldwide depression of the 1930s and 1940s. *Fordism* refers to the system of mass production and consumption. The economies of the industrialised countries enjoyed continuous growth, with wages and profits steadily increasing in parallel. *Fordism* recognised that workers are also consumers (Scharph, 1991).

Fordist production entailed an intensified industrial division of labor. There was a strong division between mental and manual, a mass of semi-skilled workers. This became the basis for trade unions movements. Trade unions started enforcing competitive wages for their members. In this process, coordinated wage setting between national associations of

employers and trade unions existed. Through negotiations, labour could achieve both high wages and considerable income equality, this can be seen as one of the functions of corporatism (Scharph, 1991).

In a discussion of corporatism after World War II, it should be noted that corporatism developed along with Keynesianism.⁶ By the 1950s, labour became the largest single group in most developed countries in Western Europe. Labour supported the postwar Keynesian welfare state, with its goals of full employment and social security (Aglietta, 1979). Schmitter (1979:25) refers to Keynes as: “the first major theorist to perceive certain emergent imperatives of capitalism and to link them explicitly with corporatism”. It is noticeable that Schmitter (1979) perceives Keynesianism and corporatism as compatible in that they involve the state. In order to overcome economic inefficiency, Schmitter (1979) and Almodovar and Cardoso (2005:346-350) argue that the state should play a leading role in implementing economic policies to foster full employment, promote economic growth, regulate working conditions, resolve labour conflict, and allow for the growing participation of labour organisations in the economic policy-making process.

The state is the agent that chooses a type of industrialisation and the implications of this transformation have an impact on labour. Labour was easily mobilised on behalf of their own interests and was often the most powerful political force. Thus, the state had to play an important role orchestrating various demands from labour and business. However, Atkinson

⁶ Keynesian economics was developed during the 1930s in an attempt to understand the Great Depression. Keynes, an economist, argues that active government intervention in the market is the only method of ensuring economic growth and stability. He claims that insufficient demand causes unemployment and that excessive demand results in inflation. Thus government should manipulate the level of aggregate demand by adjusting levels of government expenditure and taxation. He believed that this would pull the global economy out of the Depression (Tily, 2010).

and Coleman (1985) stress that a corporatist system will function successfully only if the state is strong and autonomous.

Various theories of corporatism have emerged since 1970. These theories are distinguished from earlier variants that had a Catholic element and a Fascist element. The corporatism that emerged in the 1970s is often called neo-corporatism.⁷ Since groups' interests are more interdependent in corporatism in the 1970s, Lehmbruch (1979:55) argues for "the high degree of cooperation" among groups in the decision-making process and states further that this should be distinguished from traditional corporatism. Lehmbruch (1979:55) sees that "bargaining" among "autonomous" groups is a crucial element of corporatism, along with "the high degree of cooperation" among groups in the decision-making process. Since the 1970s, many scholars have attempted to define corporatism. In *Still the Century of Corporatism*, Schmitter (1974) defines the "ideal-type" of corporatism, whose definition is widely used:

Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports (Schmitter, 1974:93-94).

In Schmitter's (1974) definition, a "system of interest representation" is regarded as the most essential element. Another prominent scholar, Panitch (1980) also defines corporatism as the:

⁷ In this research, I will use the term corporatism as encompassing both the form associated with Fascism and neo-corporatism since the 1970s, as well as the latest, a loose form of corporatism, a social pact.

political structure within advanced capitalism which integrated organised socio-economic producer groups through a system of representation and cooperative mutual interaction at the leadership level and mobilisation and social control at the mass level Panitch (1980:173).

Panitch (1980) thus concurs with Schmitter (1974), who emphasises the crucial concept of corporatism as a “system of interest representation”. Likewise, the first generation of corporatism theorists such as Lehmbruch, Panitch and Schmitter in the 1970s and the early 1980s, focus on its institutional structure of interest representation. However, in the 1990s and 2000s, the focus moved to “a particular policy-making process” in the corporatist system. This tendency will be discussed in 2-3-3 (Molina and Rhodes, 2002; Baccaro, 2003).⁸

Schmitter (1974) provides a more detailed definition of corporatism by distinguishing between state corporatism and societal corporatism. The biggest difference is that state corporatism is regarded as having the characteristics of an authoritarian society, that is the state creates interest organisations. Societal corporatism refers to corporatism where the participants have their own autonomy (Schmitter, 1974:102).⁹ What should not be overlooked regarding these definitions is that this distinction is not a “two-fold” classification, rather it should be perceived as a “continuum”, due to changing country positions over time. For example, Panitch (1979:120-121) says that the authoritarian model of corporatism was generally found, as in the case of Italy, under Fascism in the 1920s and 1930s. However, corporatism in Italy in the 1990s and beyond differed completely. Corporatism developed in mainly Western advanced capitalist states along with liberal democracies, and it should be noted that in liberal democracies, societal actors actively interact with the state in the process

⁸ Schmitter (1974) calls the structure of interest representation, neo-corporatism (1) and the system of policy making neo-corporatism (2).

⁹ Italy under the Fascist regime is a prominent example of state corporatism. The other form is the corporatism found in other Western European countries such as the Netherlands, the so called societal or liberal corporatism.

of policy-making. It can therefore be said that corporatism contributes to creating favourable conditions for these countries to follow the path towards liberal democracy.

According to Lehmbruch (1979:55-58), Austria is a prominent example of liberal corporatism. In order to meet the conditions of liberal corporatism, firstly, interest groups gain statutory positions with compulsory membership. Lehmbruch (1979) states that they can therefore, become equal partners with the state in the bargaining process. Secondly, the cooperation among state, business and labour should be institutionalised. Thirdly, during a series of negotiations, all participants are free to state their opinions before legislation is passed in parliament.

Societal corporatism in Austria allowed the labour movement to have political recognition and influence in the economy, in order to avoid the harsh class conflict that plagued Austria in the 1930s (Katzenstein, 1984:75). In fact, since the 1950s the participation of business and labour has been institutionalised, which has positively affected Austria's macro-economic statistics. Fuess and Millea (2001) disclose that wage increases contribute to improvements in productivity in Austria. In Austria, there has been a formal "social partnership" between labour, business, and government since 1957. Fuess and Millea (2001:12-13) argue that the pay demands in corporatist economies are relatively modest as a result of the agreement within the corporatist institution. In an environment in which union wage demands have been restrained, agreement to raise wages may have a favourable effect, through improving "morale" and "workers efforts", thereby benefiting productivity. It is crucial to this research to explore whether the outcomes of the conditions of corporatism in the case of Austria, are still applicable to the cases of contemporary corporatism in South Africa and South Korea.

The state is likely to be placed at the centre of corporatism, since the state is the only actor which has the legitimate right to enact legislation. It can easily happen that there is no equilibrium between the state and other societal actors. Also, inside the corporatist institution, bargains may be struck only at the top level. The business sector's opinion can be easily dominated by big business. From the labour side, the voice of the rank and file may easily be ignored and not heard at the level where decisions are taken. These elements can cause the instability of the corporatist structure. With regard to the first element, the way labour is regarded as subordinate is criticised. Panitch (1979:142) argues that the condition for successful corporatism is partnership between all participants and equal treatment. Panitch (1979:135) counter argues that labour does not need to be placed as the subordinated actor. Corporatism can also face instability when labour threatens to withdraw (see 4-2-2 and 4-3-3). Panitch (1979:142) further mentions that instability of corporatism can even be found in the Netherlands and Sweden, which are regarded as successful cases of corporatism. He shows that the state used coercive methods in these countries in order to prevent instability. However, this does not mean that the state has to force labour to yield or operate to the detriment of workers' interests. Panitch (1979:142) shows in his case study that the state used coercive methods only when labour failed to fulfil its responsibilities. In this context, what he emphasises is that the coercive measures were not used to destroy labour's power but to secure stable corporatism. Panitch (1979:142) highlights that labour also accepts a certain responsibility towards society and that it should also maintain a certain standard of behaviour. It is noteworthy that Panitch (1979:142) emphasises the role of labour in the corporatist structure although, generally less attention is paid to this.

Unlike Marxists' concern that labour will have to make many concessions, corporatist scholars such as Crouch (1979) argue that labour can obtain benefits from corporatism if it is

strongly organised. In order to achieve this, Lehbruch (1979:58-61) points out the importance of centralisation in each group. Compared to the state, business and labour are relatively fragmented and this can negatively affect their bargaining power. The fragmentation of business and labour can influence the continuous and structured participation of interest groups in policy making and the implementation and determination of the stability of corporatism. The fragmentation of business and labour can influence the continuous and structured participation of interest groups in policy making and the implementation and determination of the stability of corporatism. In order to overcome this, “the labour movement has to obtain participation in political power by the channel of the party system” (Lehbruch, 1979:58-61), so that trade unions can gain more access to governmental and administrative decision-making.

Lehbruch (1979:166-167) shows that labour can play an active role in the establishment of a cooperative incomes policy and its implementation, by citing the examples of West Germany and Austria. However, Lehbruch (1979) emphasises that this structural transformation could not be easily realised, specially when the state and business were reluctant to implement. Corporatism is likely to focus on the domain of incomes policy; however, if redistribution is neglected in the long run, the cooperative incomes policy will also be at risk. Therefore, the willingness of the state and business in the process of forming income policy and its implementation is also important. Lehbruch (1979:168) suggests some structural characteristics, such as a high degree of centralisation and concentration, that labour requires if it aspires to maintain its position as an equal power in the corporatist structure.

Recent studies show similar findings to those of the previous research. Even though, the fragmentation of labour can be a possible cause of instability in corporatism, some scholars

such as Hassel (2003, 2009) argue that when labour has a medium level of power at the corporatist institution is likely to be successful. Hassel (2003, 2009) argues that the state should also have a medium level of power. Thus, a balance in relations between actors at the corporatist institution is crucial.

In this section, I briefly recapped the history of the emergence of corporatism and the development. However, the cases mentioned are confined to some countries such as the Netherlands and Austria. Also, this section only deals with corporatist structure at the national level. Consequently, it is necessary to look at countries other than European. Furthermore, corporatism at a sectoral or regional level also deserves to be analysed. This will be followed by a discussion of corporatism in the 1990s.

2-3-2. THE CORPORATIST EXPERIENCES IN COUNTRIES OTHER THAN EUROPEAN

In this section, the focus will shift from the corporatist experiences in Europe to countries on other continents, mainly in Latin America. Before delving into the corporatist structures in Latin America, it is important to look into the close historical relations between Latin America and Iberian countries. Given that Spain and Portugal possessed vast colonies in Latin America for more or less 300 years from the 16th century to the 19th century, until Peru, the last colony in Latin America, gained independence from Spain in 1824; it is obvious that most countries in Latin America inherited political, economic and social structures from their former colonial rulers.

During the Spanish and Portuguese occupation, “Catholic, corporate, feudal, authoritarian and elitist” characteristics were firmly established in the region, which contributed to constructing corporatism in Latin America. One of the distinctive features of Spanish and Portuguese societies was the “patrimonialist” system where the state regulated the entire political and economic system (Wiarda, 1974:15). Wiarda (1981:37-38) and Wiarda and Kline (2001:16) assert that corporatism in Latin America can be understood in conjunction with the patrimonialist system.

However, corporatist structures in Latin America were gradually associated with their own distinctive traits (Wiarda, 1981:133). Under this circumstance, Schmitter’s (1974) definition has been criticised by several scholars who have tried to apply his “ideal-type” of corporatist structure to Latin America (Wiarda, 2009; Hammergren, 1977). This is highlighted by studies done by Wiarda (2009), who undertook wide-ranging studies of Latin America and provides a comprehensive study of Latin America in conjunction with corporatism, noting that Schmitter (1974) overlooks the cultural tradition of Latin America. Even though Schmitter (1974)’s and Wiarda (1981)’s definitions have some features in common, Wiarda (2009) emphasises the cultural historical tradition of Latin America with regard to corporatism and how this tradition was embedded in political structures in Latin America (Hammergren, 1977:446). For example, corporatism was associated with different political systems in different countries; corporatism was adopted by the right wing in Chile, while it was coupled with leftist-populist regimes in Mexico and Venezuela.

Wiarda (1981:141) argues that corporatism in Latin America has played an important role in preserving Latin American countries’ traditions. Between 1810 and 1824, when wars for independence took place in the Spanish and Portuguese colonies, the respective societies

experienced radical change. However, although new governments were established, political practice and institutions remained unchanged; they were still “semi-feudal, corporatist, patrimonial, and authoritarian”. This tendency lasted until the 1930s. With regard to this, Wiarda (1981:47) argues that the traditional structure in Latin America remained largely unchanged although “some new layers were added” onto the existing system throughout its modern history.

Wiarda (1974:1981) attempts to establish a new corporatist theory for Latin America. Firstly, Wiarda (1981:63) emphasises that the corporative structure in Latin America played an important role in maintaining the traditional constitution of societies and that the consequences of change were limited. Corporatist structure, which was based on hierarchical order, helped keep the pressures for radical changes in society and industrial relations and became a bulwark against full-scale revolution from below, thus making it possible for the existing patrimonial system to be maintained. Wiarda (1981:70) argues that corporatism serves the interests of the dominant groups in Latin America; it succeeds by incorporating the new rising societal groups, such as trade unions. Through corporatism, the dominant groups such as large landowners, commercial farmers, business elites and bureaucratic elites, were able to keep the new social groups under their “control” and “direction”.

Secondly, when it comes to the theoretical perspective, Wiarda (1981:69) argues that Marxism and Weberian theories which many scholars have tried to apply to the situation in Latin America, were basically derived from the European experience. Since the two theories initially emerged from the “dissolution” of traditional society in the wake of industrialisation and modernisation, and the transformation resulted in conflict situations, such as revolution and confrontation between traditions and modernity in the European society; Wiarda

(1981:70) argues that these approaches cannot be applied to Latin American societies where the concept of “reconciliation ” rather than “conflict” prevailed.

Thirdly, Wiarda (1981:129) links the corporatist approach to nationalism. In Latin America, the state is regarded as “a moral leader, authoritative, and integral” (Wiarda, 1981:130). This is in line with the patrimonial system, whereby top leaders appoint and have direct control of the political economic apparatus. In Latin America, the role of the state is seen as: “to coordinate and stimulate national development, also to regulate the relations among corporate groups” (Wiarda, 1981:130). The state has the responsibility to encourage cooperation among different groups and to manage the economy to pursue common goods.

Hammergren (1977:449-451) also raises the need to analyse corporatism in Latin America. Hammergren’s (1977) view differs from that of Wiarda (1981) regarding the paternalistic feature of corporatism in Latin America. First of all, she points out that the gap between real and actual form of control with regard to applying corporatism in Latin America, is problematic. Hammergren (1977) argues that the low level of compliance shows that the control of government does not reach every corner of the country. As one of the reasons, Hammergren (1977:455) points out that politics in Latin America are personalised. This affects the political organisations in Latin American countries, which have been fragmented and where there is a palpable “absence of strong central institutions”. Corporatist theories highlight the importance of the role of vertically organised functional groups, in other words, centralisation of power. However, she argues that in many Latin American countries, the structure of interest groups is different from that of Europe. Her argument is backed by Huntington (1968:196-197) who argues that a diffusion of power exists among interest groups in Latin America. Hammergren (1977:452) points out that interest groups are incorporated

vertically; however, they have mobility because these small groups have sufficient power to operate on their own, without being incorporated by the state. Hammergren (1977:452-455) additionally cites the example of “patron-client” relationship that is prevalent in Latin America. Hammergren (1977) argues that if labour is weak, the help of a congressman is more useful than that of the corporatist structure. To Hammergren (1977;456), corporatism is merely seen as the means that helps centralise power and reduces the power of societal actors. In addition to the distinctive features of corporatism in this region, Wiarda (1981) argues that corporatism in Latin America was adopted in response to a series of crises in the 20th century.

First of all, economic crises derived from the Great Depression in the 1930s, accelerated the emergence of corporatism in Brazil and other Latin American countries. In order to overcome the crises, it was imperative to choose a corporatist structure, which allowed the state to intervene in the economy. A series of changes were implemented through the “mediating institution” (Wiarda, 1981:49). The *Estado Novo* in Brazil, *Perónismo* in Argentina, the *Movimiento Nacionalista Revolucionario* in Bolivia and the *Institutional Revolutionary Party* in Mexico are examples of corporatist institutions that came into existence after 1930 promoting economic nationalism (Wiarda, 1981:57).

The correlation between corporatism and import substitution industrialisation should not be overlooked (Wiarda, 1981). Import substitution industrialisation which advocates replacing imports with domestic production, was adopted from the 1930s until the late 1980s by most Latin American countries. This is based on the premise that a country should attempt to reduce its foreign dependency through the local production of industrialised products. The governments of Brazil, Argentina and others were inspired to introduce state-induced industrialisation. In this process, these countries above were seeking a “strong government”

and the state promoted a wide range of transformation in the political and social areas; in the process, corporatism was widely adopted.

At the same time, corporatism in Latin America was associated with various ideologies. Collier and Collier (1977:503-506) argue that two patterns are found in Latin America. There are cases of corporatism being based on an association with “populist coalitions” and cases based on an association with “bureaucratic-authoritarianism”. Collier and Collier (1977:503) point out that import substitution industrialisation became a breaking point of this dichotomy. In the case of “populist coalitions”, labour was in alliance with the government, which needed labours’ support to legitimise itself. The newly emerging class from the industrial sector also became part of this coalition. These governments pursued the “populist” development strategies to promote import substitution industrialisation (Collier and Collier, 1977:503-504). Against this background, the corporatist structure was established for the protection of the organised labour movement and the extension of benefits to the working class.

Bureaucratic authoritarian regimes seek the deepening of the productive structure through the growth and maintenance of private investment, in particular investment by transnational corporations (Schamis, 1991:203). Examples of corporatism associated with bureaucratic-authoritarianism are the authoritarian regimes established after the military coup in 1964 in Brazil and in Chile and Uruguay in the 1970s. At that time, these countries experienced the “exhaustion” of the initial phase of import substitution. Corporatist structure played an important role in controlling organised labour and income in the name of overcoming the crisis of inflation and balance of payment deficits, thereby facilitating capital accumulation and attracting foreign investment. Bureaucratic authoritarian regimes present the characteristics of state corporatism. The regimes established a limited number of groups, and their relations

with the government were characterised as “vertical” and “functional”. They tended to weaken the bargaining position of other groups including labour (Collier and Collier, 1977:504).

O'Donnell (1977) highlights that authoritarianism is a consequence of the need to introduce stability in social relations in Latin America. It should be noted that authoritarian governments are more capable of stabilising economic crises than open systems are, since authoritarian governments are often successful in implementing an adjustment programme by generating political support and suppressing the opposition. This stability attracts foreign capital which boosts industrialisation and the modernisation process. However, as Hammergren (1977:45) argues, even though the state had central power, it did not have an extensive ability to control society in Latin America. Interest groups were also strong, and labour chose to stay outside of the corporatist structure because they could rely on regional elites. In the course of the development process, many countries adopted state corporatism; however, as societal actors were strong, it was difficult to rope them into the corporatist structure.

It is noticeable that the quality of labour is not homogeneous. In Latin America, the quality of labour is regarded differently from how it is regarded in Western Europe. Many scholars treat labour as being inclined to liberal democracy. For example, many scholars such as Rueschemeyer, Stephens and Stephens (1992) contend that the working class is the agent of democracy. They argue that labour believed that democracy would increase interests of the working class as a whole. However, Levitsky and Mainwaring (2006:22-23) argue that labour is not a homogenous group. In Latin America, labour collaborated with authoritarian governments from time to time and enjoyed their support. Populist governments in particular

offered material and organisational benefits to labour. In Argentina, under Peron labour was backed by government and vice versa (Coker, 2001).

Recently, some scholars have focused on corporatism in Latin America in conjunction with socio-economic changes in the aftermath of democratisation and globalisation (Patroni, 2001; Samstad, 2002). During the wave of democratisation in Latin America, societal actors gained accessibility and denigrated state control, where state corporatism has traditionally been prevalent. In the aftermath of globalisation, most of the countries in Latin America had to reorient the role of state towards neo-liberalism (Wiarda and Kline, 2001:65).

Wiarda (2009) argues that during the 1980s and 1990s, corporatist institutions as well as the study of corporatism declined. Nevertheless, Wiarda (2009:84) argues that “corporatism has been partially eclipsed, not that it has been erased”; however, it is still functioning in modified form along with democratisation and globalisation. He underlines the resilience of corporatism, in the numerous social pacts between the state, business and labour that have corporatist features. Furthermore, corporatist practices can be found in areas of labour relations and social welfare, among others. Also, Wiarda (2009) points out that corporatism in many countries has been formally abolished at the national level. However, Wiarda (2009) argues that it is noticeable that corporatist relations are still found at regional level as well as sectoral level. This argument is compatible with meso-corporatism, which will be discussed in section 2-3-3.

In this section, the Latin American experiences with corporatism have been examined. Compared to Latin America, which has a long history of corporatist tradition, the corporatist structures in Africa and Asia only emerged in the late 1980s. Trade unions in Africa and Asia

were actively involved in liberation movements and in achieving independence. They were also at the centre of resistance against authoritarian governments. However, the emergence of corporatism took place relatively late in these regions. One of the main reasons is that these two regions experienced industrialisation late. In addition, many African countries experienced continuous failure of state-led development due to continuous civil wars or ethnic conflicts. Also, many governments were pressured to adopt structural adjustment programmes from international agencies, such as the IMF and World Bank, which were deeply engaged in African countries' political economy. Under these circumstances, it is difficult for states in Africa to have autonomy when pursuing national development (Beckman, Buhlungu and Sachikonye, 2010).

In general, trade unions did not have much influence on governments in Africa even though there are several exceptional cases including those of South Africa and Zambia. The reasons vary. In the case of Mauritius, the weakness of labour was coupled with colonialism and its legacy. Dommen (1999:29) states that colonial law allowed trade unions a minimum of only 7 members. As a result, the number of trade unions mushroomed in a short time. However, the colonial rulers tended to manipulate this fragmented situation, given the weakness of the trade unions' negotiation power, which was due to the vast amount of trade unions. The fragmentation of trade unions impeded their political influence. Mauritius also experienced a short authoritarian period in the early 1970s when its labour was controlled (Brautigam, 1997:54). In Ghana, labour gained autonomy during the 1990s by adopting a policy of non-association with political parties, as a result labour had to stay out of politics. In the case of Uganda under President Yoweri Museveni, there were no nor are there any party politics; therefore, it was difficult for labour to find allies, which ultimately rendered it marginalised. At the same time and across the entire African continent, the increase of the informal sector

makes it difficult to mobilise labour (Beckman, Buhlungu and Sachikonye, 2010). With the exclusion of South Africa, it is difficult to find any corporatist features on the African continent. In accordance, in the case of Asian countries including South Korea and Taiwan, labour was excluded from the developmental process, while the authoritarian state and business maintained close relations, which is often referred to crony capitalism. In many Asian countries, trade unions were created by the state and enjoyed a monopoly. It was however, difficult to aggregate the power of labour which constitutes one of the axes of corporatist institutions.

2-3-3. MESO-CORPORATISM: BEYOND THE MACRO-ECONOMIC APPROACH

Up to this point, corporatism in Europe and other regions, mainly Latin America, has been discussed in the context of macro-corporatism. In other words, the focus has been on cooperation with topmost organisations at the national level. The literature discussed, also focused on general social and economic policies, mainly incomes policy. However, Moore and Booth (1989) argue that along with the emergence of neo-liberalism during the 1980s, the corporatist structure in the European countries experienced a new phase. New forms of bargaining and negotiation between interest groups and the state emerged, which took place below the national level. In the 1980s, many Western European countries faced competition from the newly industrialised countries (NICs) such as South Korea, Taiwan and Hong Kong. The approach based on meso-corporatism became widespread when these NICs started taking over the manufacturing sector, which Western European countries had dominated. Stark competition with NICs, where production costs and wages were less was regarded as a threat. Macro-corporatism, which used to analyse the relations of the major actors, such as state, business and labour, could not provide the proper theoretical framework for sectoral and

regional economic adjustment. Allen (1990:13) contends that effectiveness of national corporatist institutions was undercut and that this led to an approach based on meso-corporatism. Allen (1990:18) further argues that the meso-corporatist approach is useful in explaining the dynamics of sectoral and regional economies in a country. Many scholars (Allen, 1990:19; Moore and Booth, 1989; Cawson, 1986) agree that within capitalism where there is severe competition among sectors in an open market, the meso-corporatism approach provides a more realistic view. For example, Allen (1990:21) argues that the automobile-, chemical- and industrial electronics industries, among others, became internationally competitive in West Germany when the regional government played an important role in creating favourable conditions for these selective sectors.

Against this backdrop, not only macro-corporatism but also meso-corporatism will be included in this research. In South Africa, trade unions conduct collective bargaining at industry level rather than company level. South Korea seems to have expanded the scope for discussion not only at the national level, but also at regional levels and at various sectoral levels, which are regarded as relatively competitive in the international market (KTC, 2011).

I exclude the micro-level in constructing the theoretical framework for the cases of South Africa and South Korea.¹⁰ In the case of South Africa, trade unions are based on industries, and industrial unions are merged to form large affiliated unions such as COSATU. In South Korea, even though trade unions are organised at enterprise level, in that way, complying with the conditions for micro-corporatism, many individual unions realised the necessity to

¹⁰ There are some prerequisite conditions for micro-corporatism. According to Moore and Booth (1989:9), the inclusion of micro-corporatism implies that when a firm-state relation is established and the relations are formalised; the firm should be given powers and resources to implement defined goals and the firm must be accountable to the state agencies. In the case of South Korea, regarding wage negotiations, it is often possible to observe that the government agencies are directly involved with certain firms. It is also possible to observe that during the authoritarian eras, political exchanges took place between the state and individual firms, directly exercising monopolistic power in the market.

organise themselves at industrial level, in order to have bargaining power and thus, moved onto industrial unionism. Also, the KCTU and the FKTU, South Korea's two largest umbrella organisations for trade unions, represent labour at the KTC. Despite the fact that negotiations between business and labour, and labour and state are still underway, whenever the state or business faces serious resistance from labour, negotiations at micro-level are likely to take place. These, however, simply patch up the relationship, thereby not solving the fundamental problems. All in all, the predominant focus in this research will be based on macro-corporatism, which is expected to result in a more realistic understanding of corporatism in both South Africa and South Korea.

2-3-4. THE RE-EMERGENCE OF CORPORATISM IN EUROPE IN THE 1990s AND LATER

Corporatism prevailed in many European countries until the 1970s. The development of European society was coupled with *Fordism* and the post-Fordist accumulation regime in succession. As discussed in 2-3-1, the most significant feature in a Fordist society is the role of the state in orchestrating various demands from societal actors, especially labour. In addition, the state has the responsibility to encourage cooperation among them and to manage the economy to pursue the common goods. However, this tendency has declined along with the wave of neo-liberalism, which emphasises the deregulation towards business, the privatisation of state enterprises, and unrestrained competition among others. Under these circumstances, a state cannot play the same role as it used to do in the past (McDonough, 2010:9).

According to Jessop (1990:269), the state has become “hollowed out”. Therefore, corporatism is regarded as doomed; however, scholars such as Baccaro (2006, 2008) and Molina (2002) argue that corporatism has evolved and become flexible in order to adapt to the post-Fordist environment. Jessop (1990:140) claims that: “the crisis of *Fordism* has produced a crisis in corporatism”. The implications of the shift to post-Fordist production have been numerous, particularly for labour. For example, due to the new technologies, new patterns of production have emerged. Flexible production systems have emerged in place of the mass production of standardised products, which was based on low skills and low wages. New concepts such as multi-skilling, job rotation, teams, quality management, flexibility and outsourcing, have emerged and the existing relations between state, business and labour have undergone restructuring. The transition from *Fordism* to *Post-Fordism* was marked by an increase in work intensity and insecurity (Holland, 2005).

There are several trends in the corporatist literature in the 1990s and afterwards. First of all, in the past, corporatist literature used to distinguish between two different types of corporatism, that is: state corporatism and societal corporatism. In the 1990s, corporatist structure evolved and re-appeared as “concertation”, “social pact”, “social dialogue” and “social partnership”. Corporatism in the 1970s was associated with a system of representation, but the new concepts mentioned above focus on the policy-making process. Despite the difference, the bottom line is the same: all these concepts can work where the same preconditions exist, that make corporatism function (Baccaro, 2003:685).

Recent studies reveal external and internal conditions for corporatism (Avdagic, 2010; Baccaro and Simoni, 2008). In the case of Europe, the introduction of the European Monetary Union (EMU) is considered as an external factor, which led to the re-emergence of

corporatism. In order to enter the EMU, countries were required to satisfy the Maastricht convergence criteria including inflation rates, exchange rates, long-term interest rates, and annual government deficit and government debt. Governments faced difficulty in orchestrating these alone; therefore, the inclusion of the major societal forces, such as business and labour, was inevitable.

In addition, some scholars now turn their attention to power relations among participants and point out that an electorally weak government is likely to adopt a corporatist structure (Woldendorp, 2011; Hassel, 2009). Baccaro and Simoni (2008:1339), on the other hand argue that, if the state is strong, it can pursue policies unilaterally, citing the examples of the United Kingdom and Austria in the 2000s. Both governments were strong, holding majorities in Parliaments, which ultimately led them to move away from corporatism. Therefore, a moderate and less powerful state, has been pointed to as one of the prerequisites for corporatism. This was already highlighted in 2-3-1, where there was a discussion of a balance of actors at the corporatist institution. Avdagic (2010:646) also argues that electorally weak governments and intermediate or weak labour are combined, the possibility to establish a corporatist institution is much higher.

The scope of the discussion of corporatism has become wider. Baccaro and Simoni (2008) and Hassel (2009:15) argue that in the past, wage policy was at the centre of the corporatism discussion; nowadays, job creation and labour's participation in the formation of policies about the labour market and social security, are included. These aspects are regarded as new social economic functions of corporatism. Hassel (2009) also argues that the subject of the discussions is not only organised labour but also temporary and part-time employment. It will

be interesting to see how this argument applies to the South African or South Korean context, which will be further discussed in Chapters 3 and Chapter 4.

All in all, the fundamental reason for the re-introduction of corporatism does not differ from the reasons given in the past. The state adopts a corporatist structure creating the channel with labour and business, with the aim of resolving economic problems. The reason for the adoption of solutions has not changed; however, the environment has changed, therefore the solution should also change. In this process, corporatist structure reshaped itself into a process of policy making or a system of policy making. One thing that should not be overlooked, is the role of the state in drawing social partners into a responsible agreement. This is still significant, even though, state power has weakened in the wake of globalisation (Ebbinghaus and Hassel, 2000:59-60).

2-4. CONCLUSION

In this chapter, the theories of corporatism were discussed. First of all, a comparison was made between corporatism and other theories, such as pluralism and Marxism, that provide explanations regarding state-society relations in capitalist states. Each theory has similarities to, as well as differences from the others. For example, corporatism and pluralism focus on the importance of interest groups in the policy-making process. However, while pluralism allows the dispersion of power among many interest groups, corporatism focuses only on selected groups, which enjoy a monopoly in exchange for accepting state control. In terms of the comparison between Marxism and corporatism, Marxists do not pay special attention to the state and interest groups, furthermore the relationship between interest groups and the state is described as antagonistic. Rather, Marxists focus on the conflictual aspect between

classes and see the state as an instrument of the dominant class. Both pluralists and Marxists treat the state as a mere responder to pressure from capital and are likely to overlook the fact that the state plays a significant role in coordinating various demands from society. In addition, the state works to achieve a common good through the harmony that exists in the society.

In this chapter a brief history of the emergence of corporatism in Europe was given. Corporatism started developing in earnest along with industrialisation. Its rise and fall is closely related to economic ups and downs like the Great Depression, World War I and II and globalisation. In the face of economic crisis, the state is likely to mobilise and aggregate societal actors in the name of overcoming the crisis and for purposes national development.

Through the corporatist institution, the states in Europe committed to maintaining full-employment and wage increases. This is somewhat similar to the Keynesian welfare state in which the state manages the wage relations and welfare programmes. This naturally affected overall productivity and led to economic growth. This pattern shows the virtuous cycle of corporatism. Since all participants in the corporatist institution had equal power, labour also played an important role in redistribution. Many European countries could achieve economic prosperity and social harmony based on the environment created by corporatism.

One of the greatest benefits of corporatism is its capacity to reduce tensions between the state and societal actors by way of negotiations and trade-offs. In the Netherlands, which retains the most ideal types of corporatist institutions among Western European countries, it can be observed that successful corporatism has contributed to stabilising the labour market system. In the past, the Netherlands experienced one of the most severe labour market crises in

Western Europe, when unemployment reached 15.4 per cent in 1984. At that time, the Dutch Social and Economic Council initiated successful labour market reform, including labour-approved wage moderation, and in return, the state contributed by institutionalising various training and job enrichment programmes for low-skilled workers. Considered to have boosted labour market participation, the reform provided social security for low income workers via tax breaks or reduced taxes and by creating both part time and temporary jobs. As a result, labour productivity in the Netherlands has maintained some of the highest levels across Europe. In retrospect, during the labour market crisis, corporatist institutions functioned successfully by inducing equilibrium in the power balance between societal actors in those institutions and the state. This is one of the positive aspects of corporatism and the equally distributed power relations between the state and societal actors determine the success of corporatism. In South Africa and South Korea, corporatism was adopted in the hope that the outcomes would be similar to those in the Netherlands and other European countries.

In this chapter, corporatism in Latin America was also examined. Since corporatism was part of Latin America's legacy from Spain and Portugal, it also inherited some of the characteristics of patrimonial and authoritarian features through colonialism. However, corporatism in Latin America developed its own traits. One of the main characteristics was that societal actors such as landowners, commercial farmers and business elites were relatively strong. Corporatism in Latin America was often regarded as state corporatism; however, the dominant position of the state was not as strong as under state corporatism in Fascist countries because of these societal actors. Also, labour in Latin America differed from labour in European countries. Unlike the perception that labour is the agent of liberal democracy, in several cases, labour in Latin America was backed by authoritarian governments and enjoyed high status. Since globalisation contributed to labour market

segmentation, labour has faced a problem with regard to representation, in other words the question is asked whether labour represents only its members. Labour has faced criticism from those who have become excluded from unions. This criticism also applies in the case of South Africa and South Korea (see 3-2-4 and 4-2-4).

In addition to corporatism in Latin America, corporatism in Asia and Africa was briefly discussed. In these regions, labour played an important role in the fight against authoritarian governments and in the sequential fight for independence. In South Africa and South Korea, labour showed its mobilisation power and successfully joined the corporatist institution as a partner. In this way, South Africa and South Korea differ from other African and Asian countries where labour was not strong enough to organise itself and is unable to challenge the state.

Corporatism in the 1990s and onwards was also discussed and two main trends appeared. First of all, macro-corporatism, which deals with agendas at the national level; and meso-corporatism, where the focus is on the sectoral and regional-level. Recently, the main focus in the theory of corporatism has changed. Corporatism no longer deals with a representation system, but a policy-making process. Therefore, the focus will be on the policy-making process in corporatist institutions in South Africa and South Korea. In the cases of South Africa and South Korea, the voice of labour has not been fully incorporated in the policy-making process over time. The imbalance of power among actors has negatively impacted on the corporatism. Against this background, the dynamics of the relations between the state, business and labour will be explored in this study.

CHAPTER III. CORPORATISM IN SOUTH AFRICA

3-1. INTRODUCTION

In this chapter the corporatist institution, NEDLAC, in South Africa will be examined. The focus is on the relations between the state and other South African societal actors, business and labour, within the corporatist framework. After that, I will analyse NEDLAC, the institution itself and its policies. This will be done with the hope of gaining a better understanding of the corporatist institution, NEDLAC, in South Africa.

The term “labour relations” usually refers to the relationship between the employer and employee; the state is only involved on a “secondary” level (Ferreira, 2005:418). Nevertheless, in the South African context, the state should be treated as important as business and labour in labour relations. First of all, the state and the parastatals together, can be seen as the largest employer of labour. Secondly, in the corporatist institution, labour relations are treated as one of the most important agendas and the state plays an important role in their implementation. This conceptualisation of “labour relations” will apply to the case of South Korea as well.

In this chapter, there is firstly a brief discussion of the history of corporatism in South Africa. The corporatist arrangement existed in South Africa during the apartheid era. At that time, the participants of the corporatist alliance were the apartheid state, business and labour dominated by white trade unions, which held high-skilled jobs. So even though South Africa had a form of corporatism even before democratisation, during this earlier period, business and labour represented only the interests of a certain racial group, the white group. This legacy has largely influenced the characteristics of current labour relations in South Africa. The

corporatist feature during the apartheid period resulted in economic growth in a certain period only, but the negative tradition, which only included a certain group (unionised workers, put differently, whites under apartheid and only unionised members in the post-apartheid era), is still lingering on in the current labour market structure in South Africa. One of the most prominent examples is that the apartheid system had a significant effect on the production of unskilled black labour. Together with the high rate of unemployment, the shortage of skilled labour is one of the main challenges that South Africa has to address urgently.

In the next section the evolution of the labour movement under the apartheid system will be highlighted. The power of the labour movement increased in parallel with that of the liberation movement, and it is possible to observe that at the same time the labour system gradually expanded to include coloureds and Indians. There are several reasons for this. Firstly, the South African state had to, as a result of international pressure, ease the rigid constitutional structure by incorporating other races. Secondly, domestic actors, especially business, also realised the importance of incorporating the black majority into the political and economic mainstream for further economic growth. Lastly, black labour was the most efficient and organised societal actor against the apartheid government and it still has great influence in politics. The state cannot simply disregard the growing power of black labour. Since the focus of this section is on the black labour movement and how it has gained recognition and power as an equal partner during the democratisation process, the scope should be limited to certain events, which directly influenced this, rather than discussing the whole period of South African labour relations. Throughout this process, it will be possible to observe how the power of labour increased as time went by, how it became a driving force to end apartheid, and how it led to the establishment of NEDLAC in South Africa.

In 3-2, an analysis of the institutional aspects of NEDLAC, such as its structure and functions will be further discussed. After the analysis of the institutional features of NEDLAC, the focus will shift to its policies and how labour's demands were incorporated in the decision-making process. This can be one of the ways with which we can gauge the power of labour vis á vis the state and business. The important role of corporatism is to provide policies linking wage-bargaining to common macro-economic targets. With regard to these, COSATU has contributed to a number of policies and legislative issues through NEDLAC. After democratisation, the RDP, GEAR, ASGISA and the NDP were crafted in order to redress the historical legacies and ensure the prosperity of the new South Africa. Thus, in this section there will be an analysis of how these programmes were formulated through negotiations between the state, business and labour.

In the next section the current status of NEDLAC as a social dialogue mechanism will be discussed. In South Africa, the ETIA was effective from January 2014. As seen in the introduction to Chapter 1, the youth wage subsidy issue was stalled and the state finally bypassed NEDLAC. This resulted in great resistance from labour and this incident shows the reality that the corporatist institution in South Africa has faced. Reports of interviews with related stakeholders regarding the youth wage subsidy are analysed in this section. These reports are regarded as primary sources.

After democratisation, labour was incorporated into the corporatist institution with the state and business, as an equal partner; this directly shows the growing power of labour compared to the past. However, when looking at the current situation, it is obvious that the corporatist institution was ignored by the state and other societal actors, and another question arises in tandem, "Why does this corporatist institution not work?" In order to answer the question, the balance of power between the actors in the decision-making process is discussed.

3-2. THE HISTORY OF CORPORATISM IN SOUTH AFRICA

In this section the corporatist history of South Africa under the authoritarian governments will be discussed. Then, how a series of historical events from apartheid to the present post-apartheid era have influenced the power of labour and how this contributed to the incorporation of labour will be discussed.

3-2-1. STATE CORPORATISM DURING APARTHEID

South Africa has a long history of corporatism, which was strengthened during the apartheid era. The South African state was firmly in control of the workplace and society as a whole, structuring and regulating interest groups. With regard to this, it will be useful to look at Kohli's (2004) analysis of state-society relations. Kohli (2004) shows close interaction between the state and society by focusing on an interesting trajectory of economic development in several developing countries. He shows that states vary in their effectiveness, based on their links to society. Kohli (2004) identifies three types of states: 1) cohesive-capitalist states (South Korea and Brazil under military dictatorship) that are the most efficient type of state that could promote rapid industrialisation by creating consensus among the business elites, defining priorities and implementing strategies without major opposition; 2) fragmented-multiclass states (India and democratic Brazil) where state authority is fragmented, and the power to pursue economic development is trumped by populist concerns; and 3) neo-patrimonial states (Nigeria), where elites routinely steal public resources for personal gain. A cohesive-capitalist state is a developmental state, characterised by concentrated state authority at the top and a narrow supporter base comprising of capitalists, who intensely interact with the state. These two groups use concentrated power to discipline the rest of society, including labour. Also, in the case of the cohesive-capitalist states of South

Africa and South Korea, nationalistic and anti-communist ideology was used by the state to unite the society and to restrict political participation by societal actors.

During the apartheid period, the South African state successfully penetrated into society. The aim of apartheid was to maintain white domination while extending racial separation. Emphasising territorial separation and using police repression, the state achieved the initial goal (Waldmeir, 1998). With the enactment of apartheid laws in 1948, racial discrimination was institutionalised. The apartheid system segregated the whole of society according to skin colour, into white and non-white. A series of laws strengthened the effectiveness of the state. For example, the Population Registration Act classified South Africans as white, black, coloured and Indians. Furthermore, the Bantu Authorities Act which allowed the establishment of black homelands and regional authorities was enacted, which created and strengthened segregation with the aim of alienating and denationalising black South Africans (Waldmeir, 1998).

This dual system, which was created under the authoritarian government, affected every aspect of society, with some aspects of it lingering even after its demise. The system heavily influenced not only non-white South Africans but also the labour market segmentation. African workers, unlike their white counterparts, were suppressed and subjected to strict government control. For example, the apartheid government strictly regulated the flow of black workers from their rural homes in Bantustans or Homelands to jobs in urban areas. To this end, the industrial decentralisation policy was designed by the apartheid government to attract labour intensive industry to the homelands; in that way, it could limit the growth of the black population in the metropolitan areas. As can be seen from this example, African workers and their freedom of movement were heavily controlled. As a result, African workers

faced limited employment opportunities and had negligible bargaining power (Kingdon and Knight, 1999). While the labour market under apartheid was characterised by a lack of job protection and rights for black workers, white labourers actively protected their rights and interests, and lobbied to create favourable conditions to support their interests (Maree, 2011:13).

Then, what was the relationship between the state and business like? In order to answer this question, it will be useful to look at Lipton's (1986) analysis of the relations between capitalism and apartheid. Lipton (1986) points out that until the 1970s, apartheid benefited capitalism, particularly the agricultural and mining sectors. During that period, it is noticeable that a close relationship existed between the apartheid government and businesses. In accordance with Lipton (1986), Yudelman (1983:7) also highlights the "symbiosis" between the state and the mining sector, which lies at the heart of the South African economy. In *The Emergence of Modern South Africa*, Yudelman continues:

unlike the early situations of the advanced industrial states, neither the state nor capital could effectively dominate the other in South Africa. It also meant that neither peasants nor proletarians presented a serious threat to the state and capital, provided the latter two elements collaborated (Yudelman, 1983:7).

In the late 19th century, it was the discovery of diamonds and gold that drove the country's first wave of rapid economic growth and within twenty years, minerals accounted for two-thirds of the country's total exports (Wilson 2001:101). The historical development of mining as the cornerstone of South Africa's economic rise to prominence, created influential privately-owned mining companies, which subsequently played a significant role in the architecture and implementation of apartheid (Handley, 2000). Anglo American (including De

Beers), Anglovaal, Gencor (formed through the merger of General Mining and Union Corporation), Goldfields, Johannesburg Consolidated Investments and Rand Mines are still prominent in South Africa (Segal 2000; Flynn 1992:312). Lipton (1986) argues that business could reap benefits by sustaining the apartheid system in the beginning. Big businesses especially exerted their influence on the state in order to maintain the favourable environment for themselves. However, this relationship has changed over time. When the international community started exerting pressure and imposing sanctions and isolation, business saw the rising cost, and started to oppose the system (Habib and Padayachee, 2000:247).

Under the dual system of apartheid in South Africa, a form of corporatism existed between the state, business and labour. At that time, business and labour only represented the white minority, while the majority of the population were excluded. These close ties between the state and society meant that South Africa could mobilise its resources and function efficiently. However, one should not overlook the fact that this was possible at the expense of black South Africans. Even in the current era, it is possible to observe that the interests of the majority, for example the non-unionised poor, are always neglected during corporatist arrangements in South Africa. As this dissertation will show, this pattern is seen in both the case of South Africa and South Korea.

At this juncture, it is imperative to look at the economic and social system in South Africa during apartheid. Desai and Habib (1997:502) label the economy during apartheid as “*racial Fordism*”, which is characterised as “mass production and mass consumption by and for white South Africans, with an underclass of low-paid blacks excluded from the benefits of the industrialized economy”. As *Fordism* suggests, employees under the apartheid government enjoyed full-time jobs and had job security. Under the apartheid system, the state was able to

establish a social welfare system. However, all these benefits were granted to white South Africans and were made possible by repressing other societal groups, predominantly black people.¹¹ This corporatist form is, as Shaw (1994:248) says: “largely Anglo-centric corporatism, with its continued imperial elements, into Afrikaner state, capital and labour”. It is possible to identify that elements of corporatism during this period resemble those of state corporatism, which is regarded as having the characteristics of an authoritarian society. This implies that the state creates organisations, and state-society relations are largely regulated by the state. However, as the next section shows, the state’s capacity to do so eventually eroded.

3-2-2. THE RISE OF LABOUR MOVEMENTS: TURNING POINT OF THE DEMOCRATISATION PROCESS AND CORPORATISM

In South Africa, legislation was used to implement the segregation of the black population. This can for example be seen through collective bargaining legislation, namely the Industrial Conciliation Act of 1924 and its amendments in 1937 and 1956. However, this legislation guaranteed job reservation for whites only, while black South Africans were excluded from the benefits. This led to the growth of discontent among black South African workers. Finally, it led to the creation of the African Mine Workers Union in the early 1940s. This was the first time that black labourers gathered and mobilised and the discontent became the basis of the 1946 Mine Workers Strike. The strike for higher wages is seen as having brought about profound implications for the relations between the state and the societal actor, which is, black labour. The 1946 Mine Workers Strike was the spark that ignited the anti-apartheid movement (Finnemore, 2002).

¹¹ South Africa’s industrialisation process, especially its manufacturing output, has grown at a rapid pace since the mid-1920s. However, the South African model of *Fordism*, extending industrialisation through mass consumption, was flawed as a result of the racial bias (Hirsch 2005). This has influenced South Africa’s manufacturing production capacity to date.

In fact, there was a high point in black workers' resistance during the latter half of the 1920s. At that time the Industrial and Commercial Workers' Union and the Communist Party of South Africa organised mass protests and strikes. The ANC, formed in 1912 was also politically active. African labour movements grew during the 1920s; however, they weakened during the 1930s due to the ineffectiveness of unions in the face of the powerful and unsympathetic state (Lewis, 1984). However, the 1946 Mine Workers Strike triggered the development of the labour movement in South Africa. The 1946 Mine Workers Strike is one of the most significant strikes in the country's history. An estimated 70,000 black mineworkers went on strike for better wages and improved hostel conditions. As a result, approximately 1,000 strikers were arrested and nine people killed. The labour movement was severely suppressed. Nevertheless, the strike made people more aware not only of labour's rights but also of the political thinking within the national liberation movement.

During the 1960s and the 1970s, this industrialisation became one of the driving forces of the increasing power of black workers. This can be understood in the same context as the argument of Seidman (1994 cited in Van der Westhuizen, 2013:84), that: "manufacturing brings about labour militancy". The *Fordist* production system of the time, based on large factories, helped a large number of workers interact and construct a shared consciousness; it helped black African workers to form trade unions. At that time, these workers demanded recognition from employers and the improvement of the workplace environments (Finnemore, 2002). Van der Westhuizen (2013:84) notes:

In South Africa, increased Black alienation coincided with the steady growth of trade union activism and the wide-scale formation of community movements constituting a similar broad front demanding democratization (Van der Westhuizen, 2013:84).

During the 1950s, the apartheid government faced strong resistance from black workers, and the state used declarations of emergency to suppress them at times of heightened resistance. The first State of Emergency was declared in 1960, right after the Sharpeville Massacre, when the ANC and Pan Africanist Congress were also declared illegal. In the wake of the 1976 student uprising, the government widened police powers without a State of Emergency. By the mid-1980s, a popular uprising was underway, with militants calling for black communities to be made ungovernable, and a series of State of Emergency were declared throughout the country. The provisions of these State of Emergency were broader than those of previous ones, but anti-apartheid mobilisation continued. This reflects the power of black people starting to emerge and erode the control of the state (Finnemore, 2002).

The discontent that had accumulated for several years finally erupted in the form of collective action in the Durban strikes in 1973 (Finnemore, 2002). The implications of the strikes were substantial and eroded the existing nature of state-society relations. The state realised that the African workers had potential that could bring about social change, despite their long marginalisation. At that time, the government saw the growing power of labour especially in the metal, mining, chemical, and textile sectors, which were regarded as the backbone of the South African economy; and saw this as a serious threat. Furthermore, the state was concerned that this confrontation would provide tremendous publicity to the struggle for freedom in South Africa, strengthen the anti-apartheid movements and negatively affect foreign investment (Kooy, et al. 1979:8). This is one of the similarities that was found during this comparative study of South Africa with South Korea. Labour in heavy industry, which was the cornerstone of the economic growth of South Korea in the 1970s and the 1980s, gained strong power, since strikes and their consequences were regarded as negatively affecting the country's economic achievements (see 4-2-3). Furthermore, the struggles

became the root of “social movement unionism” based on community support. Seidman (1994) argues that the new union’s militancy against authoritarian governments and capitalism was successful in pressurising employers to allow workplace representation through trade unions. In the case of South Africa and South Korea, labour could attain a stronger position towards the authoritarian government, as well as businesses by forming a broad alliance with societal actors.

As a result of the growing power of labour, the government started to seek to control labour in a different way. The Durban strikes in 1973 became the driving force for the establishment of the Wiehahn Commission of 1979. Meanwhile, in South Africa, several events also led to the establishment of the Wiehahn Commission. White, Indian and coloured workers were granted preferential trade union rights under the Industrial Conciliation Act. Workers from these racial groups were also encouraged to access principal industrial relations machinery, like the industrial councils and conciliation boards. On the other side, African workers were denied rights to form trade unions and to use industrial relations machinery, such as industrial councils and conciliation boards. All these government restrictions and discriminatory practices increased resistance and tension between the state and the African working class. State control and the prohibition of black unions through suppression and intervention in industrial relations contributed to the establishment of the Wiehahn Commission. The Commission legitimised the existence of black trade unions by deracialising unfair labour practices in the work place. The Commission is seen as a turning point that led to the expansion of the definition of employee to include African workers and acknowledged African workers as a permanent part of the economy (Kooy, et.al. 1979).

Following the Wiehahn Commission's recommendations, the government legalised African trade unions. Even though some critics say that the Wiehahn Commission only tried to bring labour militancy under control (Price, 1991), this became the thrust for the establishment of COSATU in 1985 and was an important part of the democratisation process. Simultaneously, the emergence of a new social force, like labour federations, such as South African Congress of Trade Unions (SACTU), Federation of South African Trade Unions (FOSATU) and COSATU played an important role in the process of democratisation.¹² These labour federations brought together many smaller trade unions and strengthened their power. Ferreira (2005:422) describes the situation as: "the power and status of a trade union in the workplace is enhanced through such a federation. It is therefore possible for trade unions to be a major influence in terms of political and economic issues". This new alliance of social forces undoubtedly became the driving force in achieving democratisation and building post-apartheid South Africa.

The most noticeable aspect is that the decision-making environment was changed through the incorporation of various societal actors. During the transition period, the country faced a new set of institutions supporting capitalist accumulation that was expected to reinvigorate its economy (Marais, 2010). To this end, there were questions about how the state would mobilise society in a different setting.

According to Martin (2013), South Africa was among the fastest growing industrial economies in the 1960s. However, as Table 3. 1. shows, the annual economic growth rates

¹² SACTU founded in 1955, was the first non-racial federation and it was in the forefront of political struggle, especially as SACTU was aligned with the ANC. In 1979, FOSATU was founded. FOSATU was the first South African trade union federation that was organised by mainly black workers. Compared to other federations, FOSATU adopted the "tight federation" policy, where affiliates have common regulations and resources in order to build a stronger organisation. The big difference between SACTU and FOSATU is that the former was aligned with the ANC, while the latter pursued "political independence from national liberation organisations" (Emery, 2006:8). Even though FOSATU maintained its stance not to be involved in the liberation movement, it was subsumed by COSATU and became the biggest component of COSATU in 1985 (Emery, 2006:9).

slowed down in the 1970s and the 1980s because of declining gold revenues, rising oil import prices and increased international competition in other traditional export commodities. A series of sanctions from the international community negatively affected the country's economy, which ultimately pressured the apartheid government to end apartheid.

Table 3. 1. Economic Growth Rates in South Africa from 1946 to 2000

Time Period	Annual Growth Rates (%)
1946-1950	4.2
1951-1960	4.5
1961-1970	5.7
1971-1980	3.4
1981-1990	1.6
1991-2000	1.7

Source: Dollery, 2003. p6.

The economic situation of South Africa in the transition period was characterised as: “stagnation, high levels of unemployment and an uncompetitive level of productivity” (Maree, 1993). Under these circumstances, it was inevitable that the state sought collaboration with societal actors; thus, preventing the deterioration of the economy.

Facing various political and socio-economic challenges, the new government had to choose corporatism in order to bolster the economy. Van der Walt (1997) states that a number of preconditions for corporatism existed in South Africa after democratisation. South Africa

experienced significant social conflict, which could have led to crisis. Maree (1993) and Desai and Habib (1997) see the changing economic environment as a crisis, suggesting the necessity for the adoption of corporatism. Economic stagnation and international pressure added to the burden. In this regard, Shaw (1994) argues that when South Africa underwent the transition; the state, as well as other actors, was placed at the crossroads between cooperation and conflict. Shaw (1994) asserts that cooperation was expected and it was crucial to: “constitute a long-term structural transformation”, through corporatism (Shaw, 1994:244). Furthermore, after democratisation in South Africa, political and economic elites recognised that their neo-liberal economic programme was bound to provoke massive discontent and protest. In order to achieve social peace, these elites adopted corporatism emphasising social unity and reconciliation aggregating societal actors (Desai and Habib, 1997:499). Desai and Habib (1997) are of the opinion that it was inevitable that the state would adopt corporatism when facing political turmoil and economic crisis.

Shaw (1994) suggests that being inside the corporatist institution was beneficial for actors. Corporatism is a mode of interest intermediation that has been successful in negotiating social and economic policy reforms in some welfare states. Scott (2007) points out that there was a “reform coalition” between incoming political actors and big business and as time went by the ANC departed from ideological positions based on the Freedom Charter, taking a reconciliatory approach towards big business.¹³

¹³ In the case of Ireland, it is useful to look at the National Agreement Programme for National Recovery of 1987 as an example (McGrath, 2006:13). The state and the social partners participated in the negotiation process, which involved wage restraints as trade-offs for tax reduction, social benefits such as the reduction of inequalities, and policies for the low-paid. This agreement has been assessed as providing a stable labour relations climate and establishing a tradition of virtuous cycle of corporatism in Ireland (McGarth, 2006). The successful corporatist experiences mainly in European countries supported the rationale that South Africa should adopt corporatism.

Furthermore, business and labour also needed to be organised vis á vis the state. In the South African context, these two groups were fragmented according to race and political ideology, among others. In the case of labour, many divisions also existed along racial and ethnic lines. Van der Walt (1997) argues that these actors were willing to merge into large organisations in order to exert more influence over others. Regardless of the various rationales behind the establishment of corporatism, the corporatist institution was officially established in 1994.

3-3. THE CREATION OF NEDLAC AS A CASE STUDY

In the previous section, the history of the labour movement, which shows the increasing power of labour in South Africa, and the reasons for the establishment of NEDLAC were discussed. In this section, the background and the institutional aspects of NEDLAC will be examined. Then, as one leg of the case study in this research, a series of macro-economic programmes will be scrutinised. Also, the analysis of the interaction among the actors in the decision-making process of the ETIA at the corporatist institution will be provided.

3-3-1. BACKGROUND

NEDLAC was the successor of the National Economic Forum (NEF) which had been created in 1992. The Consultative Business Movement, a voluntary grouping of the more progressive elements from the business sector, was behind the establishment of the NEF. The NEF dealt with both the short-term and long term economic issues; however, due to the lack of capacity of the government in the transition period, it focused more on short-term issues (Shapiro and Kahreen, 2011). This required the creation of another platform that could manage more long-term issues. Parsons (2007:7) states:

The creation of the NEF in 1992 had been seen as the result of a needs-driven voluntary process mainly initiated in its early stages by labour and business, reflecting a political will to make it work and deliver. It was not a statutory body, yet bound its key players to important agreements (Parsons, 2007:7).

The National Manpower Commission (NMC)¹⁴ and the NEF were integrated into NEDLAC by Act of Parliament 35 of 1994.¹⁵ At that time, there was on the one hand, intense political negotiation throughout the democratisation process; while on the other hand, the necessity for creating a social dialogue including societal actors was raised. Considering that labour and business in particular had been antagonistic towards each other, the role of the state as referee was expected to bring about a peaceful solution to industrial relations and also result in mutual gains aimed at economic development (Lundahl and Petersson, 1996:13).

Lundahl and Petersson (1996:32-34) argue that labour, namely the three major labour affiliations, COSATU, NACTU¹⁶ and FEDUSA¹⁷ have been successful in strengthening their own organisations by making up the labour grouping represented in NEDLAC. Each

¹⁴ After the Wiehahn Commission recommended the legalisation of black unions, the government recognised black unions in 1979 and granted them limited collective bargaining rights. In the same year, the government established a National Manpower Commission (NMC), with representatives from labour, business, and government, to advise policy makers on labour issues. According to Schreiner (1994), it was boycotted throughout the 1980s by COSATU and the National Council of Trade Unions (NACTU), due to its unrepresentative structure. However, in the end, this became one of institutional bodies of NEDLAC with the NEF.

¹⁵ NEDLAC was established by the NEDLAC Act 35 of 1994 for the purpose of: 1) promoting the goals of economic growth, participation in economic decision-making and social equity; 2) reaching consensus and concluding agreements on matters pertaining to social and economic policy; 3) encouraging and promoting the formulation of co-ordinated policy on social and economic matters; 4) considering all proposed labour legislation relating to labour market policy before it is introduced in Parliament; and 5) considering all significant changes to social and economic policy before they are implemented or introduced in Parliament (NEDLAC, 2012).

¹⁶ NACTU is a merger between two trade unions: the Azanian Confederation of Trade Unions and the Council of Unions of South Africa. It now has 17 trade union members and has an estimated 397,000 registered members consisting of miners, construction workers, workers in hospitality, finance, insurance businesses, education, media, health, and farm workers as well (NACTU Website, 2013).

¹⁷ The Federation of Unions of South Africa (FEDUSA) was established in 1997 with more than 500,000 members. Most of the members of FEDUSA are educated and skilled workers like doctors, engineers, nurses, teachers, and office workers (FEDUSA Website, 2013).

affiliation tried to find common ground, which could further strengthen the power of labour as a whole.

Within the corporatist institution, labour was able to act as an equal player vis á vis the state and business in the new South Africa (Bhorat, 2001:6; Baskin, 1991:26). Labour was the driving power behind a series of legislative developments in South Africa after democratisation. As a result, a series of key labour laws such as the Labour Relations Act of 1995, the Basic Conditions of Employment Act of 1997, and the Employment Equity Act of 1998, among others, were introduced. They can be seen as significant products of NEDLAC as well.

Table 3. 2. Coverage of South African Labour Legislation

Name of Act	Key Aims	Coverage
Labour Relations Act (1995)	<ul style="list-style-type: none"> • Orderly collective bargaining • Workplace democracy • Effective labour dispute resolution (Provision for the Council for Conciliation Mediation and Arbitration) 	<ul style="list-style-type: none"> • All workers except the defence force, secret services and essential services
Basic Conditions of Employment Act (1997)	<ul style="list-style-type: none"> • Improve minimum rights for all workers • Conditions Commission to advise the Minister on minimum wages in “vulnerable” sectors 	<ul style="list-style-type: none"> • All workers except the defence force, secret services and essential services
Employment Equity Act (1998)	<ul style="list-style-type: none"> • Eliminate unfair discrimination • Ensure implementation of affirmative action 	<ul style="list-style-type: none"> • Employees in designated companies

<p>Skills Development Act (1998)</p>	<ul style="list-style-type: none"> • Devise and implement national, sector and workplace strategies to improve skills of the workforce 	<ul style="list-style-type: none"> • Designated employers and sectors
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Source: Leibbrandt et al., 2010. p28.

As seen above, the significance of the establishment of NEDLAC, which highlights the participation of social actors as equal players at the discussion table, can be found in its Annual Report.

NEDLAC is about securing the commitment and active participation of all social partners in those areas identified for prioritised action in ways that build on lessons learnt from development programmes. NEDLAC remains a contested terrain of ideas and recognises that no social partner has the monopoly of solutions. Inherent in real social dialogue is that it takes time for it to produce meaningful consensus that ultimately leads to real partnership (NEDLAC Annual Report, 2009/2010).

NEDLAC sees itself as a contributor towards establishing social dialogue as: “an acceptable and invaluable part of the country’s policy making process” (NEDLAC, 2012). This is the central idea leading to the adoption of corporatism, as it manifests in many Western European countries. In the corporatist institution, each actor is expected to make a number of concessions. The state is expected to promote the interests of the other two actors and to endorse their demands.

NEDLAC is made up of representatives from various sectors. There are representatives from organised business, and BUSA represents this sector. COSATU, FEDUSA and NACTU

represent the interests of organised labour. Government delegates are from the key economic departments, namely, Labour, Trade and Industry, and Treasury and Public Works. Representatives from other government departments participate on an ad hoc basis. A number of organisations make up the Community representation, including the Women's National Coalition; the South African National Civics Organisation; the South African Youth Council; Disabled People of South Africa; the South African National Apex Cooperatives and the Financial Sector Campaign Coalition (NEDLAC, 2012).

In terms of the incorporation of the community constituency, there is criticism of the way these societal actors, especially, the community constituency were incorporated. Lundahl and Petersson (1996:17) argue that the criteria that the community constituency had to meet were too stringent and as a result, they were mostly chosen by the government. It is doubtful whether the community members chosen by the government, can represent the "community's interests" (Lundahl and Petersson, 1996:17). The lack of representation from the community constituency at NEDLAC could influence the reflection of interests of societal groups.¹⁸

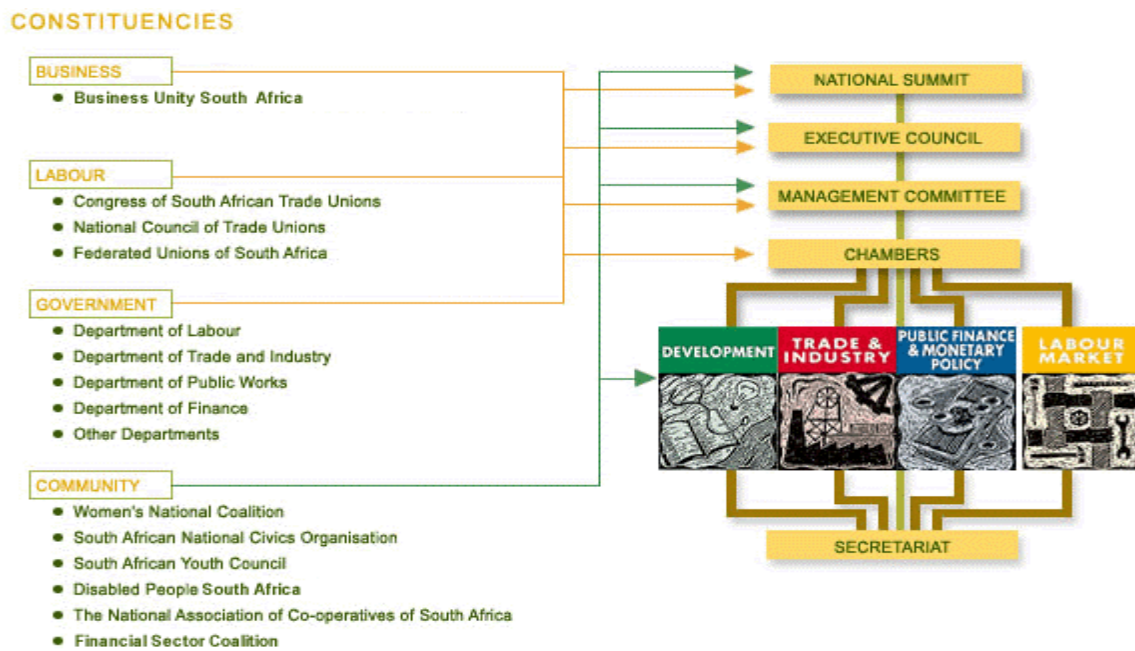
3-3-2. STRUCTURE AND FUNCTIONS

At NEDLAC negotiations are conducted under four distinct policy areas or Chambers; the Public Finance and Monetary Policy Chamber; the Trade and Industry Chamber; the Labour Market Chamber; and the Development Chamber (see Figure 3.1.). The outcome of work done in the Task Teams is submitted to the Chamber for consideration and ratification. Once

¹⁸ The organisations comprising the community constituency at NEDLAC are: The South African Youth Council (SAYC), the Disabled People South Africa (DPSA), the Women's National Coalition (WNC), the Financial Sector Campaign Coalition (FSCC), the South African National Apex Cooperatives (SANAC), and the South African National Civic Organization (SANCO) (NEDLAC, 2012).

the Task Team report is signed off by the Chamber, it is then tabled at the Management Committee for final consideration and signed off (NEDLAC, 2012).

Figure 3. 1. Structure of NEDLAC



Source: NEDLAC, 2012.

Firstly, the Public Finance and Monetary Policy Chamber works on issues relating to the framework within which financial, fiscal, monetary and exchange rate policies are formulated. It aims to enhance the coordination of fiscal and monetary policy and related elements of macro-economic policy, as well as the institution of delivery (NEDLAC, 2012). Secondly, the Development Chamber focuses on social and economic policy, as well as developmental programmes. Issues currently on the agenda of the Development Chamber include: a national youth development agency strategy, land reforms, public transport, immigration policy, rental

housing amendment bill, higher education and training laws, local government, public transport, national disability policy and the guidelines for implementation (NEDLAC 2012).

Thirdly, the Labour Market Chamber considers all proposed labour legislation relating to the labour market policy before it is introduced in Parliament. Issues currently on the agenda of the Labour Market Chamber include: Bargaining Councils Demarcation disputes/applications, Decent Work Country Programme, Insolvency Bill, Growth and Development Summit Agreement relating to Employment Equity and Skills Development, Labour Market Policy Review, Merchant Shipping Act, Immigration Act, and Monitoring Labour Market Institutional Trends (NEDLAC, 2012). Lastly, the Trade and Industry Chamber seeks to reach consensus and make agreements on matters pertaining to the economic and social dimensions of trade, as well as industrial, mining, agricultural and services policies, and the associated institutions of delivery (NEDLAC, 2012).

The Chambers are the formal negotiating structures of NEDLAC and discuss different aspects of social and economic policy (Gostner and Joffe, 1998). Sub-committees and task groups of the Chambers are formed to deal with specific issues. The Chambers report to a Management Committee, which oversees the work programme and administrative issues (NEDLAC, 2012).

NEDLAC's national annual summit is attended by 300 delegates and the NEDLAC Executive Council convenes a meeting. The seats are shared equally among the four constituencies. This is the highest decision-making structure of NEDLAC (NEDLAC, 2012). NEDLAC's operations are governed by its constitution and it is funded from the Department of Labour's budget. None of the four social partners has veto power. NEDLAC is managed by

representatives such as the Management Committee and the Executive Council. The NEDLAC Secretariat administers all processes (NEDLAC, 2012).

The NEDLAC process is guided by the protocol for tabling and considering issues at NEDLAC. There may be instances where the intervention of the relevant Ministers may be required. In the event that the government indicates that giving effect to policy requires legislation, then the government tables the draft Bill at NEDLAC for consideration. Otherwise, once the process of engagement on policy has been finalised, a NEDLAC report is prepared for ratification by the Management Committee and Executive Council. Once the report has been signed off it is then sent to the relevant Minister who then tables it in parliament. NEDLAC recognises the sovereignty of parliament; hence, it upholds its supremacy in the process of law making. NEDLAC protocol stipulates that participants will not re-open issues for debate at the parliamentary level if they have reached consensus on such issues at NEDLAC. However, participants have the right to raise issues on which there has been no agreement in parliament. Parliament, as the sovereign law-making body, has the ultimate say in making legislation, subject to the Constitution (NEDLAC, 2012).

NEDLAC provides space for discussion between the state, business and labour. As can be seen from the table below, one of the fruitful outcomes is a series of legislation that has a high degree of legitimacy (Leibbrandt et al. 2010).

Table 3. 3. Levels of Bargaining in South Africa under the Labour Relations Act

Governed by statute	Functions and Powers	Registration
Bargaining Councils	Make and enforce collective agreements; Prevent and resolve labour disputes; Establish and manage a dispute resolution fund; Promote and establish training and education schemes; Establish and manage schemes or funds to benefit its parties or members; Make and submit proposals on policies and laws that affect a sector or area.	May be formed by one or more registered trade unions and one or more registered employers' organisations, given that these parties are sufficiently representative. NEDLAC is assigned the task of determining their scope and area of jurisdiction.
Statutory Councils	Resolve labour disputes; Promote and manage education and training schemes; Form and manage schemes or funds for the benefits of its parties or members; Make collective agreements; May perform any other bargaining council functions.	May be formed by a registered trade union or employers' organisation which does not boast sufficient membership to meet the representivity requirements to form a bargaining council. Thus, registration is unilateral.
Outside of statute	Functions and Powers	Description
Plant or firm level bargaining	Bargain over issues otherwise covered by Bargaining or Statutory Councils.	Collective bargaining between an individual employer and the trade union(s) representing the employees of that particular employer.
Workplace		Workplace forums may be formed when there are

forums	<p>They promote the workers' interests by consulting and making joint decisions. Employers must provide relevant information to workplace forums. A workplace forum has the right to be consulted by the employer on: restructuring and new work methods; partial or total plant closure; mergers and ownership transfer; retrenching workers; job grading; criteria for merits and bonuses; education and training; product development plans; export promotion; health and safety measures</p>	<p>more than 100 workers by applying to the Commission for Conciliation, Mediation and Arbitration (CCMA).</p>
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Source: Department of Labour, 2012.

At NEDLAC, some successes were achieved. Most interviewees confirmed that, labour related regulations are prominent examples of what NEDLAC has achieved (see 3-1-1). It is noticeable that these regulations were made right after democratisation when labour could exert itself vis-à-vis the state and business, in other words, the actors' influence at NEDLAC was relatively balanced. How this pattern manifested will be discussed in the next section through the analysis of macro-economic programmes and the ETIA.

3-3-3. THE ANALYSIS OF POLICIES AT NEDLAC

This section is one leg of a case study for this research. The focus will be laid on the RDP, GEAR, ASGISA and the NDP. These macro-economic programmes were introduced after democratisation, in order to ensure economic growth and development. How each actor was involved and interacted with other actors in the decision-making process of each macro-economic programme mentioned above, will be examined. When analysing the RDP through to the NDP, it is possible to observe that societal actors sometimes participate in the decision-making process of macro-economic policies in a cooperative manner, and at other times resist the state or other actor's decisions. This dynamic can be seen during the introduction and the implementation of the RDP, GEAR, ASGISA and the NDP.

3-3-3-1 THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP): AN AMBITIOUS PLAN THAT FAILED

The RDP was the primary socio-economic development blueprint of the first democratic government in South Africa. It clarified the economic and social agenda for the first five years after democratisation. The Development Chamber at NEDLAC was the main driver of the RDP. The Development Chamber focuses on: "all matters pertaining to the development of both urban and rural implementation strategies, financing of development programmes, campaigns to mobilise the nation behind the RDP and associated institutions of delivery" (Gostner and Joffe, 2000:5).

The RDP was a plan to address the many social and economic problems and was introduced to rectify inequality through redistribution and fulfilment of basic needs; in other words, to

rectify the wrongs of the apartheid era and at the same time to consolidate democracy in the new South Africa. When it was first introduced, the RDP was deemed as “innovative” and “people-centred”; furthermore, the programme highlighted the democratic relationship between the state and society (Turok, 2008:89; Lundahl and Petersson, 1996:26).¹⁹ Following discussions with diverse constituencies, a draft White Paper for Social Welfare was published in 1995, which emphasised the concept of developmental social welfare highlighting “people-centred” values (Visser, 2004).

After democratisation in 1994, South Africa sought various tools to overcome socio-economic problems. South Africa emulated the developmental state model, which led to many East Asian countries, including South Korea’s remarkable economic growth. Nattrass (1994:347) notes that the ANC’s economic policy was largely influenced by the South Korean model, where the state had strong control over business, and where state intervention was highlighted. Thus, a series of macro-economic policies of South Africa entail essence of the developmental state that is committed to social transformation, and that formulates and implements appropriate policies and programmes that have a significant impact on well-being (Madumo, 2012).

The RDP was initiated based on the premise that: “economic reconstruction and social development should be mutually reinforcing” (Lodge 2002: 54). There was an attempt to improve infrastructure and service delivery, and at the same time enhance training and education. This was expected to increase South Africa’s competitiveness. Schmidt (2003)

¹⁹ There were five key objectives associated with the RDP: 1) meeting basic needs such as jobs, land reform, housing, water, electricity and other forms of social services such as telecommunication and health care; 2) developing human resources, that is education; 3) building the economy mainly through the export of minerals; 4) democratising the state and society; and 5) implementing (RDP White Paper, 1994).

argues that the influence of COSATU on the ANC was strong when the RDP was adopted and the ANC and COSATU worked out a comprehensive economic and social programme.

At that time, what the South African government faced and urgently had to deal with was high unemployment. Even though the RDP and later GEAR, ASGISA and the NDP represented different approaches, the fundamental goal was to resolve the unemployment issue. In order to do so, the government introduced the National Public Works Programme in May 1994 as one of the mechanisms for implementing the goals of the RDP. However, this programme did not achieve any significant success since the programme provided low wages, which were not attractive to the unemployed. Even though the aim of this programme was praiseworthy, in reality the cost of implementation was bigger than the benefits (Turok, 1995).

While experiencing socio-economic transition, lacking any remarkable success, South Africa also had to open its markets to the international community. Lundahl and Petersson (1996:27-28) emphasise the importance of Trade and Industry policy for further development. The industrial policy was supposed to be designed to increase capacity for export, ensuring more equitable ownership as well as creating jobs.²⁰ However, South Africa's level of human capital and technology was low; in fact, production costs in South Africa were high, and South African businesses would be unable to survive in the face of international competition. It was crucial that the state should allocate and facilitate investment and improve productivity in such a way as to gain the trust of potential investors. This is the only way to ensure continuous investment and furthermore, job creation. However, it was beyond the capacity of

²⁰ The industrial policy was intended to support and strengthen internationally competitive industries, meeting the needs of reconstruction, and raising capacity. The ultimate purpose was still to resolve the unemployment issue.

the newly elected ANC to rectify all these issues within a short period; furthermore, the domestic and international pressure or expectations were too high. As Kohli (2004) points out in the case of fragmented-multiclass states, which have a larger set of goals and want to satisfy a broader range of people within the country; the South African state was under pressure, in that it had to deal with too many conflicting goals at the same time. Visser (2004:7) also states: the RDP did not spell out a detailed programme for attaining its main aims. It was too broadly formulated and ended up as a wish-list for too many people (Visser, 2004:7). In accordance with the above, Adelzadeh and Padayachee (1994) analyse the White Paper arguing that it neither provides concrete goals, nor timeframes for the achievement of the RDP objectives.

All in all, the RDP survived for only two years. There are several reasons for this. Many projects under the RDP could also not succeed, and were criticised because they were designed without consideration of the long term effects. Most commentators point to the lack of the institutional capacity of the RDP (Turok, 2008; Lundahl and Petersson, 1996). Lundahl and Petersson (1996:96) point to the lack of administrative capacity of the government when allocating budgets and to the lack of efficient implementation. When the RDP was implemented at provincial and local levels right after democratisation, administrations were not fully set up. Although Jay Naidoo, part of the leadership that led COSATU into an alliance with the ANC and the SACP, became a Cabinet Minister without Portfolio, tasked with the implementation of the RDP, but he could not exert his power in terms of its implementation (*African Business*, 1 May 1996). Related to this, Michie and Padayachee (1998:630) point out that there was a clash between the RDP office and key departments in the process of implementation, which shows a lack of coordination between stakeholders. It also shows that the policies that were generated by NEDLAC could not draw consensus from

the state, business, and labour. It is possible to observe that NEDLAC was bypassed by the state from the very beginning. Visser (2004)'s *Shifting RDP into GEAR: the ANC Government's Dilemma in Providing an Equitable System of Social Security for the "New" South Africa* highlights the ANC's unilateral acceptance of GEAR and how this led to conflict with labour (and another tripartite partner, the SACP).

Another problem is that South Africa did not have enough funding to implement the RDP. Funding came from various sources. The main source was the government budget, from which, R 2.5 billion were allocated to the RDP Fund in the 1994/1995 financial year. This amount was supposed to increase to R 5 billion in 1995/1996 and would progressively increase to R 10 billion in 1997/1998 and R 12.5 billion thereafter (RDP White Paper, 1994). There were several additional sources, such as interest on amounts invested; taxation, especially on gambling and lotteries; the sale of state assets; and local government (Corder, 1997). Considering that the cost of the RDP was estimated at approximately R 3.5 billion (Swatuk and Black, 1995:6), it seems that the RDP was achievable; however, in order to implement it, the government had to finance the RDP through the mobilisation of new funds from foreign donors (Bond, 2003). This is partially due to the R 200 million debt that the ANC inherited (Swatuk and Black, 1995:6). This fiscal crisis led to suspicions regarding the success of the programme, which ultimately deterred international investment.

Lundahl and Petersson (1996:26) point out that it was uncertain how effective the RDP would be and how long the country would need to implement it. This uncertainty instilled little confidence in investors and consequently negatively affected the delivery. Even though the RDP office planned to carry out the programme in a rapid manner, the process lagged due to the various aspects already mentioned above (Lundahl and Petersson, 1996:97). In order to

realise the RDP, growth and related conditions for the further progress such as improvement of productivity were required. However, these conditions were not easily met in such a short period.

Lundahl and Petersson (1996:98-99) argue that the RDP itself had the potential to succeed by attracting large foreign investment to South Africa, and that its spill-over effect could have resulted in growth. However, Lundahl and Petersson (1996) are of the opinion that the business sector hindered the success of the programme. What South African business wanted, was to lessen the state's intervention and reduce the government's spending on social welfare. The business sector believed that it would be possible to increase the competitiveness of the country in this way. This belief was based on neo-liberalism, highlighting mainly reduced social spending, the privatisation of state assets and low inflation. This resulted in heated debates with business emphasising growth, and labour and from the left economic stance stressing redistribution.

In this situation, it is possible to see that NEDLAC did not play the role it was expected to play. According to Jayendra Naidoo, former Executive Director of NEDLAC, from the beginning there was no communication at NEDLAC.

NEDLAC existed nowhere. There was no champion for it. I was a pretty lonely figure at times. There was a fear that the alternative channels would prove to be stronger, or a fear that one of the parties would withdraw. There would have been a really bad chain of consequences if that had happened... The macro-economic discourse has been poor ... and we haven't reached a full scale economic vision - the difference between dialogue and partnership... (November 1998).

This opinion was expressed during an interview conducted in 1998, when the state and business had already eagerly pushed forward GEAR, discarding the RDP. It seems that from the very beginning, NEDLAC suffered from several limitations. At this juncture, a question arises: What was the reason that NEDLAC continued to exist?; however, from the beginning it failed to provide space for the state and other societal actors to participate equally in macro-economic programmes. The motivation of each actor that wanted to uphold corporatism will be further discussed throughout the next sections.

3-3-3-2. TRANSITION FROM THE RDP TO GEAR

Michie and Padayachee (1998:625-626) analysed the South African economy from the RDP period to the period when GEAR was adopted. At this point, it will be essential to look at the Freedom Charter. The Charter still has substantial implications in South African politics. One of the contributions that the Charter has made so far was to advocate a number of state-initiated programmes aimed at unprivileged social groups, especially the black majority, by highlighting redistribution. This became the basis of the ANC policy and the underpinning of the RDP. In terms of policy implementation, it acknowledged the significance of trade unions in policy implementation.

Nevertheless, the RDP office and the RDP Fund were abolished in June 1996 and the government's Department of Finance unveiled GEAR. GEAR was criticised because it does not reflect what the Charter states; in other words, the characteristics of a strong interventionist state were erased.

According to Michie and Padayachee (1998:625-626), during the first two years after the implementation of the RDP there were already some characteristics of neo-liberalism in the government's macro-economic policy. Williams and Taylor (2000:31) also argue that the RDP had some elements that: "compromise to the neo-liberal trickle down policy preferences of the old regime".²¹ Michie and Padayachee (1998:625) state that the new government inherited the economic policies of the apartheid government and that the National Party (NP), in the mid-1980s, tried to introduce neo-liberal elements in its own economic policies (Habib and Padayachee, 2000:248). Also, the South African economy has for a long time been influenced by the global economy. The mining sector, for example, has since the discovery of gold and diamonds, had sustained relations with European countries especially the United Kingdom, in terms of ownership and sector control (Goldstein and Prichard, 2009). Under these circumstances, it was difficult for the new state to steer the economy in the radical direction of the RDP, due to the pressure of domestic and international businesses, as well as international financial institutions.

Finally, as the state adopted GEAR, which was explicitly based on a neo-liberal programme, the ANC faced resistance from many societal actors, particularly labour (Michie and Padayachee, 1998:626). When the RDP was replaced with GEAR, there was resistance from labour, and NEDLAC was under strain. Parsons (2007:12) argues that at that time, the state unilaterally pushed forward GEAR within the NEDLAC framework and there was no room for negotiations with other actors, especially labour.

²¹ As a prominent example, Williams and Taylor (2000:31) highlight nationalisation which is one of the core elements of the Freedom Charter. Nationalisation of resources has been the subject of heated debate in South Africa, however, nationalism has been criticised for several reasons. First of all, research on the issue has shown that nationalisation of platinum mines, for instance, where the government has total ownership or majority control of the company, will not create sustainable employment in South Africa. On top of this, nationalisation of mines will isolate South Africa from external capital because private investors have been reluctant to invest when mining companies were nationalised (Seke, 2013).

In addition to its unilateral attitude, the state, which was supposed to aggregate all the participants' interests at NEDLAC, was also criticised because it seemed to lose control and to be overwhelmed by the conflict between business and labour. The South African Foundation (SAF), which represented South African big business, announced its unilateral growth strategy. In other words, business argued that economic growth can be most effectively created by lowering barriers and by allowing greater flexibility by reducing regulations. Labour also announced its own strategy, which highlighted job creation and social equity (Lundahl and Petersson, 1996:55). These two actors' unilateral and conflicting perspectives, with regard to the growth path, have contributed to dividing South Africa, and rendering the state's role as limited. This lack of consensus still continues until today.

As was the case with the RDP, there was active participation of societal actors in the debate on the adoption of GEAR; however it was unilaterally adopted and this resulted in social struggles between actors which became more confrontational. Since the RDP could not achieve any significant success and was terminated after a short period, the introduction of GEAR was justified with the idea that a new strategy was required for South Africa. This became the driving force behind GEAR. According to *Le monde diplomatique* (March 2009)²², South Africa was forced to adopt GEAR under pressure from South Africa's leading companies. The problem is that the process was completed without consultation with not only the broader ANC but also alliance partners, namely, COSATU and the SACP.

The transition from the RDP to GEAR can be seen as the country's focus had moved from "development" to "macro-economic stabilisation", and a new "macro-economic management" base on neo-liberalism was highlighted (Turok, 2008:117). Even though the state claims that

²² This article was written before the third parliamentary elections in 2009 and criticises the internal politics of the ANC.

it did not mean to replace the RDP with GEAR (Turok, 2008:75, 248), the implications were significant, since the programme was heavily inclined towards neo-liberalism.

Regarding GEAR, business and labour held contradictory views. This can be seen in the documents that these two sides introduced. First of all, SAF drafted *Growth for All*, which describes five pillars to promote market economy. It especially highlights labour market flexibility arguing that it is difficult to create jobs with economic growth only. Central to this is that business perceived labour's collective bargaining as an impediment to further economic growth. Also, the business sector argued that minimum wage legislation must be avoided. These were seen as leading to inefficiency (Nattrass, 1996:32).

Labour responded by publishing *Social Equity and Job Creation*, in which the approach to economic growth and development of South Africa differed completely from that of big business (Lundahl and Petersson, 1996:100). Unlike business, labour highlighted state intervention. Labour argued that the state should take the initiative to create jobs. Furthermore, labour insisted on increasing the taxation of business and the high-income group. Labour urged that the government should adopt a more interventionist stand and actively support redistribution, by promoting the interests of workers and pursuing training and other policies. Labour argued that this in turn would improve productivity and expand domestic demand and thereby induce an expansion in output. Investment would rise in response, thus adding further to the growth of output and employment (Nattrass, 1996:32).

According to Nattrass (1997:264), all actors highlighted the importance of productivity, growth and the role of the state and its intervention. However, labour on the one hand, and the state and business on the other, favour different approaches to achieve the same goal. Lundahl

and Petersson (1996:15) point out that the pressure from both business and labour prevented the state from confidently pushing forward with macro-economic policies. The problem is that both labour and business had their own logic in terms of economic growth and social development; however, neither side was sure how investors would respond (Nattrass, 1996:33).

From these two documents drafted by business and labour respectively, it is possible to see the different stances of these societal actors. In the beginning, the state was against *Growth for All*, which was the initiative of business. As soon as *Growth for All* was published in 1996, the ANC released a press statement containing its criticism in terms of fiscal policy, labour market policy, and privatisation programmes amongst others. However, it is possible to observe that the government later drew closer to the SAF approach. The government started pursuing the stability of the economy which was suggested as one of the prerequisites for employment, as well as redistribution (Lundahl and Petersson, 1996:56). Since the state is the actor which can formulate and implement policies, the state's new attitude toward *Growth for All* brought about policies advantageous to business. The fact that the state took the side of business negatively impacted on the balance of power among the state, business and labour, putting especially labour at a disadvantage

3-3-3-3. AN ASSESSMENT OF GEAR

The termination of the RDP and the adoption of GEAR have been seen as an inevitable option for South Africa. The GEAR strategy was aimed at job creation and economic growth. However, has South Africa been successful in attracting foreign investment since the adoption of GEAR? Under these circumstances, it is interesting to pay attention to Lesufi's (2005)

research, seeking to assess “whose interests” have been served through GEAR. The author analyses the dynamics of social relations within such macro-economic policy frameworks. Stated straightforwardly, GEAR emphasised the minimal role of the state in pushing forward economic development, whilst the private sector took the leading role. However, were these macro-economic targets achieved, as business expected? Proponents argue that GEAR was to some extent successful. According to the National Treasury (2008), the GEAR strategy did achieve macro-economic stability through the fiscal-monetary policies, for instance, inflation fell to lower levels than predicted. The National Treasury (2008) also argues that the development and implementation of fiscal policy through GEAR made a positive contribution to achieving faster and more balanced economic growth. However, in some other areas, most importantly, in terms of job creation, which has heavily affected labour, the policy was less successful. New jobs were not created, and it has been reported that the number of existing job was reduced (Lewis, 2001).

After the introduction of GEAR, the South African government focused heavily on foreign direct investment (FDI) - driven growth, as it was still under pressure to create jobs. Even though FDI was increased, it was concentrated in the capital-intensive sector. It did not result in job creation; furthermore, a new pattern of employment, namely outsourcing, as a result of highlighting labour market flexibility, has increased (Lesufi, 2005:24-25).

It is seen that the GEAR strategies could not achieve the initial goal. GEAR only achieved one objective, namely decreasing fiscal deficit. With regard to actual annual economic growth, Table 3.2. shows that from 1991 to 2000, the annual economic growth rates remained 1.7 per cent. In addition, formal sector employment growth, and investment projections have not been achieved in line with GEAR estimations (Agholor and Obi, 2013).

Lehulere (1999:40) criticises GEAR, arguing that: “not only does the strategy fail to eradicate poverty, but it creates poverty. It is the redistribution of wealth from the poor to the rich”. Even though there are some achievements, these achievements are only in the interests of capital. Turok (2008:130) argues that the social objectives of GEAR were not achieved, which has again become an impediment to investment and economic growth.

Streak (2004) introduces two different perspectives in terms of the outcome of GEAR. Even though proponents of GEAR acknowledge its failure in terms of job creation and the reduction of inequality, these advocates also argue that these stem from the external economic environment characterised by globalisation. Furthermore, they argue that without GEAR the socio-economic situation would have been worse, actually emphasising that GEAR managed to prevent the country from falling into the debt trap. On the other hand, opponents such as Streak (2004) and Natrass (1996) argue that the logic underlying GEAR, that deficit reduction and low interest rates would bring about private investment, was based on mere expectation and that the outcome was uncertain. In *Gambling on Investment: Competing Economic Strategies in South Africa*, Natrass (1996:39) argues that the radical change towards GEAR was “socio-economic experiments”. Streak (2004) further argues that economic growth does not have anything to do with poverty and inequality reduction, which South Africa urgently had to resolve. Streak (2004:273) also states that the GEAR document itself does not link to poverty reduction directly.

Both the RDP and GEAR highlighted employment creation in order to bring about sustainable economic development. However, what was overlooked is that job creation alone cannot achieve poverty reduction; it should be supplemented by welfare. Following GEAR, a higher priority was put on debt reduction at the expense of social spending. Furthermore, no concern

was expressed for vulnerable segments of society such as women and the inhabitants of rural areas in the related documents of GEAR (Lundahl and Petersson, 1996:111). Already in 1998 Michie and Padayachee (1998) argued that South Africa needed something different from GEAR. Natrass (1996:36-37) pointed to the unrealistic targets of GEAR (see Table 3.4.):

the GEAR model depends almost entirely on a wild guess as to how much investment is likely to be induced (from domestic and foreign sources) as a result of the implementation of the government's new macro-economic strategy (Natrass, 1996:36).

However, Natrass (1996:38) argued that labour's proposal could not be the alternative either due to outdated and unrealistic policies suggested by them.

Table 3.1. GEAR's Base Scenario Projection

	1996	1997	1998	1999	2000
Gross Domestic Product (GDP) growth	3.5	2.9	3.8	4.9	6.1
Real non-gold export growth	9.1	8	7	7.8	10.2
Real export growth (manufacturing)	10.3	12.2	8.3	10.5	12.8
Non-agricultural formal employment growth	1.3	3	2.7	3.5	4.3

Source: Natrass, 1996.

In addition to its disappointing outcomes, GEAR led to a split between the state and societal actors. The relationship between labour, the state and business worsened after the state adopted GEAR. One of the major criticisms of GEAR is that it was pushed forward without consultation with the partners, especially labour. Michie and Padayachee (1998) note, “it was completed without any consultation within the ANC alliance, or even with the head of the ANC Policy Department, the Labour Minister, Tito Mboweni” (*Sunday Independent*, 1 June 1997).

The relationship between the state and business in South Africa has often been described as cooperative. For example, under the apartheid government, there was a close relationship between white capital and the state. This tendency has continued during the post-apartheid era. However, Seekings and Natrass (2011) argue that this cooperative relationship has not led to high growth or poverty reduction. This is in contrast to the close and personal relationship between the state and *chaebols* in South Korea, which contributed to the economy by reducing transaction costs. The coalition between the state and business in South Africa has not proved to be the foundation of further development. Seekings and Natrass (2011:241) indicate several factors leading to this. On the one hand, the state’s suspicion of business has grown; the state considers business to be pursuing only its own short-term interests. On the other hand, business is suspicious of the lack of willingness of the state to discipline labour since these two actors have maintained a close relationship, as well as cooperating through the tripartite alliance. Iheduru (2008) points out that both the state (weaker in comparison to other societal actors than during the previous era) and business (fragmented along racial lines) have become weak and fragmented under globalisation. This has resulted in a weak strategic compliance between the two actors.

In this context, the perspectives towards NEDLAC have not been positive. Even though Houston et al. (2001:56) point out that at NEDLAC, labour has had “above-average” influence on labour policy-making, in 2001 the Human Sciences Research Council found that labour’s influence in terms of job creation, has largely diminished. As time went by after democratisation, NEDLAC seems to have failed to bring about an effective policy that could address South Africa’s urgent problem of employment. It can be seen that NEDLAC did not create an environment where the three actors could cooperate. As already discussed above, the unilateral attitude of the state that introduced the GEAR strategies without consultation, and business’s lack of interest in NEDLAC contributed to the weak outcomes attributed to NEDLAC. Bassett (2004:552) argues that in the NEDLAC framework, it has happened from time to time that the trade unions’ proposals were not even discussed and labour was treated as a barrier for the state to unilaterally push forward policies.

Furthermore, Lundahl and Petersson (1996:108-109) also express doubts regarding the actors’ willingness at the NEDLAC table, and argue that it was required that all actors should bring something negotiable to the NEDLAC table, instead of agendas inclined to their own interest. According to Buthelezi (2002:5), NEDLAC is seen by labour and business as a formalistic discussion table, where participants are not willing to cooperate. The state also did not play a significant role in this context in order to enhance NEDLAC’s role once its moribund state became apparent.

Buthelezi (2002:6-7) actually suggests two options for labour at the NEDLAC negotiation table. One is to build the “technical capacity” of labour, in order for labour to influence the decision-making process more effectively. However, considering that labour unions have lost members and members’ distrust of the top level leaders, this will not be easy. The other

option is creating a “popular alliance” with civil society. However, this strategy does not seem to have worked well. In reality, labour has chosen mass mobilisation among workers, which has become characterised as violent, and has only widened the gap between the state, business, and labour, as well as labour and other societal groups which can give broad support to labour. Mckinley (2013) points out the weakness and disconnection of labour-community alliances in post-apartheid South Africa. According to him, unions have failed to forge longer-term strategies to relate to, organise and support informal/casualised workers and the unemployed who dominate in community organisations. When those community organisations protest over a lack of basic public services, they, for the most part, do not see the public sector workers are also representing also their interests.

3-3-3-4. FUTURE PROSPECTS - ACCELERATED AND SHARED GROWTH INITIATIVE FOR SOUTH AFRICA (ASGISA) AND THE NATIONAL DEVELOPMENT PLAN (NDP)

ASGISA is another government initiative aimed at stimulating the economy and at addressing unemployment through infrastructural investment and development. The explicit aim was the acceleration of economic growth to an average of at least 4.5 per cent between 2005 and 2009 and further to a sustainable 6per cent average annual rate between 2010 and 2014. Through this sustainable level of economic growth, ASGISA aims to halve unemployment and poverty by 2014. The programme prioritises government action and investment in six categories: infrastructure, interventions in the second (marginalised and underdeveloped) economy, sector strategies, education and skills, public administration issues, and macro-economic issues (Development Bank of Southern Africa, 2012).

According to Gelb (2006:5), most of ASGISA's macro-economic approaches are similar to the characteristics of GEAR; however, it has tried to change its approach by incorporating broad-based support across various societal actors in the policy formulation process, which is expected to bring policy stability. However, since its introduction, ASGISA has been criticised for its unachievable goals. Even though COSATU has showed its support of ASGISA in principle, it is sceptical whether ASGISA will be able to tackle poverty and inequality (*Mail and Guardian*, 10 February 2006).²³

Over the past decade the South African government has come up with various development strategies to improve the economy's performance. ASGISA is seen as an outgrowth of GEAR, which means that this programme is also largely based on neo-liberal economic policies (Mabhula, 2009). COSATU and the SACP have criticised this as another liberal capitalist economic programme which will perpetuate the widening gap between the rich and predicted that the poor and the large majority of citizens' will still remain excluded from the mainstream economy. In addition to the division between the state, business and labour, the state has faced pressure. The state had to choose between the idea that strong state intervention is needed to achieve redistribution and the idea that the state's role should be minimised and the role of private actors strengthened in order to increase competitiveness. Under the circumstances, the policy-making process has been politicised.

In the context of a global and local recession, scepticism about the government's ability to achieve growth is prevalent. Since the beginning of the global financial crisis in September

²³ ASGISA identified six 'binding constraints' which prevent South Africa from achieving the desired growth rate. They are 1) the relative volatility of the currency; 2) the cost, efficiency and capacity of the national logistics system; 3) Shortages of suitably skilled labour, and the spatial distortions of apartheid affecting low-skilled labour costs; 4) Barriers to entry, limits to competition and limited new investment opportunities; 5) The regulatory environment and the burden on small and medium enterprises; and 6) Deficiencies in state organisation, capacity and leadership (South African Government Information, 2011).

2008, about one million jobs have been lost, and the official unemployment rate has risen from under 23 per cent to approximately 25 per cent (Statistics South Africa, 2014). Under these circumstances, it is likely that ASGISA will become just another wish-list for the government.

Regarding the ANC's macro-economic policies, a trade unionist states that: "it is a right wing agenda and has already failed globally, but the ANC government continues to faithfully and blindly follow it. This is for them and their business partners through BEE" (Interview with a trade unionist from the Southern African Clothing and Textile Workers' Union, 12 March 2012). ASGISA highlights social dialogue and partnership among actors (Parsons, 2007); however, the influence of labour in macro-economic programmes has already remarkably diminished since the state pushed forward GEAR and there is little hope that labour can regain influence in this extension of the neo-liberal economic programme.

In 2012, the South African government introduced the NDP, which was intended to eliminate poverty and reduce inequality by 2030. Since the state adopted the RDP, GEAR and ASGISA, many problems such as an absence of broad partnerships were revealed (South African Government Information, 2013). It seems that the state now takes a slower but more comprehensive approach aiming to implement it over the next 17 years through the NDP.

The NDP was also addressed by the NEDLAC Summit. According to NEDLAC's Executive Director:

The targets set out at the NDP can only be achieved if the social partners are prepared to commit to serious discussion around the structural challenges and inadequate investment in the South African economy (NEDLAC, 2012).

NEDLAC highlights the importance of social dialogue, cooperation and trust among social partners through the NDP.

However, COSATU already shows its concern about several problems, such as its promise to create decent and sustainable jobs. Labour highlights that the NDP should be aligned with the broad ANC and its tripartite alliances, COSATU as well (COSATU, 2013). This reflects that the corporatist framework of South Africa still does not involve the voice of labour.

The role of NEDLAC has diminished over time and it is possible to observe that the state and business unilaterally pushed forward macro-economic policies without consulting with labour. Against this background, in the next section, I would like to focus on one specific case that shows the interactions between the three actors at NEDLAC. Also, the decreasing influence of NEDLAC has affected the actors' attitude and it is not being treated as an important mechanism by actors. In previous sections historical background and contextual information based on secondary sources was provided. The next section is based on primary sources such as interviews and statements. Thus, it will provide first-hand and direct evidence backing the argument of this dissertation, namely that the imbalance of power among actors impacted on corporatism.

3-3-4. THE ANALYSIS OF THE EMPLOYMENT TAX INCENTIVE ACT

The focus in this section will be on the issue of a youth wage subsidy, which has long been debated in South Africa. The debate intensified in 2012 when the government announced that it would accelerate the introduction of the youth wage subsidy. Since then labour has strongly opposed the proposal by Finance Minister Pravin Gordhan. Despite the strong opposition

from labour, the bill was enacted in January 2014, and NEDLAC was bypassed by the state. In this section how each actor perceived and interacted at NEDLAC will be discussed as well as why NEDLAC could not function as a platform for social dialogue during this process.

3-3-4-1. BACKGROUND OF THE ETIA

On 19 March 2014, COSATU's biggest affiliate, NUMSA, led rallies in Johannesburg, marched to the NEDLAC premises and handed over a memorandum of understanding to NEDLAC officials arguing that the ETIA had not been tabled for consideration at NEDLAC, and called for the repeal of the ETIA. Labour's acrimonious action was caused by the illegality of the state bypassing NEDLAC and taking the ETIA directly to Parliament. At NEDLAC "insufficient consultation" during the policy-making process has been continuously pointed out (Colland, 2006:48), however, considering that the origins of NEDLAC lie in labour's shared experience during the struggle and the influence of the economic and social policy, the enactment of ETIA is somewhat remarkable, striking.

The ETIA, commonly known as the youth wage subsidy, came into effect on 1 January 2014. As early as 2010 President Jacob Zuma proposed a subsidy to employers to promote hiring the youth, and Finance Minister, Pravin Gordhan, announced the plan of a youth wage subsidy in the 2011 budget speech in Parliament. According to *Confronting Youth Unemployment: Policy Options for South Africa*, a discussion paper for public comment published by the National Treasury, "the Act will encourage private employers to employ young workers by providing a tax incentive to employers, with government sharing the costs of such employment for a maximum of two years under certain conditions, a budget of R5 billion for its implementation is allocated" (National Treasury, 2011).

The law is expected to subsidise 423,000 new jobs for the young and the less/un-skilled, aged between 18 and 29 years old, earning less than R 60,000 a year, the group with the highest unemployment rate. The majority of this group does not have work experience. This subsidy will lessen the employers' burden if they hire inexperienced workers since the employers will receive a tax incentive through cost-sharing between the state and business. The Pay as You Earn (PAYE) system operated by the South African Revenue Service (SARS) will be involved and registered employers will receive the subsidy via credits on their PAYE accounts (National Treasury, 2011). In this way, it is expected that the ETIA will help lower the cost of hiring the youth and increase the demand for young workers. Also, it can encourage young people to enter the job market and acquire relevant skills for further individual development

The Act is expected to create opportunities for the young. However, the Act was stalled because the state, business and labour disagreed on the subject. From the beginning labour argued that the youth wage subsidy cannot be the long term solution, and that it will create a two-tier labour market. Labour pointed out that employers who seek to maximise profit can abuse the situation and fire unsubsidised workers. However, the state unilaterally pushed forward the initiative emphasising acceleration, or fast tracking the implementation despite labour's opposition. Since business hailed the ETIA from the beginning when the proposal was made, the enactment of the ETIA was seen to be in favour of business as it provided tax incentives. Labour however has been strongly against the Act. In the June/July 2011 the *Shopsteward*, the official magazine of COSATU, outlined its rationales for rejecting the proposal:

It would entrench the already existing two-tier labour market. This subsidy might also drive wages down, leading to a race to the bottom in terms of workers' earnings. A central

concern about subsidies is that firms may opt to hire new workers who meet the criteria for the subsidy and displace existing workers from their current jobs. This will have the result of further segmenting the working class (*The Shopsteward*, 2011:14-15).

Against this background, there are several questions that arose in tandem. Despite the existence of the corporatist institution, why was there no proper consultation among actors? What are problems behind this? The focus in this section is on how actors interacted regarding the ETIA in the decision-making process at NEDLAC.

3-3-4-2. SOUTH AFRICA'S UNEMPLOYMENT ISSUE AND THE ETIA

The official rates of unemployment in South Africa have reached 24.1 per cent (Stats SA, 2013). The country has one of the highest unemployment rates in the world for people between the ages of 15 and 24 (World Economic Forum Global Risk Report, 2014). Youth unemployment in South Africa is closely linked to low participation rates. According to the National Treasury (2011), only approximately 25 per cent of young people participate in the labour market.

The global recession and South Africa's slow economic growth have been pointed to as having led to the slow pace of job creation. On the other hand the high level of youth unemployment is also related to the economic structure (National Planning Commission, 2012). South Africa's economy has become capital-intensive. A capital-intensive economy does not generate as many jobs as labour-intensive economies do. Considering that South Africa is a resource rich country, it should focus on the extraction sector. However, forestry, agriculture, and manufacturing should also receive attention since these can generate jobs. Also, it is necessary to upgrade these labour-intensive sectors into much higher value added

industries so that jobs can be generated and workers can earn decent wages as well as improving their skills. All in all, this endeavour can contribute to the diversification of South Africa's economy in the long term. Wages of particularly low-skilled workers have increased rapidly over time although productivity did not improve and this is pointed to by commentators as another problem in the labour market in South Africa (Lewis, 2001; Fedderke, 2006). This is closely related to the productivity issue of South Africa (see Figure 3-4).

In addition to this, the education and training system is pointed to as contributing to the unemployment issue in the country and requires urgent reform. For example, those who live in poor areas, in fact, a large number of the population, cannot access quality education and job training which possibly could afford them more opportunities to be hired or to become entrepreneurs (National Treasury, 2011:42). These causal relations are confirmed by a number of studies on the labour market. Yu (2013) who analyses the causes of youth unemployment and the labour market trends in South Africa, highlights the significance of education that can break the vicious cycle of unemployment in South Africa. As Yu (2013) argues, without the improvement of the quality of education, the new act will merely have a weak positive impact on youth employment and will not be successful in addressing the lack of skilled labourers, which has been pointed to as one of the biggest problems in South Africa.

The state (2012) also highlights the importance of education and training as a long-term solution. Against this background, it is crucial that the state take the initiative and try to stimulate employment by encouraging employers to train their employees. The government's rationale is that the ETIA will help absorb young people and give them work experience and

training since young people find it increasingly difficult to attain an initial foothold in the labour market (Burns, Edward and Pauw, 2013).

The high levels of youth unemployment are linked to various social problems. The consequences of youth unemployment are the increased likelihood of unemployment at a later age and low earning potential. Besides these major problems there are high crime rates, violence, and poverty and these are likely to lead to political and social instability (Kingdon and Knight, 2005).

The South African government has tried before to do something about the youth unemployment issue. It has looked for practical ways to educate the young and organise training systems for the unemployed. Similar programmes to the ETIA already exist, for example, in 2000 there was the learnership programme, a work-based learning programme, and the Public Works Programme of the Department of Social Development in 2004 (Burns, Edwards and Pauw, 2013; <http://salearnership.co.za/>, 2014). Despite the government's attempts, the programmes turned out not to be effective. It seems that the ineffectiveness of previous programmes is related to the lack of implementation. Interestingly, one of the people interviewed also cited cases from other countries that adopted similar programmes but where the programmes failed, and argues:

The R 5 billion can be used differently, there have been various incentive programmes related to job creation such as the community workers' programme, however, these have not worked properly, in my constituency no single municipality has run the programme, so why not use something we already have instead of the new controversial act (Interview with a former labour unionist incorporated into the government, 25 March 2014).

As mentioned earlier, the concept of an employment tax incentive was first announced by the President in his 2010 State of the Nation Address. In 2010, the National Treasury tabled a youth employment incentive for consideration by Parliament. In February 2011 the National Treasury released a paper. In the paper it is argued that resolving the youth unemployment issues needs short- as well as long-term measures such as improving education and skills, and labour market interventions that improve the employability of young people. As one of these measures, the youth employment subsidy was suggested (National Treasury, 2011).²⁴ The National Treasury fully acknowledged that the youth employment subsidy will not be the only solution. However, it highlights the benefits of the initiative:

A youth employment subsidy will not, in itself, solve unemployment among young South Africans. It is, however, a useful measure that will assist young, inexperienced workers to gain work experience, to access decent jobs in the formal sector and to improve their employment prospects in the long run (National Treasury, 2011:10).

Stakeholders responded differently to the idea of ETIA. BUSA regards the policy as “one of the better short term job creation solutions”. The Black Business Council responded similarly and described it as “an intervention aimed at encouraging people to employ young people. The youth wage subsidy should be welcomed. We therefore welcome the youth wage subsidy” (*SOWETAN*, 25 May 2012).²⁵ On the contrary, COSATU has rejected the proposal saying “it will enable the private sector to hire cheap labour and will result in jobs losses since

²⁴ In addition to the youth employment subsidy, several strategies were mentioned in the paper. They are reviewing the legislative environment, direct public employment opportunities, improving education performance and skills development, learnership opportunities through coordination with business, and improving the public employment services available to the youth and entrepreneurship schemes (National Treasury, 2011).

²⁵ The law was hailed by other actors as well. For example, all opposition parties including the DA voted in favour of the Bill in October 2013. It is revealed by DA’s finance spokesperson, Tim Harris’s statement, “while this Bill was stuck at NEDLAC, 218,000 young job seekers joined the ranks of the unemployed. That is the price of [COSATU’s] delay”. The youth wage subsidy issue was highly politicised and created a dispute between the DA and COSATU (COSATU and the ANC as well), however, in this section, the focus is only on the interaction between the state, business and labour at NEDLAC, thus political disputes with other actors will not be included.

firms will release older people to hire less expensive labour” (*SOWETAN*, 25 May 2012). Another argument from COSATU is that “the youth wage subsidy offers no prospects for training and skills development. This means that young workers will always be subject to low wages and poor working conditions with no prospects of upward mobility” (*Congress Countdown*, 2012).

Regarding these perspectives, the state highlighted that it would ensure that conditions are met. For example, employers would be penalised if workers were not paid the stipulated minimum wages, one of the conditions attached to receiving the incentive. However, senior officials from COSATU and NUMSA argue that “history and experience show that firms are more than willing to fire workers in order to hire subsidised workers” (Interviews were held on 1 April 2014). It is seen that there is dissatisfaction with and distrust of the government, especially the Labour Department in terms of implementation.

If companies use the incentive, they will attract people to those jobs. However, there will be retrenchment of older workers. We know this from history. Employers don't get fines if they break the law, or the courts just give them a slap on the wrist (Interview with a senior official from NUMSA, 1 April 2014).

The conflictual situation became intense in 2013. In June 2013, President Jacob Zuma highlighted the importance of employment incentives and announced in the State of the Nation Address:

Last May I asked constituencies at NEDLAC to discuss youth employment incentives. I am pleased that discussions have been concluded and that agreement has been reached on key principles. The parties will sign the Accord later this month. The incentives will add to what Government is already doing to empower the youth (Presidency, 4 June 2013).

Regarding this statement, COSATU's response is somewhat outrageous:

We note that Treasury has indicated that the Bill is intended to implement commitments made under the 'Youth Employment Accord'. This is despite the fact that the Accord requires that any incentives be 'approved by all constituencies'. It would be incorrect to state that the proposals in the Bill have in fact been approved by all constituencies (COSATU, 2013).

How can the two actors be in conflict with each other regarding consensus on the issue? The National Treasury's initial proposal was obviously discussed in NEDLAC where no agreement was reached. In February 2013, a Youth Employment Accord was signed at NEDLAC which explicitly excluded the wage subsidy plan. According to the COSATU's statement, "the youth wage subsidy was not in the accord in its pure form but the allowance for 'incentives' left the door open" (*Alliance Wars: The Return of the Youth Wage Subsidy Poser*, 20 October 2013).

During an interview with Treasury Deputy Director General, Ismail Momoniat, with media the unilateral drive by the state was defended as follows: "Parliament is the only supreme body and it approves or rejects or amends bills... legally government did not even have to table the bill at NEDLAC". He further says "It's a money bill... therefore we were not compelled to take it to NEDLAC but we have taken the idea to NEDLAC... you don't always reach consensus [at NEDLAC], but it doesn't mean government is not allowed to come up with a proposal and put it to Parliament" (*Times*, 22 October 2013). This was seen as unfair by labour since labour was expecting further discussions at NEDLAC (*SABC News*, 2 January 2014).

While the state and labour opposed each other, BUSA has repeatedly welcomed the youth wage subsidy proposals. According to *Draft BUSA Position Paper regarding Wage Subsidies* which was published in 11 March 2009:

BUSA supports the principle of introduction of wage subsidy as an element of the reform process. It is our assessment that wage subsidies can offset the costs of mandatory contributions to social security and are useful as an active labour market policy instrument. Overtime, the wage subsidy will promote employment creation and savings, as it is designed primarily to affect behaviour through incentives. However, the design and the implementation of wage subsidies must be carefully managed to maximise uptake and ensure optimal returns on initial funding. The implementation of the wage subsidy must also be in line with the budget balancing framework and be sustainable in the long run.

It is our assessment that underinvestment in young people will gradually diminish South Africa's long term competitiveness, as low productivity amongst this group will impact on future productivity of the country. Furthermore, it is also our view that high levels of youth unemployment reduce social cohesion over time, and tend to contribute to prevalent social ills, and if left unmanaged can undermine democratic gains.

BUSA is of the opinion that the subsidy can contribute to making the labour market more flexible. In a statement on the 2013 Budget speech, this support was reiterated: "BUSA welcomes the emphasis in the Budget Speech on finalizing the youth employment subsidy scheme and hopes it will be implemented as soon as possible". According to a media statement of BUSA (BUSA, 22 May 2013):

There are many other developing countries, where special interventions are needed. BUSA therefore urges the implementation of the government's youth wage subsidy scheme as soon

as possible... The scheme offers more advantages for youth employment than many other short-term job creation initiatives and could create over 400,000 jobs.

It was emphasised by an interviewee from business that “in so far as the implicit assumption of a subsidy is that there is something wrong with the price of labour, it can be viewed as a pro-business measure... It is essentially a pro-youth measure more than anything else” (Interview with a former official from BUSA, 19 March 2014). According to BUSA, “similar schemes abroad have been successful and have been adapted to South African circumstances” (BUSA, 22 May 2013). Also, with regard to the concerns from labour regarding the replacement of old workers, one of the interviewees argues “in a nutshell it is hard to tell whether the Act will lead to displacement of workers. One must obviously be vigilant in this regard... the argument that businesses don’t readily replace people with experience is probably sound” (Interview with a media political commentator working on the youth wage subsidy issue, 19 March 2014).

The conflict was heated in terms of the discussion of the overall impact of the Act. According to a recent study conducted by Burns, Edwards and Pauw (2013), these authors argue that the previous learnerships were not successful and did not generate a successful outcome, also companies did not see the incentive as sufficient. The subsidisation of wages can lead to the employment of people without experience, and the absorption of workers with skills below the minimum threshold. However there are limitations. Therefore, the promoters of the newly adopted programme should ensure that the subsidy is combined with long-term intervention. This perspective was also highlighted by the interviewees from the government (Department of Labour) (Interview, 25 March 2014).

Whether the law was favoured by labour or not, one of the problems that was raised by COSATU is that the agenda was not discussed at NEDLAC even though “the NEDLAC Act of 1994 requires the government to seek to reach consensus and conclude agreements with its social partners on all matters relating to social and economic policy” and failure to do so is seen as “dishonesty on the part of government”. In this conflictual situation in which the state, business and labour disagree with each other, it is noticeable that NEDLAC could not play any significant role to mediate and coordinate various stakeholders’ perspectives in the process of decision-making. Rather, what really happened is that the government bypassed NEDLAC and NEDLAC is paralysed. NEDLAC is seen as a mere battleground for the state, business and labour.

3-3-4-3. THE UNDERLYING PROBLEMS OF NEDLAC

With regard to the weakened status of NEDLAC, several causes have been identified. First of all, there is the dynamics of the relations among actors. To begin with, it is possible to see the wedge between the state and COSATU. The on-going tension within the alliance has been discernible since 2000 (Colland, 2006).

After democratisation, labour gained through legislation that protects the right to form unions, guarantees the right to strike, and guarantees minimum conditions of employment and also redress for historical inequality of opportunity, and in addition, finances some skills development and training institutions. NEDLAC played a vital role with regard to these achievements and this was confirmed by most of the interviewees.

Social dialogue in South Africa has clearly brought major benefits to the country. It has facilitated the transitions that took place between 1994 and 2000. NEDLAC contributed to

improvement in legislation and regulations related to labour issues, also, it helped improve policy responsiveness and reduced policy conflict... However, it is often portrayed as a failure because it hasn't led to the big social pact that will reduce workplace and social conflict while ensuring more rapid growth and employment creation (Interview with a government official, 25 March 2014).

However, as time went by, the distance between members of the alliance became wider. According to Pillay, "President Mbeki drove a wedge between the alliance partners and the Presidency very early on, to the growing unhappiness of leftist elements in the ANC, as well as the SACP and COSATU" (Pillay, date unknown). One of the interviewees, a former labour unionist incorporated into the government, agrees that "the ANC does not represent workers despite workers having remained strong and dominant in civil society" (Interview, 25 March 2014). This can be seen at the NUMSA Congress in December 2013, where one of the main items on the agenda was to call on COSATU to break with the alliance and establish a new United Front (*NUMSA News*, March 2014). The interviewee further says: "Workers have become politically conscious and their patience reaches limits, there is no fundamental change in the society. Nevertheless at the moment, there is no alternative institution that can represent workers in this country" (Interview, 25 March 2014). On the other hand, the characteristics of government have changed as well. A considerable number of labour unionists were incorporated into the government, however, as soon as they joined the government, they were expected to toe the party line (some of them are still outspoken though).

It is seen that as soon as unionists are incorporated, they are tamed and not able to represent labour, the situation is described as the party puts you in a position therefore you have to abide by the ANC 'ticket' and their rules. Only the brave criticise (Interview with a senior official from NUMSA, 1 April 2014).

Also, technocrats do not necessarily reflect the alliance relationship between the ANC and labour (Interview with a government official, 25 March 2014). This might have affected the government's rationale, that is, the government and Parliament should not be constrained by an obligation to reach consensus with labour. It should be noted that the characteristics of the government have shifted from idealistic to pragmatic, in other words, pro-business. "The participants including secretariats at NEDLAC are also pro-business. In this context, it is difficult to make a law conducive to labour. There are continuous disagreements among the actors, NEDLAC does not seem fair to labour" (Interview with a former labour unionist incorporated into the government, 25 March 2014). It is said that after democratisation the economy provided the state and business with an "important new lever" (CDE, 2000:51).

Secondly, NEDLAC has faced various problems. Some of the organisational problems have been pointed out. It was also pointed out that NEDLAC should reposition itself as a corporatist mechanism. An interviewee from the government and also a former official of NEDALC highlighted the significance of coming up with agendas that can address the fundamental problems of South Africa, such as poverty and inequality.

NEDLAC has been expected to bring about a more equitable economy in terms of employment and incomes. However, in reality, deep inequalities have persisted, workers and poor communities are becoming disillusioned with the basic compromise, and this has led to rising workplace and community protest – and concerns from business about property rights... if it fails with regard to fundamental issues of South Africa such as poverty and inequality, NEDLAC has become irrelevant (Interviewee with a former coordinator at NEDLAC, 29 April 2014).

Currently, NEDLAC is facing persistent disagreement on how to bring about a more equitable society. Under the circumstances, it seems that the state has played a leading role in

coordinating agendas. Agendas are driven largely by government policy and drafts, these do not necessarily represent labour's perspective. From the early 2000s, it was pointed out that not NEDLAC but the government is the main driver of the policy-making process (Interviews with a former coordinator at NEDLAC, 29 April 2014).

There are various actors involved that can influence policy such as the National Treasury, the Presidency and the Department of Economic Development and other departments. Organised labour and organised business including SMEs and the public through the agency of the press, are other partners in the decision-making process. From the government side, it seems that the National Treasury is one of the most important stakeholders since they design economic policy and they will be responsible for allocating the funding once the policy is implemented. The Minister of Finance is another actor since he announced the possible implementation of a youth wage subsidy in his Budget Speech, so he has an interest in its implementation. The Presidency coordinates and ensures coherence in policy development and implementation. The ETIA is the outcome of direct and indirect collaboration with various inter- and intra-departmental committees including a relatively high level of government officials such as the Ministers, Directors and Directors General of the National Treasury, Economic Policy, Labour and Finance. Their coordination or bargaining power seems much higher than that of labour which opposes the Act.

There has been scepticism with regard to NEDLAC's influence on policy (CDE, 2000:48). CDE (2000:48) provides detail with regard to the policy-making process, and describes the place of NEDLAC in the government's policy-making process. NEDLAC's influence is confined to the first stages of "initiatives, investigation, expert proposals, cabinet approval of green papers, public comment, drafts of the official position, cabinet approval, and

consideration at NEDLAC”. However after these procedures, NEDLAC has no impact on, “state law adviser processes, Parliament portfolio committees, Parliament, departmental stages (preparation for implementation) and promulgation”. It should be noted that even though the government took the initiative in the case of the ETIA, , the implementation of the policy requires broader consultation across a number of other societal actors and NEDLAC was supposed to play a role in the process, but this aspect was ignored by the government.

Also, the incapacity of NEDLAC during the negotiation process such as its lack of facilitation skills when identifying and removing obstacles at the chamber level, was pointed out. In the same context, interviewees point to various issues ranging from the necessity to strengthen the position of the secretariat, to shortcomings in the management committee’s administration including delays in convening meetings, the non-sharing of minutes, and insufficient information gathering. Furthermore, it was suggested that NEDLAC itself should increase its negotiation capacity vis-à-vis actors at government level (Interview with a former coordinator at NEDLAC, 29 April 2014)

Another problem is that the implementation of agreements outside of legislation remains questionable (Interview with a former coordinator at NEDLAC, 29 April 2014). As mentioned earlier, there is consensus on NEDLAC’s contribution in the first five years from 1995 to 2000, however, poor implementation is pointed to as an aspect that negatively affects NEDLAC’s credibility.

At NEDLAC Chambers, there are detailed discussions of policies and legislation and these have led to visible improvement in many laws, however, these efforts have been overshadowed by poor implementation... agreements are reached every 3-5 years, and are

often either vague or not on a requisite scale, and mostly poorly implemented (Interview with a senior COSATU official, 1 April 2014).

On the other hand from the perspective of NEDLAC, the attitude of the other actors is also problematic. The ambiguous attitude of the government could already be seen when the minister of finance, Trevor Manuel, introduced the GEAR strategy in 1996. “The agendas and outcomes cannot satisfy all actors. Participants need to understand this, if they come to NEDLAC, they should understand they have to negotiate” (Interview with a government official, 25 March 2014). In terms of agenda, the state and business feel that labour is not realistic and labour feels that business undermines the corporatist institution by lobbying separately.

The reality is that while the state and business dominate at NEDLAC, labour is placed in an inferior position. This imbalance has negatively affected the dynamics of the relations among them. It is seen that business has been increasing its power at the negotiation table, based on its organisational capacity. Business has exercised its influence on policies through various institutions. After democratisation, advisers and think tanks continuously influenced presidents. Compared to labour and the government, it is seen that business has technical expertise including (committed) leadership, knowledge of the economy, and experience. However, business has also faced internal problems such as growing cynicism amongst the members. Also there are divisions between sectors. These have fragmented the organisation itself and often weaken mandates, some major constituents would prefer to lobby separately (Interviews with a government official, 25 March 2014).

With regard to the government, representatives from government have “technical depth, dedicated policy capacity, and legitimacy” (Interviewee with a former senior coordinator at

NEDLAC, 29 April 2014). Based on this it has dominated at the negotiation process. However, it also has several weaknesses. Government technocrats lack negotiation training and are not motivated for engagement, for example, representatives lack clarity about why they have to engage. In addition to this, there is no common strategy toward other societal partners, in other words various department are not always in agreement internally (Interviewee with a former senior coordinator at NEDLAC, 29 April 2014).

On the other hand labour has a relatively clear goal and perspective based on centralised organisation. However, it has faced growing cynicism and militancy amongst its members. The fragmentation of labour along with ideological differences and strategies has been pointed to as one of the biggest problems that labour should overcome. With regard to the ETIA directly, waiting for clarity of the general secretary issue is aggravating uncertainty at the moment (see Footnote 29), thus there is no internal coordination. One of the major problems that was identified during the interviews is that labour lacks a clear strategy toward business and sometimes government. “Labour does not see policy as its core function. Among labour there is often no clarity about what they can compromise on. Under the circumstances, it is easier for labour to say no since government will go forward anyway” (Interview with a former labour unionist incorporated into the government, 25 March 2014). This reactive attitude was already pointed out by Gostner and Joffe (1998:144-146), arguing that labour representatives have not succeeded in moving from a reactive mode of operation into a proactive mode.

Furthermore, lack of capacity of labour at the negotiation process is criticised. “Labour should send more senior and experienced people that can represent its interest” (Interview with a former labour unionist incorporated into the government, 25 March 2014). “All COSATU

people in parliament need to speak with one voice but it's not like that now" (Interview with a senior NUMSA official, 1 April 2014). Even though the influence of NEDLAC has decreased, labour still wants to use NEDLAC to further its interest and to benefit from social dialogue. However, it seems that there is no coordination from the labour side in the first place. This prevents them from representing labour's interest vis-à-vis the state and government.

As discussed above, each actor has strengths, it can also be seen that all of them have weaknesses in common, they are lack of capacity for engagement, and lack of the ability to sell compromises to their members. It seems that these shortcomings have made discussion itself difficult. In the end, the deficiencies have raised the transaction costs of social dialogue for the actors.

The enactment of the ETIA and conflict between the state, business and labour are a reflection of the current dwindling status of the corporatist institution of South Africa and it seems that there are also underlying problems at NEDLAC. With regard to the Act, COSATU has argued that older workers will be retrenched as a result of employers opting to employ young workers in order to benefit from the incentive, also that the Act itself cannot be a fundamental solution of the unemployment issue of South Africa. According to the state and business, labour's argument is based on no evidence and they contend that not all workers are replaceable. Proponents of the Act argue that labour wants to protect only its own members. They accuse labour of not seeing the broader picture and issues related to communities and the political environment. Colland (2006) describes the unfeasibility of the reversal of act saying "once a decision or a policy view is published, it is hard to get a substantial reversal", the ETIA is now out in the street whether labour agrees or not, and each actor is waiting to see how it will manifest.

While looking at interaction between the actors and exploring each actor's perspective on the corporatist institution, it seems that first and foremost, in the South African context, NEDLAC can only work if it also helps overcome inequalities in the workplace as well as in society overall. Also, even though each actor possesses weaknesses, if there is genuine discussion on a certain issue and proper implementation, NEDLAC can be a platform that is conducive to the welfare of labour and furthermore the entire working class. The corporatist institution was able to shape and influence 'products' of the system in the past. However, at present the resurrection of NEDLAC seems a daunting task. From the perspective of labour, its opinion was not incorporated during the ETIA decision-making process, NEDLAC was deliberately bypassed by the state. This imbalanced relationship between the actors has impacted on corporatism in South Africa, and the future prospects are not bright.

3-4. THE SHIFTING BALANCE OF POWER BETWEEN THE STATE, LABOUR AND BUSINESS

The two issues comprising the case study of this research project show that NEDLAC has not functioned properly as a social dialogue mechanism. During the decision-making process of macro-economic programmes and the ETIA, it was seen that labour's perspective was not incorporated and that the state pushed agendas forward unilaterally. It was also seen that business benefitted from this. Along with NEDLAC's own institutional capacity, the imbalance of power among the actors negatively affected the corporatist institution in South Africa. In this section, the focus is on the factors that, together with globalisation, impacted on the imbalance in the context of the labour movement in South Africa. Also, there is an attempt to explain why corporatism still exists even though it does not work.

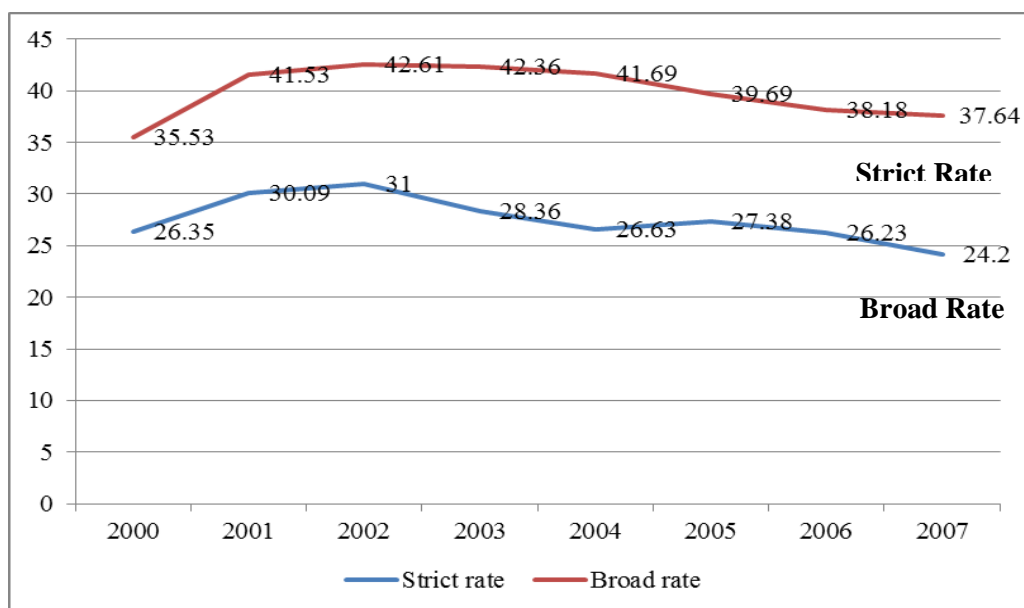
3-4-1. OVERVIEW OF LABOUR MOVEMENTS AFTER DEMOCRATISATION

Democratisation involved changes in the relation between the state and societal actors. Under the apartheid system, the state was the only actor that was able to mobilise societal actors; this became the driving force of the economic growth of South Africa, and it was done by suppressing labour. However, after democratisation, the state, which used to have exclusive power, had to incorporate labour and the interests of labour had to be considered. South African labour gained considerable political influence through the tripartite alliance with the ANC and the SACP right after democratisation. This stands in contrast to what happened in South Korea, where it took more than a decade for labour to form a political party after democratisation and where its influence in politics is still insignificant compared to that of COSATU (see Chapter 4). One of the prominent examples indicating the power of COSATU was the presidential election in 2007. At that time, then Deputy President Jacob Zuma received considerable support from COSATU and this largely helped Zuma come into power. There were a number of matters to take into consideration when choosing between Mbeki and Zuma, especially the fact that Zuma faced corruption charges, which put him at a disadvantage in the presidential bid. Also, “the need for continuity in the policy process and machinery of government created under Mbeki” made some who wanted stable policies, inclined to Mbeki (Butler, 2007:48). However, some commentators including Butler (2007) note that Mbeki fell out of favour with COSATU and this played a significant role when Zuma was elected in the place of Mbeki as president of the ANC.

South African trade unions are considered to be highly politicised. COSATU, the biggest affiliation, having 2.2 million members (by 2012), has played a significant role in elections since democratisation and this has become a source of power for labour (COSATU, 2013).

However, this relationship has not produced any visible policy outcomes. Structural unemployment, widespread poverty, and gross inequality still persist in the country. Therefore, the close relationship between the state and labour is seen as only a temporary contract with the ruling party aiming to win elections. Labour's influence in terms of policy-making does not seem significant.

Figure 3.2. Strict and Broad Rates of Unemployment²⁶ 2000-2007 (%)



Source: Labour Force Survey September, 2007; Statistics South Africa, 2007.

Also, looking inwardly, it is possible to observe that labour itself has become fragmented and this does not help strengthen its power. The so-called Marikana crisis is the prominent example of this. The town of Marikana in the North West Province in South Africa made international headlines in August, 2012. The Marikana mine owned by Lonmin is the third

²⁶ The broad-sense unemployment rate takes those desiring work but not looking for a job into consideration. The strict-sense unemployment rate takes the percentage or number of people who are involuntarily unemployed, into consideration. Since 1998, Statistics South Africa (Stats SA) has adopted the 'strict' measure of unemployment as the official measure for South Africa to be counted, an unemployed person must have "taken active steps to look for work or to start some form of self-employment" (Stats SA, 1998: 1).

biggest platinum mine in South Africa. When police opened fire on members of the National Union of Mineworkers (NUM) and killed 34 miners engaged in a strike action, the incident sparked both domestic and international outrage and a national commission of enquiry was set up to investigate. The incident has become known as the Marikana massacre (*Mail and Guardian*, 14 August 2012).

In addition to the cruelty and brutality of the state's use of police power to repress workers, it was revealed that the rivalry between NUM and the Association of Mineworkers and Construction Union (AMCU) underlie the incident. After the incident, there has been on-going violence in the area, with clashes between the two rival unions manifesting at the mine. It has been alleged that NUM, which used to represent workers' interest has been co-opted and compromised. Workers see the union as captured by management. In other words, as trade unions grow bigger, they become closer to articulating the interests of management and at the same time drift away from the interests of their membership. AMCU saw this as a great opportunity to make a breakthrough to expand their power base since it is difficult for new unions to make an impact in the workplace, because labour regulations protect hegemonic trade unions (*Mail and Guardian*, 14 August 2012). This is in line with COSATU's principle of "one industry, one union, one country, and one federation". This was aimed at preventing unnecessary competition between unions by gathering them under one big umbrella union. However, according to Borat and Oosthuizen (2012), the Marikana incident highlights the shortcomings of NUM. NUM failed to represent its membership and this resulted in the growth of the AMCU, a non-COSATU affiliate, an independent union. The mine workers' concerns and demands easily came to be channelled through this new union and this led to conflict between the old and the new unions. This contributed to the fragmentation of labour

power, which again negatively affected the influence of labour at the negotiation table vis á vis the state and business.

Another problem that has weakened the power of labour is related to the use of casual workers (Bhorat and Oosthuizen, 2012). Mining companies in particular are increasingly using subcontractors, as they attempt to reduce the number of permanent staff and reduce costs. The sector has suffered from under-investment as rising costs, political and policy uncertainty and most recently talk of nationalising the mines, has made the mining industry in South Africa a less favourable investment destination. As a result, miners are hired as temporary or casual labour. In this situation, it is hard for workers to push for their rights in the face of the possibility of losing their jobs. This has affected the unions' ability to organise members and as a result it has become difficult to build workers' collective solidarity. Not having any means to improve their working conditions, workers turn to violence in order to forge workers' collective solidarity.

With regard to the tragic event of Marikana, the ILO (2012) asserted that NEDLAC should have played a significant role (ILO, 1 October 2012). However, despite the wide news coverage of the event, NEDLAC does not seem to have paid much attention. This directly reflects the lack of capacity of the corporatist institution of South Africa, which was supposed to create a space for discussion among all the related actors and encourage them to reach consensus.

3-4-2. THE WANING POWER OF LABOUR AND THE CONSEQUENCES

After democratisation, labour's diminished power is clear. The high unemployment rate and the growing number of casual workers is an indication of this. As can be seen below, the unemployment rate has not improved since democratisation (see Table. 3.5.). The higher the unemployment rate, the lower the workers' bargaining power, since many workers stay outside jobs and unions.

Table 3. 2. Unemployment Rate in South Africa

	Narrow definition			Broad definition
	Male	Female	Total	
1993	11.9	15.8	13.6	31.2
1997	17.3	26.5	20.5	36.1
2001	25.3	33.3	28.9	40.8
2005	22.2	31.3	26.4	38.3
2008	17.1	30.1	23.4	28.9

Source: Leibbrandt et al., 2010. p10.

Also most workers live on poverty wages; therefore they are likely to use the labour movements to advance their immediate interests. During my interview with unionised petrol attendants ahead of nation-wide strikes in September 2013, one of them reluctantly gave his reason for joining as “if you not join them, you do not gain anything” (Interview with petrol

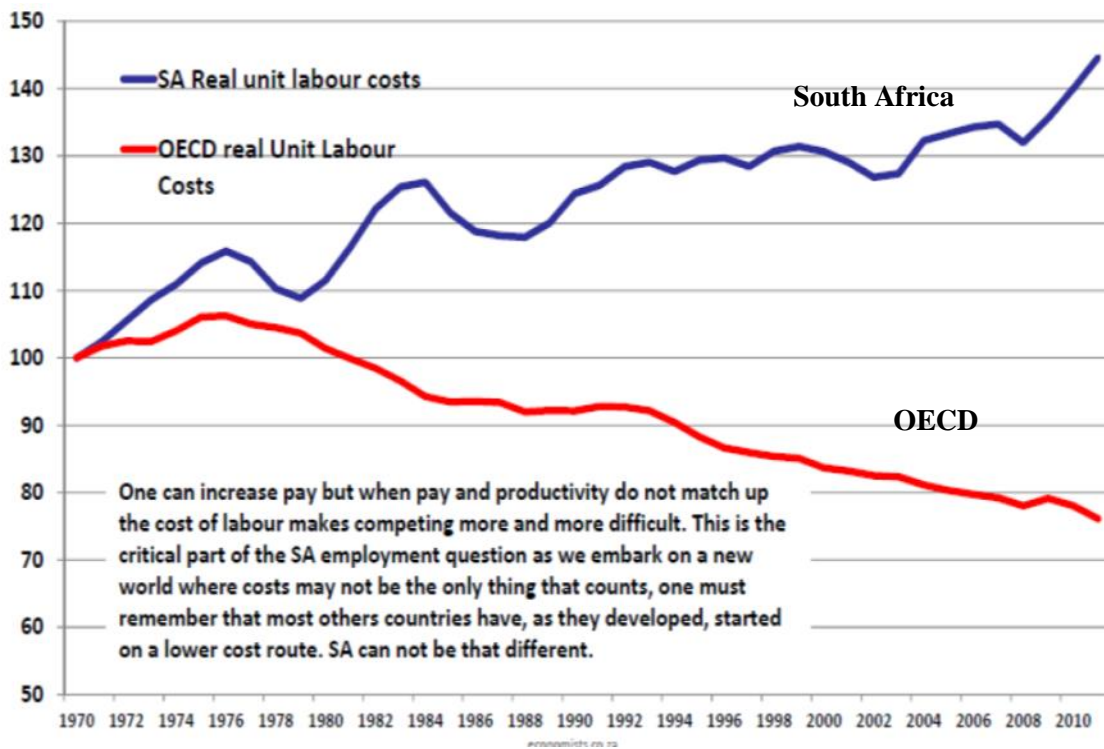
attendants affiliated with the National Union of Metalworkers of South Africa. 17 September 2013).²⁷

Labour's strong collective power has been often misused and furthermore it has had a negative effect on the South African economy. Unions in South Africa are strong in terms of strikes capacity and they are able to negotiate higher wages. However, it has been pointed out that this is not always accompanied by higher productivity and an increased skill level. According to South African Reserve Bank (SARB) (2000:13), between 1995 and 1999, labour productivity increased by a total of 18.4 per cent, whereas unit labour costs increased from 100 to 128.5 over the same period. South African real unit labour costs are much higher than those of OECD member countries and the gap has become wide.²⁸ This has led to foreign investors preferring other countries such as China and Southeast Asian countries that can provide cheaper and relatively well educated labour. Also, it is noticeable that the main concern of foreign investors is a strong labour union and low labour productivity, which deter investment. This has created a negative image of South Africa as an investment destination.

²⁷ The interview with these petrol attendants was conducted in the Stellenbosch area. 17 September, 2013. The interview was non-structured and was initially meant to be brief. However, one of the informants introduced his colleagues and it was possible to schedule another interview with them which helped the researcher to receive in-depth information about the background of the strike, their perspectives towards union leadership and relationship between labour and the ruling party ANC.

²⁸ OECD member countries are mostly developed countries; however, there are several countries that have a similar political economic status as South Africa at the global level. For example, Mexico and Turkey are often seen as emerging economies, like South Africa.

Figure 3.3. Real Unit Labour Costs Comparison with OECD



Source: OECD, 2012.

Figure 3.4. Wages and Labour Productivity of South Africa



Source: Statistics South Africa, 2012.

According to Figure 3. 3. and Figure 3. 4., labour productivity has been falling since 1995, whereas real wages have been rising. These two factors together explain why employment has been falling in the private sector.

There is another feature that weakens the power of labour in South Africa. Webster and Buhlungu (2004:41) point out that although there are large numbers of unions and union federations in South Africa, these federations are highly decentralised and fragmented according to race, occupation and political affiliation (Maree, 2011:20). Under these circumstances, it is hard for them to aggregate collective power and play as one united actor. However, labour is strong when it comes to mobilising strikes, which can become destructive and has influence on the ANC; however, it fails to set an agenda and to gain benefits for labour as a whole. In the successful corporatist experience of some Western European countries, the equilibrium among actors is one of the important factors that make corporatism work. However, labour itself in South Africa has lost power due to internal reasons, such as a decrease in membership (see 3-4-4 and Table 3.8.) and the decentralisation of unions.

Membership of COSATU reached to 2.2 million in 2012 (COSATU, 2013). From 1994-1997 COSATU grew by 43 per cent as a result of the affiliation of 3 new affiliates namely POPCRU, DENOSA and SASBO during this period. However, from 2000-2003 COSATU lost 5 per cent of its affiliates' membership, this was during a period of massive job losses when many affiliates suffered losses. Until 2006, COSATU's growth rate was 4-7 per cent and from 2009 COSATU grew by 11 per cent. This is due to the growth of public sector unions even though there were significant shifts in the composition of COSATU membership due to retrenchments in the private sector. The remarkable growth of the public sector could maintain a certain level of membership (State of COSATU Affiliates Report, 2012).

Despite the increase in membership due to the growing number of unions in the public sector, union density has begun to decline steadily. Even though union density is still relatively high in South Africa, it is low compared to in the 1990s when it reached more than 50 per cent. For example, union density reached 57.5 per cent in the private, non-agricultural sectors of the economy in 1996 (Maree 2009:4).

Table 3. 6. Union Membership

	1991-94	1994-97	1997-2000	2000-03	2003-06	2006-09	2009-12
COSATU	1,252,000	1,791,000	1,869,000	1,768,000	1,841,400	1,974,074	2,191,016

Source: COSATU, 2013.

Table. 3.7. Proportion of sectors in COSATU

Year	Manufacturing (%)	Services (%)	Public (%)
1991	78%	16	6
1994	66	16	18
1997	52	17	31
2000	43	16	40
2003	42	16	42
2006	42	18	41
2009	40	18	43
2012	41	17	42

Source: COSATU, 2014.

Table.3. 8. Union Density

Year	South Africa	South Korea
1988	-	17.8
2001	30.6% 70.1% (public sector)	12
2005	30.1% 68.4% (public sector)	9.9
2006	29	10
2009	30	10
2010	26.3 74.6% (public sector)	9.7

Source: Authors' calculations based on Labour Force Surveys (2001, 2005), Quarterly Labour Force Surveys (2010, 2013), Bezuidenhout (2000) and OECD.

Related to this, the South African labour market has been characterised by “externalisation, informalisation and casualisation” and these affect the weakness of collective bargaining (Maree, 2011:12). Under these circumstances, many commentators such as Buhlungu (2008:37) question the representativeness of COSATU, saying that labour is isolated from the unemployed, which make up the majority. Furthermore, trade unions are criticised for pursuing only their own interests. The lack of democratisation inside labour has been pointed

out as another problem. All in all, labour has faced internal and external challenges that have weakened its power vis-à-vis the state and business.

Lacking a proper medium, labour has chosen another option to exercise its power. In other words, labour pushed forward its interest by using the tripartite alliance. This has in turn weakened the status of NEDLAC. Furthermore, the influence of labour within the tripartite alliance is not regarded as equal. According to Plaut (2010:208) the tripartite alliance is seen as an “ANC-led alliance”, and COSATU and the SACP have been outpaced by the ANC. The ideological differences among them have widened, especially since President Mbeki pushed forward neo-liberalism. Political commentator, Tim Cohen foresees that COSATU will continue to grow weaker in its relationship with the ANC. At the time of writing in 2013, the scandal involving the COSATU leader, Zwelinzima Vavi, is likely to aggravate this (*Business Day*, 6 May 2013).²⁹

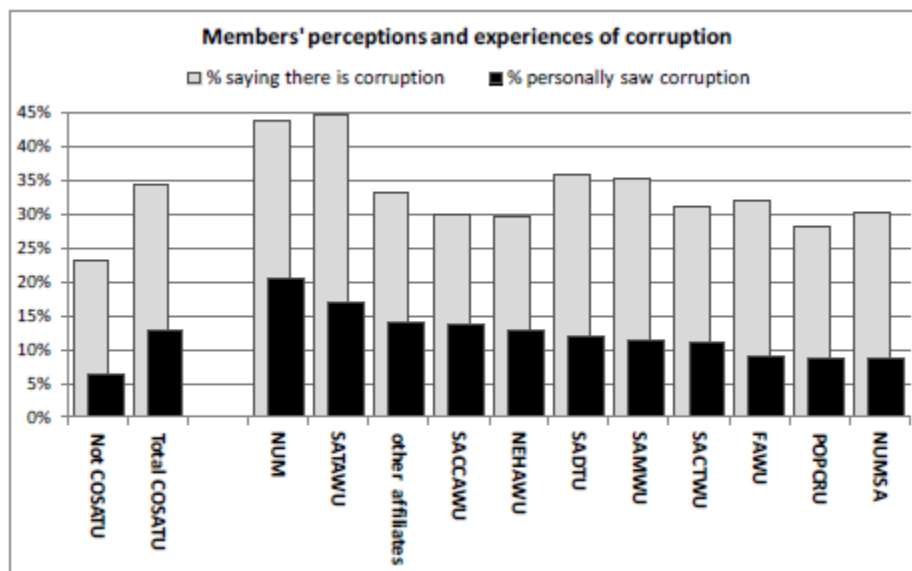
Along with the scandal above, which negatively affected the external credibility of labour, labour has had internal problems between its leadership and shop floor members. Hirschsohn (2011) argues that “the control of the union” has moved from shop floor members to their officials. Shop floor members feel that the leaders are remote, which is linked to dissatisfaction with their political representatives. A trade union member at shop floor level also stated during the interview:

²⁹ The General Secretary of COSATU, Zwelinzima Vavi, has been suspended after being involved in a sex scandal. He has already been accused of corruption related to the sale of COSATU’s old premises. This will decrease labour’s credibility, furthermore it could create a leadership void until COSATU elects a new leader and settles internal conflicts between Vavi’s opposition and his supporters.

As soon as they become high level, they are far away from us, also they buy a new house and a new car within a few months, they used to be our neighbours. But not any more... (Interview with a member of the National Union of Metalworkers of South Africa).³⁰

This tendency was also highlighted by Bezuidenhout in *Union Leaders and Social Distance: NUM and NUMSA Compared* (Presentation at Stellenbosch University, 6 March 2012). The figure below shows the rampant corruption in unions.

Figure 3.5. Members' Perception and Experiences of Corruption



Source: COSATU Workers' Survey, 2012.

Emery (2006:6) argues that after democratisation labour could gain “collective bargaining rights”, “political inclusion” and “formal racial equality”. The achievement of these rights can be seen as triumph for labour; however, this is only half of the picture. Despite the political influence gained after democratisation, labour has not been able to achieve full-fledged “social justice” and “racial equality”; socio-economic inequality lingers on. Labour’s political

³⁰ This interview was conducted in Bellville, Western Cape. 15 March 2012.

power has not led to economic policies that have brought about more tangible benefits for workers. Under the circumstances, labour has lost internal credibility and experienced fragmentation.

3-4-3. GLOBALISATION AND ITS IMPLICATIONS FOR LABOUR

Corporatism has not functioned in South Africa. Labour's perspective has not been incorporated; other actors, especially business, have shown unwillingness to cooperate and the state has taken a unilateral attitude in terms of introducing and implementing macro-economic programmes and the ETIA. The question remains: why does the corporatist institution still exist?

In the case of post-apartheid South Africa, the fact that the state incorporated labour and business in the framework of corporatism can be seen as establishing a new institution, in order to resolve problems that the newly-elected government encountered. Within a corporatist institutional framework, it was expected that the state and other two major societal actors would discuss the problems that the new South Africa faces within the corporatist institutional framework and seek the solutions together. It was also expected that the state and societal actors would empower each other after democratisation. However, the situation manifested differently. After democratisation, business has increased its influence and dominated various issue areas. Their arena has become wider since they incorporated the new black middle class and black business. Related to industrial relations, it might mean transforming workplace practices and working toward equity, and furthermore, efficiency, and productivity. However, the state reincorporated the old dominant group and business encroached on the arena of the state. This heavily affected the other societal group, labour.

The globalisation of South African businesses has had a great deal of impact on the workplace and ultimately the labour movement. Retrenchments which are derived from competitive pressures in domestic and global markets have led to growing unemployment. Also, globalisation has restructured the form of work ranging from full-time workers to casualised, externalised and informal workers. This has greatly influenced the labour movement since the ability to sustain membership levels has been threatened by the unions' inability to organise these marginalised workers. This has become one of the reasons for the labour movement's decline (Von Holdt and Webster, 2008:335).

Table 3. 9. Big Businesses in Africa

Rank	Company name	Country	Industry	Value (Millions US\$)
1	BHP Billiton	South Africa	Mining and Metals	71,595
2	Anglo American	South Africa	Mining and Metals	54,351
3	SABMiller	South Africa	Consumer Goods	35,051
4	Sasol	South Africa	Oil and Gas	32,019
5	MTN Group	South Africa	Telecom	29,518
6	Kumba Iron Ore	South Africa	Mining and Metals	19,412
7	Standard Bank Group	South Africa	Banks and Financial	16,407
8	Anglo American Platinum	South Africa	Mining and Metals	14,299
9	FirstRand	South Africa	Banks and Financial	14,021
10	Itissalat Al Maghrib	Morocco	Telecom	13,834
11	Naspers	South Africa	Media	13,816
12	Absa Group	South Africa	Banks and Financial	11,365

13	Anglogold Ashanti	South Africa	Mining and Metals	11,281
14	Impala Platinum	South Africa	Mining and Metals	11,043
15	Dangote Cement	Nigeria	Construction	10,565
16	Sanlam	South Africa	Insurance	9,885
17	Shoprite Holdings	South Africa	Retail	9,164
18	Old Mutual	South Africa	Insurance	8,094
19	Attijariwafa Bank	Morocco	Banks and Financial	7,804
20	Gold Fields	South Africa	Mining and Metals	7,580

Source: African Business, 2012.

Table 3.9. above lists the biggest businesses on the African continent. Most of them are South African. It can be seen that these businesses have been operating since the apartheid period and have maintained their top positions to date. In other words, the old dominant societal actors still have a strong influence on the South African economy.

Nearly two decades after the corporatist institution was adopted, it is necessary to evaluate whether it has delivered on what it was expected to bring about. At the time of writing in 2014, the corporatist institution in South Africa is under pressure and many question the relevance and effectiveness of NEDLAC as a social dialogue forum (*Business Day*, 12 October 2012). According to Bassett (2004:554), NEDLAC faced demise in 1996 and it gained driving force in 2003 along with a Growth and Development Summit asking all societal actors to commit to rebuilding the economy. However, it does not seem to be playing a significant role at the time of writing in 2013.

As many scholars have pointed out, the corporatist institution in South Africa was established to achieve political stability during the transition period (Handley, 2000:235). South Africa was at a crossroads between cooperation and conflict, especially, during the transition period. The economy was stagnant; corporatism was one of the few viable options for the state, business and labour in order to bring about socio-economic stability by means of the cooperation of these three actors. Labour was expected to become an equal partner vis á vis the state and business. However, the corporatist institution in South Africa did not provide labour with a platform to discuss related issues and find a way to, together with other actors resolve various social issues. Natrass and Seekings (2001) argue that labour played an important role in the democratisation period, it has nevertheless become side-lined. The most prominent example is the adoption of GEAR without any consultation with labour and the lack of capacity in bringing about reform through NEDLAC (Natrass and Seekings, 2001:495). This tendency to marginalise labour at NEDLAC, is again seen during the negotiations around the ETIA.

3-5. AN ASSESSMENT OF CORPORATISM IN SOUTH AFRICA: THE ISSUE OF LEGITIMACY

In spite of the initial enthusiasm following its establishment, NEDLAC is now considered not to have achieved what it was intended to, namely aggregating the state and societal actors' interests, promoting democracy in South Africa, and developing the socio-economic conditions of the country. The interest of labour particularly, has not been fulfilled. The state-society relations of South Africa have not transformed fundamentally. In this situation, the corporatist institution has lost ground gradually.

In 2012, the Department of Labour argues that a “serious and intensive broader policy debate” is needed amongst the social partners on the “continued relevance” of NEDLAC. According to Alistair Smith, NEDLAC’s Executive Director, there exists criticism that NEDLAC should be abolished. However, he argues that it should be repositioned, adding that: “factors that impact on NEDLAC’s performance include the commitment by partners to social dialogue, tensions among partners, as well as the capacity of the institution”. He also emphasises the importance of consensus of all participants “agreeing on the rules of engagement in the interest of accountability” (*Business Day*, 12 October 2012). The necessity of the repositioning of NEDLAC was also suggested by interviewees.

The main question raised during this dissertation is why NEDLAC has not functioned properly. The imbalance between the state, business and labour seems to have a large influence on this. To some extent, labour had an influence on labour policy; however, it is assessed as limited. Furthermore, macro-economic programmes have not achieved their goals. This begs the question: why do state and societal actors continue to maintain the corporatist institution?

First of all, one of the most significant direct results which the state gained is connected to “legitimacy” of its actions. The newly created government under Mandela, in particular, needed to have legitimacy from inside and outside the country. Many were concerned about the future of South Africa right after democratisation, because in many other African countries there had been dramatic upheavals right after social transition and they were concerned that South Africa would follow the same path. Through corporatism, the state could gain domestic legitimacy furthermore increase its effectiveness in the implementation

policies. In other words, the state could maintain social control over other societal groups indirectly through the corporatist institution (Lundahl and Petersson, 1996).

Secondly, for societal actors such as business and labour, the fact that they could have access to the decision-making process, and finally affect the outcomes of the policies was the biggest motivation to participate. Furthermore, these two actors could increase their power by being recognised, since this would increase their membership, which would in turn strengthen their own institutional power (Lundahl and Petersson, 1996). However, as mentioned earlier, the participants were suspicious, and this influenced the way they positioned themselves at the negotiation table, which consequently prevented them from discussing various agendas in an in-depth manner and from reaching substantive agreements.

Nevertheless, Lundahl and Petersson (1996) realise that all participants are in the learning process and they need time to learn how to reach compromises. Lundahl and Petersson (1996:37) highlight that this will be the most significant contribution of NEDLAC. However, Lundahl and Petersson (1996:38) argue that when corporatism represents the majority of the population, it has positive consequences; in that aspect, NEDLAC has failed. Also, interviewees point out that as long as issues like poverty, inequality and unemployment are not resolved through NEDLAC, it will be difficult to maintain legitimacy.

It can be observed that there are several factors that lead to NEDLAC not being functional. First and foremost, there is no balance between the actors, labour in particular has not been treated as an equal partner. Even though it has gained some benefits through wage bargaining, the limited number of labourers that belong to unions, means that large numbers of the population have been excluded from the limited benefits that labour achieved from NEDLAC.

Bassett (2004:551) points out that there is lack of political support towards NEDLAC saying that: “the ANC government never saw NEDLAC as an institution to develop policy or even to influence it significantly, but, rather as a means to generate support for the government’s programme”. Through this statement, it is possible to see that NEDLAC’s recommendations were probably never going to be regarded as serious. Bassett (2004:545) argues that: “NEDLAC has been marginalised from most policy-making processes”. In terms of the macro-economic framework, NEDLAC was not endowed to play a role in the monetary policy because the South African Reserve Bank and Trevor Manuel, who have significant influence, are not interested in NEDLAC. As a result of this indifference on behalf of the state, labour relations were entirely handed over to business and labour (Bassett, 2004:551). Bassett (2004:547) argues that business was not interested in negotiation with labour after the adoption of GEAR by the state. From the point of view of labour, the situation is that the state is not interested in a discussion with labour and that business feels that there is no need. This has resulted in labour choosing to resolve the problem, not through this corporatist institution, but through the tripartite alliance, as well as through resorting to violence.

Secondly, NEDLAC itself has faced challenges at an organisational level and it seems to have failed as a social dialogue mechanism. NEDLAC has also experienced corruption and problems at an organisational level. There are several internal problems at NEDLAC, as well and this may have affected the lack of willingness amongst the three actors. According to the Executive Director of NEDLAC, Mr Alistair Smith, it might be short-sighted to close NEDLAC; however, NEDLAC should rather recommit itself to its founding values and foster strong social dialogue (*Sunday Independent*, 9 September 2012). With this institutional feature, it is difficult for NEDLAC to reflect the reality of South Africa.

3-6. CONCLUSION

Right after democratisation, South Africa has adopted corporatism, which is a form of social partnership. The state-societal actors' relations were seen as "collaborative" and with a "development-oriented focus" (Ballard et al. 2005). However, the corporatist institution in South Africa fell short of this expectation as time went by. Turok (2008:80-88) argues that, in the process of achieving democratisation, the role of labour was significant; however, the state had to later incorporate the demands of numerous actors such as: the Development Bank of South Africa, the Consultative Business Movement, and the South African Chamber of Commerce from the business sector, and furthermore, international actors such as the World Bank. Along with globalisation and in order to attract foreign investors for job creation and poverty eradication and to achieve economic growth, it was imperative for the state to incorporate these actors' demands and their prescriptions into the policy. As a result, GEAR was introduced and the RDP discarded. The logic of GEAR was to boost investment by cutting government expenditure on social welfare. However, cutting government spending did not result in investment as was expected, instead the results were negative.

From RDP through GEAR, ASGISA to the NDP, labour's position has been marginalised in terms of the policy-making process. Since GEAR highlighted the flexibility of the labour market, many workers have become casual workers, and it has been difficult to organise these workers into a union. Furthermore, various projects on job creation could not play any significant role in reducing the unemployment rate. At this juncture, it is notable that labour did not use NEDLAC as a discussion channel with the state and business; rather, it uses the channel of the tripartite alliance comprising the ANC, the SACP and COSATU. Labour uses its power to influence the ANC and create favourable conditions for themselves. Even though

labour was influential at NEDLAC to some extent, in terms of labour market policy-making, the state is the final decision-maker and the key player in implementation; therefore, the perspective of labour is not fully reflected.

All in all, the corporatist institution in South Africa seems to have been adopted to manage political and economic crises during the transition period. Despite the optimistic expectations, NEDLAC has failed to promote the developmental goals set out for it and seems to have lost credibility as an arbiter of social dialogue. Corporatism in South Africa has failed for the following key reasons:

- The balance of power among actors has become asymmetrical and this has negatively affected corporatism in South Africa. Labour's demands were not incorporated, especially demands with regard to policies that can affect labour. This could be seen from the beginning, when the state discarded the RDP and adopted the neo-liberal GEAR without any consultation with labour. Recently, the enactment of the ETIA shows that NEDLAC was bypassed by the state and business despite labour's outcry.
- The influence of labour was largely affected by neo-liberal economic policies, especially the highlighting of a flexible labour market. Due to this, labour unions have lost a significant number of members. Furthermore, labour itself has faced internal problems such as corruption and fragmentation, which negatively influenced its credibility.
- NEDLAC itself has its own problems as an organisation. It has been accused of a lack of institutional capacity and accountability. In this context, it is difficult for NEDLAC to play the role of a social dialogue institution in South Africa.

CHAPTER IV. CORPORATISM IN SOUTH KOREA

4-1. INTRODUCTION

In this chapter the corporatist institution, the KTC in South Korea will be examined. The main focus is the relation between the state, business and labour within the corporatist framework. Firstly, the history of corporatism in South Korea will be discussed. In South Korea, corporatism emerged in the early 20th century, along with the increase in the number of wage workers as a result of industrialisation. There have been attempts by the state under colonialism and the authoritarian governments, to establish corporatist institutions which would incorporate labour. However, these efforts were made in order to maintain national productivity. The corporatist institution under the authoritarian governments was state corporatism. The financial crisis in 1997 and the IMF bailout programme, which required South Korea to undertake extensive structural adjustment programmes, accelerated the establishment of the corporatist institution.

Secondly, the institutional aspects of the KTC will be examined. The KTC was welcomed by some scholars, policy makers and labour. Facing the economic crisis, South Korea followed suit after its European counterparts. The state, business and labour have their own interests at heart with respect to the establishment and maintenance of the KTC. Bearing this in mind, the structure, functions and outcome of the KTC will be discussed. One of the agendas that was discussed at the KTC will also be examined as a case study. South Korea experienced issues regarding non-regular workers and this led to growing segmentation between regular and non-regular workers, further aggravating social problems including inequality. The KTC

attempted to treat the issue in a serious manner. Thus, how the state, business and labour interacted in the consultation process at the KTC will receive special attention.

Thirdly, the shifting balance of power between the state and societal actors will be discussed. The state mostly overshadows the other societal actors; however, labour has had two major opportunities to hold a dominant position vis-à-vis the state and business, firstly, during the transitional period immediately after democratisation and secondly, after the financial crisis. Labour could not use these opportunities to its full advantage or exert its influence and has become subordinated especially to the state. This is the most significant reason why the KTC could not work. In this context, the reasons why labour could not make better use of these two significant periods will be examined in this section. In conclusion, an overall assessment of the KTC will be provided.

4-2. THE HISTORY OF CORPORATISM IN SOUTH KOREA

In this section, the main focus is on the tradition of corporatism in South Korea. A form of state-corporatism existed before democratisation and the current societal-corporatism was adopted afterwards. In this context, it is also possible to observe the power of labour over time.

4-2-1. THE BURGEONING OF THE CORPORATIST STATE DURING THE COLONIAL PERIOD

Although the formal corporatist institution was established only in the late 1990s, a form of corporatism existed under Japanese colonial rule from 1910 onwards. South Korea, which

was an agrarian society, experienced social change during the colonial period. The Korean economy faced a series of reforms regarding land, currency, and the banking system among others. Industrialisation was one of the reforms that took place simultaneously with the modernisation programme undertaken by Japan (Kohli, 2004).

The Japanese colonial influence on South Korea made a significant impact on the South Korean high-growth path to development. Japanese colonialism, based on extensive use of state power for its own economic development, transformed South Korea in a short period and led to an advanced level of industrialisation (Kohli, 1994:1270). Japan's initial goal was to industrialise South Korea so that the country could add to the further development of Japanese capitalism. For this reason, the mining, transport and maritime industries in South Korea were developed. During this process, a large number of landless peasants were employed. By 1928, daily-wage workers comprised 57.5 per cent (653,552) of all wage workers, with construction and related workers comprising 37.2 per cent (422,543) of the total workforce. In the 1930s, in order to support the Japanese weaponry industries, South Korean manufacturing was rapidly expanded, and the workforce employed by these sectors continuously expanded (Cho Young-geon, 1984: 6-20; Kim Kyung-il, 1992: 45; Yang Sang-hyeon, 1986: 219-220).

As seen from the above, the introduction of industrialisation by the Japanese involved the emergence of wage workers and eventually workers' organisations, mainly in the mining and transport sectors. At that time, some of the labourers were engaged in underground activities, strongly influenced by communism and nationalism. Later, they became part of the national liberation movement; the March 1st Movement in 1919 is one of the significant revolts in which labour was actively involved directly and indirectly (Kang Man-kil, 2004).

Workers' organisations were established for the first time at the national level in the 1920s, as a result of the excessive exploitation and oppression by the Japanese and their associates. Thus, the South Korean labour movement became involved in violence, including demonstrations and workplace sabotage. This tendency has been seen throughout South Korea's history, where labourers did not have the means to access labour laws and policies that could protect them. They saw strikes or demonstrations as a relatively easy way to make their voices heard (Kang Man-kil, 2004).

The development of trade unions gave rise to an increasing number of protests against low wages, poor working conditions and racial discrimination favouring Japanese workers. The number of strikes had increased from 81 involving 4,599 workers in 1920 to 1,608 involving 18,972 workers in 1930 (Kim Kyung-il, 1992: 309). Table 4.1. shows the extent of trade union expansion in Korea in the 1920s. Furthermore, Koo (2001:25) notes that the number of labour disputes in the 1930s was higher than that of the 1960s and the 1970s. As the influence of labour became stronger, the colonial government reacted more harshly. As a result, the labour movement went underground.

Table 4. 1. Number of Trade Unions and Unionists 1920-1935 (Selected Years)³¹

Year	1920	1922	1924	1926	1928	1929	1932	1933	1934	1935
Union	33	81	91	182	488	473	402	334	250	207
Unionist	na	na	na	na	67,220	61,730	52,988	41,836	34,460	28,211

Source: Kim Kyung-il, 1992. p83.

³¹ After 1933, the numbers of unions and unionists declined as the suppression by the Japanese colonial government became stronger (Kim Kyung-il, 1992:83).

4-2-2. STATE CORPORATISM AFTER 1945: SOUTH KOREA'S BURGEONING LABOUR MOVEMENT

When Japanese rule ended in 1945, the Korean Peninsula was strongly influenced by the Soviet Union and the United States. In accordance with the agreement made at the Yalta Conference in 1945, the United States army occupied South Korea, while the Soviets occupied North Korea until the Korean War broke out in 1950. After 1953 when the two Koreas reached an agreement on an armistice, the South Korean state struggled to come to grips with post-war reconstruction. The first president of the newly-formed Republic of South Korea, Rhee Syng-man (1948-1960) was anti-communist and his governing style became authoritarian (Rowley and Yoo, 2004). He managed to take advantage of popular fears and anxieties about a communist takeover, in order to justify his authoritarian rule, which helped the state to effectively mobilise the population. Minns (2001) argues that war is a “state-run” activity: thus, throughout the war the state could strengthen its position. The post-war setting helped the state to maintain strong autonomy. Before democratisation, the successive leaders used the confrontation situation between North and South Korea to justify their authoritarian governing style. The existence of the threat, North Korea, was the historical origin of the strong state of South Korea (Kang, 2002).

During this period, capitalism began to grow within the newly born nation state of South Korea, but business and labour were not mature enough to follow suit and organise themselves (Minns, 2001). Business however enjoyed many benefits. Businesses were given powerful incentives to export, including preferential treatment when obtaining low-interest bank loans, import privileges, permission to borrow from foreign sources, and tax benefits. During this period, it is noticeable that monopolies were formed. Big businesses, so called

chaebols that inherited the assets of Japanese firms, had become significant players in the political economy of the 1950s. Many of these businesses received special favours from the state as mentioned above. The cosy and collusive relations between the state and business started in earnest under President Park (Kang, 2002). South Korea's economy grew rapidly under President Park, and the Economic Planning Board established in 1961 became the driving force. The series of five-year economic developmental plans were developed under the auspices of this state bureaucracy pilot agency and became crucial to South Korea's transformation.

In South Korea, wages used to be entirely determined by employers; thus, labour was always subjected to exploitation by employers (Kim Dong-won, 1993:143). The agrarian Korean economy was far behind that of industrialised countries, and wage workers made up only a rough 10 per cent of the work force. Under those circumstances, it was difficult to develop class consciousness, which negatively affected the labour movement (Gang Shin-joon, 2002:203).

In the 1950s, the labour movement was still at the nascent level and South Korea remained an agricultural state. Korea National Council of Trade Unions was established in 1945 and the right-wing KLFIP was created in 1946 (Rowley and Yoo, 2004). At that time, labour movements in general experienced oppression by the state. However, the KLFIP enjoyed monopoly status by cooperating with the state. Unlike the KLFIP, unions' political activities were banned and there was strong government intervention in labour disputes (Chang Dae-oup, 2006). Under the first republic with Rhee as president, a series of labour regulations were introduced in 1953, including the Trade Union Act, the Labour Dispute Act, the Labour Relations Commission Act, and the Labour Standards Act. Labour had to be organised on the

basis of these laws. However, due to their regulatory characteristics, these laws prevented labourers from forming broad-based organisations (Kim Hwang-jo, 2007). Because of these legal frameworks, the state could control labour. Furthermore, the state and employers publically categorised unions as a danger to social stability and economic growth, whenever firms and factories were disturbed by labour disputes. During the political confrontation between South Korea and North Korea, economic growth was considered top priority and necessary to protect the country. In these circumstances union leaders were often labelled as spies from North Korea. Public perceptions of trade unions were also hostile. Unlike the state and business, which started forming coalitions, labour did not have the capacity either to form coalitions or to mobilise itself vis-à-vis the state and business.

After independence, the so-called April Revolution or the April 19 Revolution in 1960 which was named after the date when it took place, can be seen as the first of many popular movements that demanded freedom, equality and political reform. The Revolution was led by labour and students. After President Rhee took power, South Korean society experienced a decade of mismanagement and corruption. His government failed to make any significant improvement in either the economy or social development. The foreign aid from the United States aggravated this economic dependency. In addition to these problems, Rhee tried to extend his presidency and in this process, the government became repressive towards those that requested free and fair elections, whilst, electoral corruption by the Rhee administration took place. This led to nationwide demonstrations, which continued until Rhee finally had to step down in 1960 (Chang, Dae-oup, 2006). South Korea inherited authoritarian legacies from colonial times and these continued after independence. However, the April Revolution shows that the influence of societal actors was growing. According to activist Kim Gun-tae (quoted in Katsiaficas, 2012:138): “since 1960, street protests became a tradition in Korea politics”.

This eventually became a formidable challenge to the state. The April 19 Revolution, heralded the beginning of the democratisation movement in South Korea. For the reasons, Kim Ho-Ki (1993:4) points out that South Korea underwent profound social changes due to the sudden urbanisation after the Korean War. The urban population increased from 3.47 million before the Korean War to 5.28 million as of 1955. Along with urbanisation, several social changes took place such as an expansion of education, in other words, the number of students entering elementary school increased. Also, the increase in the basic educational level of the population contributed to labourers realising that they had rights, criticising their working conditions, and spreading public dissatisfaction and criticism of the dictatorial regime.

Gang Shin-joon (2002:213-226) points out that the number of labour organisations increased in the 1960s. In addition to the number, their characteristics also changed. More labour organisations serving the workers at small and medium sized businesses were established and white-collar workers from the banking sector and the media started organising themselves. Also, the demands from labour became more varied and included the guaranteeing of collective bargaining rights, the establishment of minimum wages, the improvement of working conditions including reinstatement, and the easing of labour regulations regarding walkouts and layoffs. It is also observable that walkouts or strikes manifested nation-wide and individual labour organisations collaborated to enhance their influence.

Nevertheless, Gang Shin-joon (2002:227-228) notes that there were reasons why labour could not become a formidable force during this period. Even though each labour organisation understood the need for solidarity among unions, ideological differences and militancy strategies prevented this from taking place. This still has an influence on the labour movement

in South Korea today. The labour movement in South Korea is largely divided between the FKTU and the KCTU; the KCTU pursues militant activism and the FKTU has a more conciliatory stance towards the state and business.³² The FKTU prioritises the notion of the national economic interest whilst, the KCTU is guided by a socialistic ideology and places greater emphasis on mass mobilisation and struggle. The divide has even influenced trade unions at the local level; in both groups branches are suspicious and hostile towards one another.

Table 4. 2. The organisational differences between the FKTU and the KCTU

	FKTU	KCTU
The point of view approaching labour relations	Used to compromise and collusion, respecting the management prerogatives, cooperative and compromising industrial relations based on collective bargaining	Compromising/uncompromising, challenging management prerogatives, emphasizing resolution through strikes/negotiation, labour management relations in conflict
Power in the workplace	Weak unions, stronger management	Strong union power over workplaces at large firms
The size of company which participates	Mostly small and medium-sized enterprise	Large enterprises in the mainstream

³² The state established a new trade union confederation, the FKTU in 1961. The FKTU was the sole legal trade union in South Korea until the KCTU finally attained legal status in November, 1999. The FKTU was placed under the guidance of the military authorities and is often described as a puppet organisation (Gang Shin-joon, 2002:227-228).

Attitude towards the KTC	Political Compromise and institutional improvements through participation	No participation in the KTC, but insistence on direct negotiation with the government
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Source: Gang Shin-joon, 2002.

The table above shows the different perspectives of the FKTU and the KCTU in terms of labour relations. Also, Table 4. 3. provides the brief organisational comparison between the two union umbrellas. These emerged during my interviews with trade unionist from each of the unions. They seem to agree on the necessity of being united but they are suspicious of their counterparts' motivation. They see each other as competitors rather than partners in the advancement of the interests of the working class as a whole (Interviews with senior officials of the KCTU and the FKTU in December, 2012).³³ The FKTU was initially labelled pro-government, but it has tried to cut the link with the government. This was highlighted when I conducted an interview with a senior official of the FKTU.

Table 4. 3. The Organisational Comparison between the FKTU and the KCTU

Year	FKTU			KCTU		
	Industrial Federations	No. of Unions	Membership	Industrial Federations	No. of Unions	Membership
1995	20	5874	1,208,052	6	862	418,154
1996	20	5616	1,159,906	6	828	479,218
1997	22	3216	1,015,766	20	1147	525,325
1998	24	4185	886,696	17	1283	535,203

³³ The interviews were conducted in Seoul, South Korea. 11-13 December, 2012.

1999	27	4501	888,503	16	1256	564,774
2000	28	3754	872,113	15	1362	614,951
2001	28	3940	877,828	14	1513	643,506

Source: Gang Shin-joon, 2002.

The April Revolution of 1960, one of the most formidable and the first social movement after independence, contributed to the successful mobilising of labourers to campaign for better policies, which would impact their lives directly. However, compared to the democratisation movement in 1987, it did not fully succeed in improving labour conditions. Right after the Revolution, Park Chung-hee led a successful coup d'état in 1961, and the momentum of labour movements decreased rapidly under Park's military dictatorship (Kim Sang-gon, 1995).

When looking at the relations between the state, business and labour during this period, it is possible to observe that South Korea has been a corporatist state since independence. Seemingly, it met conditions for corporatism in terms of the participation of single peak encompassing organisation from business and labour. The right to organise labour unions was guaranteed, however, this was a strategy by which the state sought to control labour (Yang Jae-jin, 2010:453). Nevertheless, this embryo in the 1960s became the cornerstone for the remarkable growth in labour movements in the 1980s. Similar dynamics can be seen in the case of South Africa, the 1976 Soweto uprising and many other similar incidents were eventually conducive to democratisation.

4-2-3. THE RISE OF LABOUR MOVEMENTS BEFORE THE GREAT WORKERS STRUGGLE: TURNING POINT OF THE DEMOCRATISATION PROCESS

After 1960, Park Chung-hee ruled South Korea with an iron fist and the geopolitical circumstances confronting North Korea conferred legitimacy on the Park administration's authoritarian rule. His government was based on a one-party system consisting of a small number of ruling and military elites (Kang, 2002). Under the Park Chung-hee government, the state pushed forward state-directed development, and economic programmes were based on a series of five-year plans (1962-1996). South Korea's "catching-up" with the other advanced economies began and the state played a significant role in advocating for industrialisation (Shin Jang-sup and Chang Ha-joon, 2003:22). This is the period during which South Korea became a developmental state. In controlling civil society, the authoritarian government relied on several instruments: legal instruments such as the National Security Law, the Social Safety Law, and the Law Concerning Collective Demonstrations; and security and intelligence apparatus such as the Korean Central Intelligence Agency, the National Defence Security Command, and the police. By virtue of these agencies and the legal framework, it was possible for the state to mobilise society efficiently. According to Kohli (2004:381), these are good examples of efficient state patterns to foster rapid industrialisation among late-late-industrialising countries. Union activities were limited during the 1970s (Deyo, 1989). Nevertheless, the number of union members increased from 470,000 in 1970 to 1,100,000 in 1979. This became the foundation of the labour movement (Kim Keum-soo, date unknown).

In the course of the economic development of South Korea, the focus of the state was centred on big business. The state contributed to the growth of big businesses by channelling aid or international loans into the big businesses with the assistance of low-interest loans (Kwon

Seung-ho and O'Donnell, 2001). At the same time, the state controlled and subordinated labour. The state succeeded in taming and oppressing labour using police power. In this way, the country could maintain a cheap and abundant workforce (Watson, 1998:229). The state exerted control directly by banning or intervening in strikes, deregistering all existing unions and arresting many union leaders, and indirectly by means of labour laws (Watson, 1998:232).

Labour started showing more awareness of poor working conditions such as low wages, long working hours and industrial accidents. But it was the self-burning of a textile factory worker, Jeon Tae-il in 1970 that became the flash point of the struggle. This was followed by riots by heavy industrial workers, such as Hyundai Shipbuilding workers and Hyundai Construction workers (Kim Keum-soo, date unknown). Ironically, the industries strategically promoted by the state, such as the heavy chemical and automobile industries, became the driving force of the labour movement. Unlike the female-dominated textile or light manufacturing sectors, male-dominated unions in the heavy industry sector have taken a more aggressive and militant stance.³⁴ In addition, their influence on the South Korean economy was more far-reaching since these industries had become central to the economy (see Table 4.4). This can also be seen in the case of South Africa, where unions in the mining sector, the backbone of the South African economy, have exerted more power in the process of democratisation.

³⁴The heavy industry sector includes automobile, mining, petroleum, and steel industries which require large capital investment in weighty machinery and huge plants. The light manufacturing sector is less capital intensive than the heavy industry sector, and is more consumer-oriented. This sector is concerned with the manufacture of clothes, shoes, furniture and consumer electronics, amongst others.

Table 4. 4. Heavy and Light Industrial Production in South Korea, 1960-1990 (%)

	Heavy	Light
1962	28.6	71.4
1965	31.4	68.6
1970	38.1	61.9
1975	45.9	54.1
1980	51.2	48.8
1985	56.7	43.3
1990	59.3	40.7

Source: Korea Development Institute, 1995.

Since skilled male workers in petrochemicals, automobile manufacturing, shipbuilding and steel manufacturing made a substantial impact on the Korean economy, these workers' industrial actions, such as work stoppage and strikes had considerable impact. Labour disputes increased based on increased union membership. Union membership reached 850,000 in 1981 and 1,300,000 in 1987. This is attributed to the power of collective actions. Intellectual and religious communities also supported the struggle (Kim Keum-soo, date unknown).

Despite the increasing power of the labour movement, labour continued to experience hard times after the second military coup by Chun Doo-hwan (1980-1987). The Chun government instituted a labour regime even more regressive than the one already in place. At that time, labour experienced a change of labour laws including a ban on multi-unionism, the

enforcement of company unionism, a ban on the third party mediation, and wage control. All unions had to affiliate with the FKTU; only one union was allowed per enterprise, no strikes were permitted and no union political activities allowed. In the first half of the 1980s, more than 2,000 labour leaders were imprisoned, while others who were friendlier to the Chun government were allowed to stay in their positions (*Korea Labour News*, 1998).

Nevertheless, it is possible to observe the burgeoning of the working class movement as a political force. Declining real wages and collusive links between big businesses and politicians brought about discontent even though workers could gain moderate benefit from a booming economy. The workers perceived the situation as unfair. Faced with strong opposition by labour and other groups, the state had to obtain loyalty in order to maintain economic growth. Therefore, low wages and poor working conditions, which labour had been forced to accept, were to some extent amended. This was done in order to increase productivity, which was considered the key source of economic growth and competitiveness (Kim Dong-won, 1993:146). However, the series of amendments to labour laws were merely temporary solutions.

The series of struggles gave rise to the establishment of new democratic unions independent of the government, and a new union leadership. The new leaders adopted a militant posture against inhumane labour conditions even if it meant breaking the law by violent means. This new militancy represented a sharp contrast to the conciliatory and subordinate attitudes of the FKTU. Discontent from labour increased and erupted during the Great Workers Struggle in 1987. Labour movement has continuously developed in South Korea, which is closely associated with the great democracy movement. In 1987 the number of individuals participating in protest events reached an unprecedented 6 million. This high number of

protestors led to several new groups participating in the democracy movement, including citizens from the middle class (Shin Gi-wook, 2007). In addition, Catholics became pillars of the movement confronting the authoritarian state. For instance, the main Catholic church of South Korea, Myongdong Cathedral, provided accommodation for the KCTU leaders whenever these unionists were chased by police (*Korea Herald*, 2 December 1998). There were 3,749 labour disputes in 1987, and considering that the average number of disputes in the previous six years was 171, this had a considerable impact on the economy (Koo, 2001). In addition to the increasing number of labour disputes, the broad-based coalition of intellectuals and religious group with labour became conducive to the democratisation process.

This became the cornerstone of the nation-wide democratic movement, also known as the June Democracy Movement or the June Uprising that generated mass protests from June 10 to June 29, 1987. These demonstrations forced the ruling government to hold elections and institute other democratic reforms. In this process, mass mobilisation through labour played an important role and led to the massive uprising (Watson, 1998). However, there were obstacles to labour becoming more politicised. Watson (1998) points out that labour was still precluded from engaging in political activity and could not fund campaigns. In South Korea, international and national corporations or organisations cannot donate funds to a political party. This negatively affected labour's influence on politics, by making it difficult for a new labour party to obtain funds. Additionally, the state tended to link the labour movement to communism, which national security laws prohibited; thus, limiting labour's appeal to the public (Kang, 2002). The conflict between the middle class and the working class will be further discussed in the section where the labour movement after the democratisation process of 1987 is examined.

Under the authoritarian governments, corporatism in South Korea was used as a means by which the state could suppress labour in order to push forward economic growth. Collective bargaining is an important regulatory institution of industrial relations; the labour laws introduced under the authoritarian governments led to the fragmentation of the bargaining system. The legacy lasted until 1997 when the state lifted the ban on labour's political activity (Yang Jae-jin, 2010:454; Watson, 1998). As the state prevented labour from participating in political activity, the only solution was to create a party that could fight for the working class; the Democratic Labour Party (DLP) was created in 2000 against this background.³⁵ In other words, before 2000, labour could not represent itself even though it had played an important role in the achievement of democratisation.

4-2-4. CORPORATISM AFTER DEMOCRATISATION: FAÇADE OF GOVERNMENT CONTROL

Right after democratisation in 1987, labour could at last gain political influence, and the state and business realised that they could no longer subdue labour; thus, they needed to find another way to control it. From 1985 to the early 1990s, labour experienced rapid development in terms of union density and the number of unions (see Table 4. 5.).

³⁵ In South Korea, the National Assembly has 300 members, elected for a four-year term, 244 members in single-seat constituencies and 56 members by proportional representation. The main political parties in South Korea are the Democratic United Party, the Saenuri Party, the Unified Progressive Party (UPP), and the Liberty Forward Party (LFP) (2014). The conservative Saenuri Party and the more liberal Democrats are the dominant forces in South Korean politics. So far the presidents have belonged to the conservative party or the centrist-liberal parties. Even though these two parties are labelled as conservative and more liberal respectively, fundamentally, these two parties are based on the two regions (eastern part of South Korea 영남 and western part 호남), and there was little differences between the two parties before 2002 when President Roh Moo-hyun was elected and pushed forward redistribution and various social protection programmes urgently needed during the reconstruction period after the financial crisis. The socialist UPP (previously DLP) is aligned with labour unions and farmer groups. It has grown gradually, gaining 6 per cent of the votes. However, it is still perceived as too radical and is under suppression because the party is seen as having links with North Korea. On November 5, 2013, President Park Geun-hye's administration sent a request to the Constitutional Court, calling for the UPP to be dissolved and for an interim order suspending the party's political activities. It was alleged to have been involved in an armed plot against the government on behalf of North Korea. Since South Korea is technically at war with North Korea, this is seen as treason (연합뉴스, 5 November 2013).

Table 4.5. Union Density³⁶, Number of Unions and Number of Disputes

Year	Union density	Number of unions	Number of disputes
1985	12.4	2,551	265
1986	12.3	2,675	276
1987	13.8	4,103	3,749
1988	17.8	6,164	1,873
1989	18.6	7,883	1,616
1990	17.2	7,698	322
1991	15.8	7,656	234
1992	14.9	7,527	2,235
1993	14.1	7,174	144
1994	13.5	7,025	121
1995	12.6	6,606	88
1996	12.2	6,424	85
1997	11.2	5,733	78
1998	11.5	5,560	129
1999	11.8	5,637	198
2000	11.6	5,698	250

Source: Korea Labour Foundation, 2004.

Wages and working conditions improved radically, and it was possible to reinstate dismissed workers (see Table 4.6.). In addition to wage increase, since the late 1980s, significant improvements have been made in working conditions and the industrial environment.

³⁶ Union density = total number of union membership / total number of employees.

Accordingly, the industrial accident rate decreased to 0.68 per cent in 1998 from 3.6 per cent in 1984 (Korea Labour Foundation, 2004:7).

Table 4.6. Minimum Wage from 1988 to 1993 (Won)

Year	Minimum Wage (per Hour)	Minimum Wage (per Month)
1988	487.5	117,000
1989	600	144,000
1990	690	165,000
1991	820	192,700
1992	925	209,050
1993	1005	227,130
1994	1085	245,210

Source: Korea Labour Foundation, 2004.

Workplaces became democratised, and the state tried to address social problems. Public spending on welfare increased, expanding to the coverage of employment insurance and industrial accident compensation insurance to all companies with fewer than five employees. Also, the national pension scheme was extended to cover all citizens aged between 18 and 60 as of 1999; the state also sought to reduce household expenditure on health care, while at the same time attempting to elevate the health status of South Koreans, through the establishment of the National Health Insurance Corporation in 1997 (Park Yong-soo, 2008).

Labour unions also changed their strategies. Previously, their struggle was characterised as sporadic and isolated, now the labour movement became coordinated and organised (Kim Keum-soo, date unknown). Labour experienced the expansion of unionised sectors including

white-collar workers. Watson (1998) and Kim Sung-ho (2007) point out that the influx of white collar workers from the financial and media sectors, helped labour attain the support of the middle class. Both labour and the middle class were interested in accomplishing political freedom. In addition to direct elections, they expected freedom of speech, the press, petition and assembly for all nationals as a result of democratisation.

After democratisation, according to Lee Su-hoon (1993:357), the state's power was weaker than that of previous governments. After 1987, the state yielded to labour's demands on redistribution and welfare as seen in Table 4.6. Even though this reform was limited; in other words, the existing problems remained as well as the Roh Tae-woo government (1988-1993); Roh conceded that the economic boom he inherited had not filtered down to workers and his government was committed to rectifying this (Yang Jae-jin, 2010:455).

Prior to the KTC, there already existed several similar forms of social concertation. Yang Jae-jin (2007:46-47) sees the establishment of the Minimum Wage Committee in 1987 and the Central Labour Council in 1988, as part of the corporatist institution in South Korea. According to Yang Jae-jin (2007), the unions have also had formal and informal meetings with Korea Employer's Federation (KEF) in order to discuss wages and other issues. Many commentators argue that these traditions played an important role in creating the KTC (Lee Byoung-hoon and Yoo Bum-sang, 1998:84-85). However, there were still limitations; these meetings excluded the KCTU and other labour organisations.

The first civilian president Kim Young-sam (1993-1997) tried to reform the existing industrial relations (Kim Soo-haeng, 1994). The first official effort from the government was the wage pact in 1993, which guaranteed wage increase in a range of 4.5-8.7 per cent (Song, Ho-keun,

1996:274). Under Kim Young-sam the Studying committee of Labour Law and the Committee for Reformative Labour Relation were set up. Since then, the more formal structure of corporatism, consisting of representatives from business and labour, was formed (Yang Jae-jin, 2010:455). It gave unions the opportunity to demonstrate their demands vis-à-vis business and the state.

In the case of South Korea, internal pressure from labour as well as external pressure, contributed to socialising the state to meet global norm expectations with regard to industrial relations. International institutions, such as the OECD (Organisation for Economic Co-operation and Development) and the ILO, played a significant role in the improvement of industrial relations by pressurising the South Korean government to abide by the international regulations (Watson, 1998). Regarding South Korea's joining of the OECD, other member countries were apprehensive about South Korea's industrial relations being unfavourable towards labour. South Korea's efforts to become a member of the OECD oriented Kim Young-sam's government to revise labour laws in line with union demands (Watson, 1998:244). While the OECD pressurised the country to amend its labour-related laws, the ILO also required the restructuring of labour relations in the same vein (Lee Byoung-hoon and Yoo Bum-sang, 1998).

Despite internal and external pressure, since democratisation, the successive governments have failed to reform industrial relations and transform labour laws (Park, Sung-joon and Lee, Seung-kil, 2004; *Hankuk Ilbo*, 16 January 2013). Park, Sung-joon and Lee, Seung-kil (2004) argue that the introduction of various laws and the establishment of the corporatist institution were seen as mere tools, which can be used by the state in order to control labour. Also, South Korea tried to conform to international norms by establishing the corporatist institution.

However, this was closely linked to the creation of a positive image of South Korea as a country that experienced rapid economic growth after a destructive war, and became one of the developed countries in compliance with global standards. By establishing stable industrial relations, South Korea aimed to create a more favourable business environment for foreign investors.

4-2-5. GLOBALISATION AND THE EMERGENCE OF SOCIETAL CORPORATISM

South Korea has been actively embracing globalisation since the end of the 1990s. During the early 1990s there were in-depth debates involving academics and policy makers, who discussed how to cope with globalisation and what strategies the country needed to employ. Along with globalisation, the state and business aimed to achieve the deregulation of capital, the opening of the markets and flexibility of the labour market, in order to achieve national competitiveness. The state allowed business to relax the dismissal requirements after the financial crisis. In general, the new laws were unfavourable to labour, which in 1997 led to the two biggest labour union umbrellas, the KCTU and the FKTU to unite, in order to develop and to promote their common interest and show their collective power. The strike by these unions turned out to be one of the major strikes in history, as it was estimated that the Korean economy lost US\$ 3 billion (Yang Jae-jin, 2010:456). Lee Yoon-kyung (2006:725) points out that the formerly pro-state FKTU tried to disengage itself from the state after 1997 and became militant. From time to time the FKTU and the KCTU worked together and took a militant stand towards state repression. Because of this vigorous labour movement, the state had to comply with labour's demands to some extent.

In 1997, the government announced that it was seeking a loan from the IMF and the bailout programme included major structural reforms in the Korean economy, including the financial system, corporate governance reforms, and the introduction of tight monetary and fiscal policies.³⁷ Under the circumstances, the state highlighted the crisis conditions and required societal actors to conform. This led to the formation of a social pact between the state and societal actors, that is, business and labour under the name of overcoming the economic crisis. However, in practice, the structural reforms made it possible for business to carry out massive layoffs since the bailout programme highlighted amendments to labour laws. In other words, the new labour law gave business the legal right to lay off workers and replace them with substitutes when the workers were on strike, which required a concession from the labour side (Shin Jang-sup and Chang Ha-joon, 2003: 34-41). On this occasion, the two labour organisations agreed to act in solidarity with each other. The crisis decisively spread the idea that corporatism should be introduced, as a medium to address antagonistic industrial relations (Lee Byoung-hoon and Yoo Bum-sang, 1998).³⁸

Since 1997, new business management strategies such as downsizing, flexibility, performance-based wage systems and workplace control, were introduced. In the process of pushing forward these new approaches within the framework of democracy, the state lost its sole domination of industrial issues, as it incorporated business and labour in the decision-making process. It became necessary for the state to include labour in a peaceful manner. The KTC was supported by Kim Dae-jung (1998-2003) who took office at the height of the

³⁷ When the financial crisis hit South Korea in 1997, the South Korean won began to weaken. South Korea requested IMF aid. The IMF approved a US\$ 57 billion bailout package to South Korea, the largest in history. The World Bank also released an emergency loan of US\$ 3 billion, part of a US\$ 10 billion support package, to South Korea to help salvage its economy. Officials from South Korea met with international bankers in an effort to restructure the country's short-term debt (Chang, 2013).

³⁸ The country experienced a sharp increase in the unemployment rate from 3.1 per cent in December, 1997 to 8.5 per cent in January 1999. As a means of economic restructuring, the five biggest businesses including Samsung, Hyundai and LG had to lay off more than 80,000 employees, which was one of the preconditions of the IMF in 1998, and this also negatively affected the increase in the unemployment rate (Kwon Sung-ho, 2001:27).

economic crisis. In order to overcome the crisis, his government highlighted that business and labour should share the burden of the crisis (Lee Byoung-hoon and Yoo Bum-sang, 1998).

In this section, the main focus was on the history of corporatism in South Korea. Throughout the colonial period, the period of development, the democratisation period and afterwards, the state retained its authoritarian characteristics. Since South Korea experienced industrialisation relatively late, corporatism emerged only after the Korean War (1950-1953). At that time, corporatism was controlled by the state; and while the state and business formed coalitions through exchange, including bribery and favouritism, labour was suppressed by them. Even though the FKTU was created, its role and scope of activities were restricted to advocating the state interest, rather than protecting labour or improving working conditions. However, industrialisation and economic development enhanced the power of labour. Since the Korean economy was largely dependent on exports, a series of strikes and workplace disputes had a destructive impact on the economy. The increasing power of labour which was combined with student movements and the support of intellectuals became the driving force of democratisation. Labour succeeded in being recognised as an equal partner with the state and business in the decision-making process for the further growth of South Korea and for enhancing competitiveness. However, along with globalisation, the position of labour in the labour market deteriorated. Even though the KTC was established, it was established at the height of the economic crisis, and therefore it is seen as one of the tools adopted by the state, to overcome the crisis and maintain labour productivity and national competitiveness. In the following section, the background of the KTC and its role, structure, functions and operating procedure will be addressed. Also, how the actors at the KTC interacted regarding a certain issue will be examined

4-3. THE CREATION OF THE KTC AS A CASE STUDY

In this section, the structure, function and outcomes of the KTC will be discussed. In the process, it will be possible to examine the interaction between the state, business and labour. The focus will be on how these actors at the KTC interacted with regard to the issue of the non-regular workers.

4-3-1. BACKGROUND

In order to comprehend the background, which led to the establishment of the KTC, it is significant to understand what South Korea was requested to do by the IMF (see Footnote 37 and 38), and the external conditions which pressurised it to adopt corporatism. South Korea had already lost its competitive edge with regard to its main export items from the late 1980s, and the country experienced a stark decline in its balance of payment accounts. Vigorous export performance turned the country's overall balance of payments deficit into a US\$ 1.7 billion surplus in 1986, which grew to US\$ 12.1 billion in 1988. However, due to declining exports and rising imports the balance of payments showed a deficit of US\$ 274 million in 1990. At the end of 1998, when the country faced the financial crisis, South Korea had US\$ 20.2 billion in net outstanding loans (Corsine, Pesenti, and Roubini, 1998). The prices of South Korea's major export items like semiconductors, chemicals, shipbuilding and steel products fell by as much as 30 per cent after the beginning of 1996 (Aiyer, 1999).

In terms of the financial crisis of 1997, the state and business's crony capitalism has been identified as a major cause. The state did not finance big businesses based on their performance/competitiveness or their ability to pay, but on so-called political funding that

was in fact bribery.³⁹ In the process, the banking sector was burdened with non-performing loans. However, many businesses ultimately failed to make a profit. Eventually, excess debt led to major failures and takeovers. For example, South Korea's third-largest car producer, Kia Motors, asked for emergency loans from the government. In the wake of the Asian market downturn, Moody's lowered the credit rating of South Korea from A3 to Ba1⁴⁰ (*The New York Times*, 31 July 1997).

South Korea's overinvestment and stagnant productivity, associated with wage increases were also linked to weakened profitability and exerted pressure on the stock and currency markets, simultaneously slowing investment growth. Under the circumstances, the rigidity in the labour market was considered one of the biggest problems that needed urgent consideration (Imai, 1999). From 1988, when unemployment was in the low 2 per cent range, until 1996, the average annual growth rate was about 8 per cent. Due to the continued high growth, *chaebols* were able to absorb excess workers. At the same time, it was hard to fire workers once they were hired, because of the strong opposition of the labour unions. Before the economic crisis, the stagnation in worker skill improvement was concealed behind the wall of high growth, and did not seem to be a major problem. After the crisis; however, it was revealed as a serious obstacle. To survive the crisis, firms had to concentrate on worker selection (Imai, 1999). Labour strongly resisted this increasingly unfavourable labour market restructuring. Facing strong resistance from labour, the government chose to incorporate

³⁹ Kang (2002) provides details of the cosy relationship between political leaders and businesses in this regard. The first Political Funds Law of 1965 introduced the principle of some state funding for political parties. However, at that time this was intended to ensure that the money went to regime supporters. Since 1993 the cosy relationship between big businesses and the ruling party was thrown into disarray. The President of the Hyundai Corporation, Chung Ju-young, decided to run for the presidency by setting up his own party, the United National Party. Also, Kim Dae-jung, the 8th President of South Korea from 1998 to 2003, was elected without any major ties to business for the first time in history.

⁴⁰ Moody's rating provides investors with ratings showing the credit rating of each country. Moody uses nine symbols ranging from Aaa (highest) to C (lowest). Countries rated A are considered "upper-medium" grade and are subject to "low credit risk" and countries rated Ba are seen to have "speculative elements" and are subject to "substantial credit risk" (Moody's Investors Service, 2009:8).

labour. The state decided to allow a limited space for labour in exchange for the possibility of restraining its power, which had become the driving force of the corporatist institution in South Korea (Bramble and Ollett, 2010:579).

Table 4. 7. shows details of the macro-economic situation of South Korea. It is noticeable that the country's economy deteriorated after 1997, setting a record high unemployment rate, inflation rate and negative economic growth rate.

Table 4. 7. Macro-economic Indicators in South Korea 1994-1998

	1994	1995	1996	1997	1998
Real GDP Growth Rate (%)	8.6	8.9	7.1	5.5	-5.8
Unemployment Rate (%)	2.4	2	2	2	7
Inflation Rate (%)	6.2	4.5	4.9	4.5	7.5
Foreign Debt (US\$ in billions)	89	120	164	158	154
Won/Dollar Exchange Rate	789	775	884	1,415	1,215

Source: Korean Development Institute, 2000.

Initially, the KTC was created as an ad hoc consultative body. The KTC was established as a presidential advisory body and included representatives from the government, the KCTU and the FKTU, the KEF and the Federation of Korean Industries (FKI) (Shin Jang-sup and Chang

Ha-joon, 2003). Each actor was expected to participate and the KTC was equivalent to a participatory democracy. Park Myung-joon (2009:13) describes the initial/inclusive atmosphere as follows: “the Ministerial and parliamentary actors were all engaged in the process of the corporatist policy-making”. In May 1999, the Establishment and Operation of the Korea Tripartite Commission Act was enacted and promulgated, and became the prelude to corporatism in South Korea (KTC, 2013).

At this juncture, it is important to comprehend the downside of the developmental state, which led to economic growth in South Korea. Authoritarian developmental states are defined as strong state regimes, engaged in facilitating fast capitalist growth (Johnson 1987: 159). Their political form is characterised by a centralised power structure and a strong drive to eliminate or subordinate societal actors. This has been largely overshadowed by remarkable economic growth statistics. In South Africa, there has been debate over whether the country should adopt this so-called developmental model in the 2000s. However, it is notable that in the case of South Korea, the model did not result in sustainable development that lasted for a long period. In addition, only a limited number of societal actors gain benefits. The implications for ordinary people are inexcusable. The cost of lacking any meaningful social safety net against economic fluctuations became evident, as massive unemployment instantly created a completely destitute population consisting of dismissed workers and their families (Chang Kyung-sup, 1999).

In the case of South Korea, it is possible to observe that the external conditions, such as the pressure from the international institutions and the crisis, played a significant role in the creation of the societal form of corporatism. Lee Byoung-hoon and Yoo Bum-sang (1998:90) argue that there were high level officials who were eager to reform the nature of existing

industrial relations. This could have contributed to strengthening the institutional aspects for labour. In 1998, labour and civil society had high expectations from Kim Dae-jung and his government, due to his past fight for democracy and human rights (Guillen, 2000). For this reason, labour anticipated that the government could help create a better environment through the KTC.

Each actor had its own reason for joining the KTC. Labour hoped that the new government would bring about meaningful change to industrial relations. Also, if labour did not participate in the corporatist institution, it was possible that the state would exclude the KCTU from major decision-making. In other words, labour could lose its legitimacy, by missing its opportunity to sit at the discussion table with the state and business. For the state, since the South Korean economy was rapidly integrated into the global economy, the state alone could not transform the industrial relations and business exerted its power. Big businesses also had no choice but to participate. The big businesses were criticised as the main culprits responsible for the economic crisis. They had to take part in the KTC in order to avoid criticism from the public and to show that they were willing to share the burden (Kim Young-cheol, 2010). Furthermore, one of the major outcomes of the KTC was the restructuring of the labour market, from which business could reap benefits. The bargaining power of labour declined as a result of mass layoffs and the hiring of atypical workers, so as to save on labour costs (Yang Jae-jin, 2010).⁴¹

⁴¹ The terms: atypical workers and contingent, temporary and irregular workers are very often used interchangeably. Flexibility can be understood as the capacity to respond rapidly and efficiently to changing economic environments. In order to pursue efficiency, in many cases, companies tend to eliminate non-core production operations by outsourcing work and by employing temporary workers through labour brokers. In this way, the firm can maintain cost-saving strategies. According to Cho Soon-kyoung (2009:166), these workers actually work full time but are paid less than regular workers. Theoretically, atypical workers are entitled to social protection and to collective representation, however, the reality in South Korea is that these workers are often outside the scope of legal and social protection. This was briefly discussed in Chapter 3 as well in the case of South Africa.

In Korean academia, many scholars started to pay attention to the societal corporatist model, which had proved to be successful in the Netherlands and Scandinavian countries with small and open economic systems similar to that of South Korea (Lim Sang-hoon, 2009; Roh Joong-kee, 2008). Some scholars were also interested in the application of corporatism and how other developing countries, such as South Africa, had experienced it (Roh Joong-kee, 1999:106). This growing interest in corporatism contributed to the establishment of the corporatist institution by creating a favourable environment for corporatism by drawing public and media attention. The adoption of corporatism was still debated in the 1990s and whether it was applicable to the situation in South Korea, which lacks a tradition of consensus between the state and societal actors (Kim Hwang-jo, 2007). Some further argued that even though the state institutionalises corporatism, this does not mean that corporatism is automatically embedded in the industrial relations (Roh Joon-kee, 1999). Nevertheless, there was common interest in adopting corporatism as a policy experiment in South Korea.

Within the KTC, the First-Phase Tripartite Commission,⁴² was established in January, 1998 and was expected to discuss a wide range of issues including labour-related policies with regard to job security, working conditions and other closely related matters, which significantly impact the national economy, as well as society as a whole. Until 6 February 1999, the KTC adopted the Social Agreement for Overcoming the Economic Crisis and 90 new items were agreed on and adopted (KTC, 2013). In the case of South Korea, the key goal of adopting corporatism was to absorb the major socio-economic shocks derived from the financial crisis, just as in South Africa, where it was also adopted as a crisis response. The crisis resulted in powerful aftershocks, such as massive unemployment. This posed a major

⁴² The Second-Phase Tripartite Commission was launched in June 1998 and lasted until August 1999. The Third-Phase Tripartite Commission was inaugurated in September 1999. In April 2007 the Fourth-Phase Tripartite Commission was launched, when the title was changed to the Economic and Social Development Commission (KTC, 2013).

challenge for the newly elected government. By adopting corporatism, the state tried to stabilise the society and gain legitimacy to reform the economy, based on consensus from business and labour.

4-3-2. THE KTC: ITS FORMAL STRUCTURE, PROCEDURE AND FUNCTIONS

The main objective of the KTC is to provide “a forum for frank consultation, dialogue, and compromise” among participants (KTC, 2013). It was initially expected to bring about socio-economic development especially during the crisis situation. The establishment of the corporatist institution was considered as a prerequisite for healthy industrial relations in order to recover from the economic setbacks. South Korea has achieved democratic governments; however, without a functioning economic democracy, this is not sustainable. In the South Korean context, economic democracy means to provide economic empowerment for all citizens. Many South Koreans see the concentration of economic power in *chaebols* as wrong, since it has subverted mass political and economic empowerment. Many South Koreans feel that the concentration of economic power in *chaebols* should be prevented (*Kyunghyung Sinmun*, 24 September 2013). Democracy can be survived as it is able to protect the weak and the vulnerable, and in the end contribute to maintaining the social cohesion of various actors (Choi Jang-jip, 2012:8). With this regard, the KTC was also expected to realise participatory democracy by encouraging cooperation among all economic players. By these means, the KTC was expected to contribute to the achievement of social cohesion and the consolidation of democracy in South Korea (KTC, 2013).

Table 4. 8. Goals Negotiated between the Government and Organised Labour in 1998

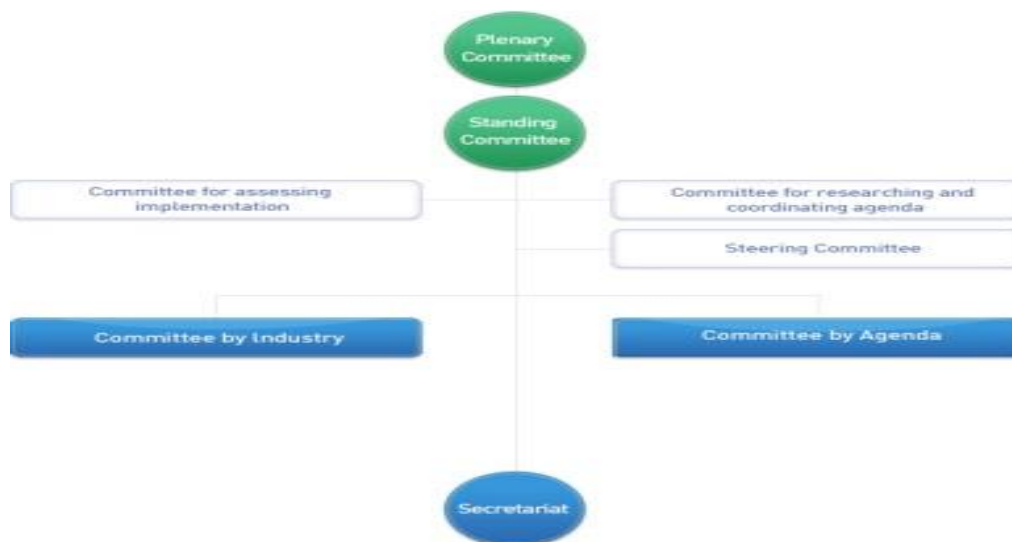
Main Agendas	Labour's Proposal	Government's Proposal	Final Agreements
Layoffs	Request of institutional compensation	No plans for institutional benefits regarding layoffs	Agreed to discuss further how to prevent abuse of layoffs
Reduction of working times	40 hours per week from 2000	Suggested this issue to be discussed within the Tripartite Commission	Agreed to reduce working hours to 40 per week from 2000
Job security agreements	Request for concluding legal acts concerning job security in every industrial sector	Neutralised the labour's pressure by focusing on the possible problems caused by private firms firing workers illegally	No agreement reached
Illegal measures against workers	Strict legal actions protecting workers needed	Promised to prepare strict regulations and instructions for workers' protection	Agreed to launch a special subcommittee within the KTC

Source: Kim Taek-yoon, 2008.

Table 4. 8. above shows that it is not easy to draw consensus from all three partners within the corporatist framework. In terms of the reduction of working time and illegal measures against workers, the actors reached consensus or reached a certain point where there was a possibility of reaching consensus. However, in terms of layoffs and job security agreements, no

agreement was reached. Later, the unsatisfied KCTU withdrew from the KTC, whose absence raised the problem of the lack of representation from the labour side (Kim Taek-yoon, 2008). With regard to its structure and functions, the KTC consists of the Plenary Committee and Standing Committees and all members of committees may propose and submit agendas. The Standing Committee deliberates and reviews agendas. The Plenary Committee decides on the agenda after review and co-ordination by the Standing Committee (KTC, 2013).

Figure 4.1. The Organisational Structure of the KTC



Source: KTC, 2013.

The KTC operates in the following way: first of all, any member of either of the KTC committees may propose that an item be placed on the agenda. The Chairman of the KTC shall submit the items proposed by its members for a review process. Agenda items are deliberated by sub-committees, which deal with matters entrusted to them by the Standing Committee or by Special Committees which deal with specific matters. The final decisions are taken by the Plenary Committee after review and coordination by the Standing

Committee. The decision shall require the consent of two-thirds of the members who are present (KTC, 2013).

The Plenary Committee is composed of 19 representatives from labour, business and the state; there are also scholars in charge of representing civil society. These public interest groups consist of academics and NGOs appointed by the President. The Committee consists of a Chairman, Vice Chairman and the Secretary General of the KTC. From the labour side, there is the chairman of the unions, and from the business side, the chairman of KEF and the chairman of FKI. From government, there is the Deputy Prime Minister and the Minister of Finance and Economy, the Ministers from Labour, Commerce, Industry and Energy, Planning and Budget and the Chairman of the Financial Supervisory Commission. Finally, representatives from public interest groups are also included in the Plenary Committee (KTC, 2013).

The Standing Committee is composed of 25 representatives from labour, business, the state, and public interest groups. The basic structure of the Committee is similar to that of the Plenary Committee, but from the labour side, four chairpersons from industry-level trade unions participate, and from business, the vice chairmen from KEF, FKI, Korea Chamber of Commerce and Industry, and Korea Federation of Small and Medium Businesses play a part. From the state, vice ministers from the same ministries as in the Plenary Committee participate (KTC, 2013).

In terms of functions of committees, the sub-committees are assigned to review and coordinate the agenda items to be submitted to the Standing Committee. It is noticeable that Subcommittees on industrial relations, economic affairs and social affairs are all closely

linked to labourers' livelihoods. The Subcommittee on Industrial Relations was established to discuss issues pertaining to the development of collective and individual labour-management relationships that are raised by business as well as labour. Basic labour rights of public servants and professors; labour law issues related to corporate restructuring; labour issues at essential public service sectors; the improvement of wages and retirement allowance systems; the process of organization and negotiation of trade unions; and the improvement of working conditions at transportation and loading sectors are main issue areas (KTC, 2013). Secondly, the Subcommittee on Economic Affairs was established to discuss economic policies pertaining to workers' livelihood, employment policy, the development of human resources, wage policies, the earned income tax system, and the like. Lastly, the Subcommittee on Social Affairs is in charge of social security and welfare policies for workers such as the four major social insurances (occupational injury, health, old-age pension and unemployment) among others (KTC, 2013).

Since the KTC has a presidential advisory body, it does not have legal binding force. The decisions of the Plenary Committee are carried out by the labour, business, and government sectors in accordance with their functions. In this process, the KTC has a mechanism of checking the implementation status of its agreements on a quarterly basis. In the event that the decisions made at the KTC are not carried out within a reasonable period of time, the Chairman of the KTC can request the relevant institutions to submit a report to clarify the situation (KTC, 2013).

It is guaranteed that labour can participate with the state and business. However, unlike its two counterparts, labour, especially the KCTU, has repeatedly withdrawn from participation. This might be closely linked to its strategy to maximise gains by showing dissatisfaction;

however, this has created a negative image of labour as being uncooperative (KTC, 2013). During an interview with a senior official of the KCTU in 2012, this issue was raised by the researcher, and the interviewee responded, “The leadership of the KCTU is concerned about the issue and we are planning a strategy. However, the KCTU does not see the KTC as a viable option since the KTC is controlled by neo-liberalists. That’s why we do not participate in such a discussion which is fundamentally skewed” (13 December 2012).

4-3-3. THE OUTCOMES OF THE KTC

The KTC was established to achieve two goals: 1) to reinforce national competitiveness and 2) to realise social integration. These two goals will be kept in mind when assessing the corporatist institution in South Korea.

In terms of helping to increase competitiveness, the KTC has contributed to the restructuring of parastatals through agreements on the restructuring of the postal sector (August 2000), and on the restructuring of the railroad industry (December 2000) among others. Privatisation of state-owned companies took place on a wide basis. The state downsized its inefficient state-owned enterprises which were performing poorly such as uncooperative, under-performing divisional managers with incurring extensive costs. In 1998, state-owned enterprises were targeted for management innovation and restructuring with the aim of drastically reducing their staff numbers. They included 19 parent state-owned enterprises, along with their 54 subsidiaries, which consisted of 5 state-funded enterprises, 13 state-capitalised enterprises, and the Korea Appraisal Board (Kim Kwan-bo and Kim Pan-su, 2001).

At the same time, the restructuring of the private sector, particularly the *chaebols*, was also seen as urgent. This task was necessitated by market forces, and there was also a strong demand from the majority of the Korean public that are hostile to *chaebols* and their concentration of capital (*Kyunghyung Sinmun*, 24 September 2013). However, this large-scale restructuring involved massive layoffs. Moreover, now more than a decade after the state started restructuring the *chaebols* for the first time in history, the restructuring of the *chaebols* is still seen as the biggest challenge for the country. The family business structure still remains the dominant form of large firms in South Korea. Watson (1998) examines the reasons why family business persists in the era of globalisation. The *chaebols* have developed managerial hierarchies and the *chaebols* have mobilised managerial experts to support the group leaders. Furthermore, in order to keep their rights of control intact, they are more likely to borrow from banks than to issue equity for investment. This family business system was effective in establishing long-term relationships with corrupt bureaucrats and politicians, which made it difficult for the state to reform big businesses (Watson, 1998).

One of the contributions of the KTC regarding labour is that many laws have been made to protect labour rights. In addition to enacting a series of labour-related laws, which can promote workers' socio-economic rights⁴³, the KTC decided on an Agreement on the amendment of regulations regarding political funds, which made it possible for trade unions to take part in political activities (September 1998) and for labour to enhance its political power (Watson, 1998).

⁴³ Agreement on strengthening the effectiveness of collective agreements between labour and management (December 2000), Agreement on the improvement of adjustment procedures for labour disputes and its practices (November 2002), Agreement on the improvement of the job training system (July 2001), Agreement on creating jobs for the young (July 2002), Agreement on procurement of financial resources for job training (November 2002), Social Pact for Job Creation (February 2004) and Agreement on development of national standards for job/vocation competencies (March 2004). Furthermore, it enhanced the social security and welfare systems through the Workers' management participation and the activation of employee stock ownership association (October 1998), Agreement on integration of health insurance systems (December 1998), Agreement to amend the National Pension Act (December 1998), Agreement to enact the Basic Worker's Welfare Act (October 2000), Agreement on measures for irregular workers (July 2002).

However, the KTC has been criticised by labour for being a tool of neo-liberalism (Kim Tae-yon, 2003). From the 14th of January to the 24th of August in 1998 throughout the first and the second Commissions, the state, business and labour reached five agreements regarding mass layoffs and labour market flexibility. These two agendas were the most important issues for the state and business. It can be seen that the state and business have tried to strengthen their control over labour, which has been the biggest obstacle to the neo-liberal restructuring of South Korean society. To this end, they have repeatedly restructured the labour law, changing it into what it was before the great workers' struggle in 1987. In 2006, the state succeeded in changing the labour law in favour of capital: the amendment of 2006 included articles preventing workers in the public sector from exercising the right to strike and banning multiple trade unions. All of these incentives were aimed at constraining workers' freedom of association. In addition, the 2006 amendment, removed the article that punishes employers who illegally lay off workers. A number of labour related regulations were introduced and/or amended without consultation with labour. It seems that the KTC worked in favour of labour at first; however, the state appears to push forward various regulations unilaterally (*Labour Today*, May 18 2009). Kim Dong-won (2009) feels that it has rather functioned to decrease the power of labour with the interview with *Labour Today* (May 18 2009). The state has gained power over labour through the coalition with business and justified this by saying that the country should cope with the neo-liberal form of globalisation. Nevertheless, the KTC has survived, thus there must be reasons why the actors decided to keep it going.

In this regard, Bae Dong-su (2002) and Roh Joong-kee (2010) argue that the KTC has actually played a role in drawing concessions from labour. Moreover, the state does not need to use coercive force as it used to do, since the KTC draws consent from labour. In that way, the state can reduce costs for example by not using the police force to suppress labour. The

state and big business want the KTC to continue functioning, as they reap benefits by binding labour in the name of corporatism.

In summary, the KCTU and various academics are of the opinion that the KTC has been used as a tool to control labour; it has not functioned as a platform for social dialogue or as proper societal corporatism. What impacted on the KTC will be discussed through a detailed case study in the next section. The main focus is on the actors' interaction at the KTC.

4-3-4. AN ANALYSIS OF THE NON-REGULAR WORKERS PROTECTION ACT

From the beginning, there was the criticism that the KTC was established in order for the state to control labour in a different way after democratisation, and there has been little meaningful interaction between the actors. In this context, it is difficult to expect the KTC to bring about successful outcomes as a platform for social dialogue. The enactment of Non-regular Workers Protection Act and related discussions among the actors illustrate the limitations of the KTC as a mechanism for social dialogue. In this section, how actors interacted at the KTC and how this attributed to the ineffectiveness of the KTC will be discussed.

4-3-4-1. PROBLEMS RELATED TO NON-REGULAR WORKERS' ISSUES IN SOUTH KOREA

Prior to the analysis of the interaction between the actors at the KTC, it is necessary to introduce and conceptualise the issue of non-regular workers in South Korea. South Korea used to have a life-time employment system. The so-called permanent employees or regular employees enjoyed job security and benefits such as subsidised health care and paid leave.

The booming economy of South Korea made it possible for employers to maintain this protection system. However, right after the financial crisis in 1997, this system was challenged and came under pressure from the IMF and foreign investors who criticised the rigidity of the labour market in South Korea. For foreign investors, a flexible labour market was one of the prerequisites as it would enable them to move their productions easily. To accommodate their requirement, the South Korean government launched a series of structural reforms to liberalise and deregulate the labour market. Consequently, full-time contracts and long-term employment were eliminated or replaced by diverse forms of employment, including part-time and temporary employment (Chan, 2006).

Labour market flexibility in South Korea came as a big shock to the generation that was used to enjoying the benefits of full employment. Non-regular workers do not receive the same wages as regular workers even though they work under similar conditions. For example, non-regular workers' wages are only 62.6 per cent of that of regular workers. In addition to this, non-regular workers are discriminated against in terms of benefits and protection such as bonuses and paid leave. In terms of job training, non-regular workers do not enjoy the same opportunities as regular workers do. Thus, they stand less chance of becoming regular workers through skill development. In reality, only 15 per cent of non-regular workers find regular jobs after a certain period of work as non-regular workers, and more than 20 per cent of non-regular workers move to the segment of "not economically active population" or unemployment (KTC Report on Economically Active People, 2005). Table 4. 9. shows that non-regular workers receive less social protection compared to regular workers in South Korea. The employment conditions of non-regular workers have negatively affected the living conditions of these workers and become one of the biggest social problems in South Korea. Since the proportion of those who are non-regular workers is growing, the polarisation of

society has accelerated. Many of those who used to be regular workers and became irregular workers could not cope with their deteriorating working and living conditions and, in severe cases, committed suicide. This had a severe impact on society.

Table 1 4. 9. Social Protection of Regular and Non-Regular Workers in Korea

	Regular Workers		Non-regular Workers	
	2004	2008	2004	2008
Employment Insurance	61.5%	65.8%	36.1%	39.2%
Medical Insurance	73.8%	78.0%	40.1%	41.5%
National Pension	72.5%	77.3%	37.5%	39.0%
Severance Payment	67.4%	74.5%	31.3%	35.6%
Overtime Work Payment	65.8%	53.5%	27.5%	28.0%
Paid Vacations	55.8%	65.4%	22.2%	33.6%
Bonuses	58.2%	71.2%	24.5%	27.9%

Source: Lee Byung-Hoon, 2009

Since the use of extensive numbers of non-regular workers only started at the time of the financial crisis, the South Korean government did not have any regulations concerning working hours, leave, allowances, and retirement pay that could protect non-regular workers under the new labour relations system. Realising this and in order to improve working conditions, the Presidential Commission on Industrial Relations Reform was formed in May 1996, however these discussions were all held at state level only, and societal actors were excluded.

The Labour Standards Act was revised and passed by Parliament in 1996 and went into effect in 1997. South Korea's first Labour Standards Act was passed shortly after the Korean War in 1953. However, it was modelled on legislation in other industrialised countries, and was criticised because of its unrealistic approach which was not appropriate to the South Korean situation. This led the revision of the Labour Standard Act in 1996/7 (Cooney et al., 2002). This reform had an unexpected result, that is, the reform bills gave employers freedom to lay off employees and this led to a considerable number of companies laying off employees on a scale which South Korea had never experienced before (see the case of *chaebols*' massive layoff in 4-3-1).⁴⁴

Anticipating massive resistance from the opposition party and labour, the state and then the ruling party passed the Act unilaterally in the early morning.⁴⁵ However, in return, the state also made a few concessions in the final round of labour law reform, as it strove to mitigate growing discontent among workers. The most prominent example is that the KCTU was legalised. Even though there was a form of political exchange between the state and labour, labour and business were not entirely satisfied with the reform. Labour had had to yield to layoffs due to the law in any case. From the businesses' point of view, it was more difficult to terminate contracts due to the law and the legalisation of the KCTU, and labour's militancy made it more difficult for businesses to terminate the employment of workers. However, in the end the series of reforms allowed businesses to use an increasing number of non-regular workers as well as laying off workers (Chan, 2006; Lee Won-duck and Lee Ju-hee, 2002).

⁴⁴ The Supreme Court allowed layoffs under strict requirements only. The Labour Standards Act only allows layoffs (1) if an emergent crisis of business exists; (2) if sincere efforts to avoid layoffs have been made (to take alternative measures) in advance; (3) if there is selection of employees according to reasonable and fair criteria; (4) or if there is sincere consultation and negotiation with labour unions or representatives of employees for no fewer than 60 days. The unions countered by saying that that this had the same meaning as the then existing law because these terms are subjective and can be misused since there are no strict standards.

⁴⁵ In South Korea, whenever Parliament faces tension between the ruling party and the opposition and a certain bill is stalled for a while, one of the tactics that is used by the majority party is to pass the bill unilaterally. The majority intentionally chooses midnight or early morning without informing others and passes the bill.

In addition to the deteriorating working conditions, non-regular workers' problems have several dimensions. One of them is related to migrant workers. The number of migrant workers in South Korea has risen remarkably since the late 1980s. By November 2007, about 502,000 immigrant workers including at least 230,000 non-regular immigrant workers, moved to South Korea (Social Watch, 2008). In South Korea, workers doing so-called 3D jobs – dirty, difficult and dangerous types of work mainly in the construction and manufacturing sectors have been replaced by migrant workers mainly from South Asia or Southeast Asia.

Migrant workers in South Korea can be categorized into two groups: professional workers and technical trainees, who are working legally in South Korea on the one hand, and the rest of them, that is, illegal unskilled workers on the other hand. Those who entered South Korea with no work permission and only a visa for travel but with the intention of being employed in Korean enterprises fall into the latter category (Kang Su-dol, 1996). However, the number “technical trainees” who entered the country with permits and later deserted their contracted workplaces to work and earn more money in factories with better conditions has rapidly increased. According to Kang Su-dol (1996), it is estimated that about one third of the technical trainees have become illegal workers. To prevent these trainees from fleeing and in order to stabilise the industrial relations, the government formally established medical insurance, compensation for industrial accidents and minimum wages for migrant workers in 1995. The problem is that most employers do not abide by these regulations.

Despite migrant workers' contribution to the economy, there is discrimination against them including abusive working conditions, delay in the payment of wages, and refusal to treat them as equal to their South Korean counterparts. This has become a serious social problem in South Korea. One of the examples of this is that employers, in order to prevent migrant

workers from escaping, often violate their human rights by restricting their freedom after work and preventing them from contacting people from outside the premises of the factory (Kang Su-dol, 1996). Employers misuse the fact that many of migrant workers are not familiar with the language and law in South Korea, and often have illegal status. Migrant workers cannot report their employers because their illegal status would be revealed, or workers are afraid that their contracts will be terminated and that they will have to go back to their home countries.

Another characteristic of the non-regular workers of South Korea is related to the gender issue. The South Korean economy was initially based on the (light) manufacturing sector, and a large pool of female workers contributed to the export-led economy from the 1970s onwards. However, the participation of female workers in unions has become insignificant. This was noticeable in the democratisation process when the male-dominant unions at heavy, chemical and metal enterprises played a larger role (see 4-2-3). Unions in South Korea overwhelmingly represent male workers, which has left female workers vulnerable to unfavourable wage bargains and insecure employment. Among regular workers, the ratio was 60.9 per cent for males and 40.1 per cent for females (Kim Yu-sun, 2012). Male-dominated unions neglected to address the disproportionate expansion of females becoming non-regular workers (Ko Young-kook, 2011).

The growing problems of non-regular workers became the rationale for the “Special Committee on Measures for Non-regular Workers” set up by the KTC on July 23, 2001. From 2001 to 2003, the KTC held more than 100 meetings and seminars which were also attended by members of civil society and academics seeking solutions for non-regular workers. However, there was no consensus at the KTC despite the long process, and the agendas from

labour and business were separately delivered to the state to take into account in July, 2003 (KTC, 2007). This illustrates that the KTC which was supposed to coordinate the actors' opinions, could not function, and in the end, the state had to come up with its own solution, and simply pushed ahead. Obviously, this did not meet labour's demands, and trade unions and civil society have continuously asked government to protect non-regular workers. As a result, the Non-regular Workers Protection Act came into effect in July 2007 after it was stalled for a while. The main purpose of this Act is to transform non-regular workers into regular workers after a certain period of contract and to provide non-discriminative benefits to them.

Regarding the Non-regular Workers Protection Act, the KTC established a sub-commission (13 April 2007 – 12 April 2008, later extended to April 2009) in order to discuss further issues mainly with regard to more specific measures. The Non-regular Workers Protection Act was first applied in 2007 to workplaces with more than 300 employees, then expanded to workplaces with 100 employees in 2008. In 2009, workplaces with more than 5 employees were also subjected to the Act. Since its scope will expand in three years' time, it is inevitable that more workers will be subject to the Act, thus it is necessary to formulate specific measures to protect workers.

Even though the KCTU and the DLP were heavily opposed to the idea of using non-regular workers, the state, business and the FKU agreed during the decision-making process, that the use of non-regular workers was unavoidable. At the KTC, the actors (the state, the FKU and business) agreed to control excessive use of non-regular workers and get rid of discrimination against them. They reached a consensus that the new act would become a foundation that could protect vulnerable segments of the populations. However, the KCTU

continuously contended that the use of non-regular workers should be banned, as there was no legal and institutional framework that could protect them. In reality, this view was perceived as radical since the use of non-regular workers had already become widespread. It was concluded at the KTC that the state should introduce protection for non-regular workers rather than abolishing the practice itself.

Often, the antagonistic relationship among actors extended to outside the KTC. For example, the Conservative Party, the majority, passed the laws blocking the DLP. This illustrates while the actors opposed each other, often obstructing the decision-making process, there was no intervention by the KTC. Also, the KCTU and the DLP tried to interfere/obstruct the enforcement of legislation by arranging a general strike. While the FK TU, a soft-line organisation, cooperated to some extent with the state and business (even though it sometimes joined in rallies with the KCTU outside the KTC), the KCTU organised mass rallies, petition campaigns, and hunger strikes and other protest actions outside the KTC, opposing the discussions at the KTC. During an interview with a senior official from the KCTU, it became clear that this destructive behaviour resulted in loss of support from the public and that the leadership has to come up with a new strategy that can gain wider support from the public.

4-3-4-2. THE KTC, WHOSE INTERESTS DOES IT REPRESENT?

In the previous section the background of non-regular worker issues in South Korea; the process of the establishment of the “Special Committee on Measures for Non-regular Workers” and later the Non-regular Workers Protection Act, and a sub-commission which was established to commit to further discussion on the Non-regular Workers Protection Act,

were discussed. The uncooperative relations among the actors at the KTC, which resulted in each actor pursuing a unilateral approach and bypassing the KTC were also discussed.

In this section the focus will be more on the interaction among actors regarding the Non-regular Workers Protection Act of 2007. At the KTC the actors basically agreed on the problems that non-regular workers faced and that these would cause the polarisation of society. However, in terms of the measures that should be taken to deal with the non-regular workers' issue, labour and business had different perspectives. Regarding the situation, Eo Su-bong, then the new chairman of the KTC, argued as follows: "This idea of the state cannot be the solution to the matter, the state actually pushed us to reach consensus in order to pass the legislation but it will be difficult since there are big gaps between labour, business and the state" (KTC, 2009). This indirectly showed the unstable status of the KTC and that although it is supposed to be autonomous, it is under pressure from the state.

One of the most hotly debated topics was that under the new law, non-regular workers are eligible to become regular workers if they have been employed at one workplace for two years. In response to this law, the KCTU argued that businesses would dismiss contract workers before they reached the two-year tenure requirement and employ new non-regular workers. This concern became real in 2007. After July 2007 several big businesses asked for voluntary resignations by their non-regular workers who had been employed for nearly two years. This raised the question of whether the law was effective and furthermore what the role of the KTC and the outcome of the lengthy meetings were.

Labour argued that even though the KTC contributed to passing legislation protecting the rights of non-regular workers, business found loopholes, and abuse of the law existed (Interview with a senior official from the FKTU, 13 December 2012). One of the prominent examples was that just before the new law came into effect, E-Land Group, the second largest retailer in South Korea, laid off workers who would qualify as regular workers. The immediate response was a strike in January 2008, which lasted for 7 months. In the initial days of the strike, thousands of casual workers from other sectors all over South Korea came to help shut down E-Land stores.

As there was no sign of a decrease in the number of non-regular workers, another conflictual situation was created when the state announced its intention of extending the two-year limit for fixed-term workers to four years. On 12 December 2008, the representatives of civil society at the KTC opposed the state's agenda to extend the contract from 2 years to 4 years and submitted their written opinion to the state. The KCTU also published a statement accusing the state and business. The following was said:

The state should support the efforts of labour at the KTC in order to overcome the economic crisis.

However, the extension of the contract to 4 years might pour cold water on the endeavour ... The state is only trying to pass the buck by making the most economically vulnerable segment, labour, take the responsibility and make the sacrifices (KCTU, 28 January 2009).⁴⁶

Unlike those of the KCTU, the FKTU's responses seemed mild, as they said "business should stick to the principle that employers should hire non-regular workers after the 2-year contract

⁴⁶경제위기 극복을 위한 노사간의 노력을 지지하고 뒷받침해야 할 정부와 여당이 이해관계가 첨예한 비정규직법을 일방적으로 개악하겠다고 하는 것은 모처럼 조성된 노사민정간의 사회적 대화 노력에 찬물을 끼얹는 작태가 아닐 수 없다... 정부와 여당이 정규직과 비정규직, 노동자와 사용자 등 사회 각계각층간의 이해대립과 갈등을 부추기고 경제적 약자인 비정규직과 저임금 노동자들에게 희생과 고통을 전가하려는 비정규직법 사용기간 연장을 절대로 용인하지 않을 것이다 (한국노총, 28 January 2009).

expires” (KTC, 2009).⁴⁷ With regard to the question whether the FKTU was too cooperative towards other actors, one of the FKTU advisory researchers who represented labour at the KTC in 2007, said “the FKTU mixed the two strategies, that is, dialogue/compromise and struggle, since the KTC was seen as a useful platform... the bottom line is that we would like to stick” (Interview, 13 December 2012).

While the FKTU seems willing to cooperate with the KTC since it is the only mechanism that labour can use to participate in the decision-making process, business seems quite indifferent. In April 2008 when labour, civil society and the state agreed to extend the sub-commission for another year until 2009, business was the only actor that argued that there would be no need to discuss matters related to non-regular workers at the KTC any longer. This happened again at the 32nd meetings on 20 January 2009.

We do not think there is need for another meeting to discuss the issue of non-regular workers since it was already decided at the previous meeting... We [business] want to clarify that it is inappropriate for us discuss non-regular workers’ issues any further. Also, we should avoid looking at measures without considering efficiency. In the process of problem-solving, not only labour but also business should be considered.⁴⁸

There was also an ongoing dispute between labour and business in terms of the definition and scope of non-regular workers. Since the definition and scope of non-regular workers would determine the range of protection for labour on one hand and business’s expenses on the other

⁴⁷ 노동계의의입장은 “비정규직법이 2 년 이내 한시적 고용의 필요성이 있는 경우에 비정규직을 고용하는 것이라는 원칙을 지키는 것으로 정규직 전환의 실효성 확보 방안이다.”

⁴⁸ “그동안 주요 쟁점별로 심도 깊은 논의를 진행하였으나 합의점을 찾지 못하였다. 노. 사. 정. 공익 의견을 원안 그대로 상급 회의체로 올려서 논의하고 별도의 결정 사항이 있으면 다시 논의할 수 있을 것이다. 경영계는 비정규직대책위원회에서 관련한 일체의 논의가 이루어지는 것은 부적절하다는 의견을 다시 한번 분명히 밝힌다. 대타협 논의 등에서 비정규직 문제가 걸림돌이 되지 않기 바란다. 해법을 모색함에 있어 실효성을 따지지 않고 퍼붓는 식의 정책지원방안 마련 논의는 지양하고 노. 사 양측 모두를 고려한 대안 모색이 이루어지기 바란다”.

hand, the dispute developed into a fierce battle between labour and business, which included strikes and dismissals. In this situation, the state became dominant.

On 8 October 2008 labour complained as follows:

The state has already decided the scope of the law, and when to enforce it. In this situation, we doubt whether it would be meaningful or useful for us to participate in the KTC. In this context, the KTC itself should lodge complaints through official documents or channels, otherwise holding the meeting is meaningless.⁴⁹

Table 4. 10. Legislative proposals by labour, business and the state at the KTC (KTC 2009)

	Labour	Business	State
Fixed-term	<ul style="list-style-type: none"> - Regulating the use of fixed-term labour only for limited valid reasons - Imposing the duration limit of fixed-term employment for two years - Treating fixed-term workers exceeding two years as permanently employed - Stipulating the principle of the equal pay for equal value-work 	<ul style="list-style-type: none"> - Opposing the stipulation of limited valid reasons for the use of fixed-term labour - Allowing the duration of the employment contract for three years - Opposing employer's obligation to turn fixed-term workers into a permanent position - Opposing the stipulation of the 'equal pay for equal value-work' principle 	<ul style="list-style-type: none"> - Introducing the time limit of fixed-term contract and treating fixed-term workers exceeding the limit as permanently employed (<u>2 years to 4 years</u>) - Stipulating prohibition of discrimination - Introducing employer's obligation to elucidate working conditions in a written form

⁴⁹ “정부는 이미 관련 법령에 대해 범위 및 시기에 대해 [독단적으로] 결정하였다. 이런 상황에서 과연 노사정 위원회에 참여하는 것이 어떠한 의미를 갖는가에 대해 의심을 가질 수 밖에 없다. 노사정 위원회는 반드시 이를 시정하려는 노력을 해야하며 그렇지 않은 경우 일련의 회의들은 무의미할 수 밖에 없다”.

Part-time	<ul style="list-style-type: none"> - Setting a separate limit of daily working time for part-time workers - Introducing the extra work allowance for part-time workers 	<ul style="list-style-type: none"> - Opposing the introduction of part-time working time limit and extra allowance 	<ul style="list-style-type: none"> - Stipulating the principle of proportionate protection and prohibition of discrimination for part-time workers - Paying extra work allowance for exceeding the pre-defined limit of part-time work - Introducing employer's obligation to make written employment contract
Dispatched	<ul style="list-style-type: none"> - Limiting the use of dispatched labour only for professional jobs - Allowing the use of dispatched workers only for two years - Prohibiting dispatched workers from doing the same job over two years 	<ul style="list-style-type: none"> - Changing the positive list for the use of dispatched labour into the negative list - Abolishing the time limit of dispatched labour in use - Allowing to use dispatched labour in the same job without time limit 	<ul style="list-style-type: none"> - Regulating the illegal use of dispatched labour by letting employers employ them in regular jobs - Stipulating prohibition of discrimination - Introducing tripartite council to adjust the coverage of dispatched labour in use - Promoting labour rights of dispatched workers at their working sites
Self-employed	<ul style="list-style-type: none"> - Guaranteeing the legal entity of worker for 	<ul style="list-style-type: none"> - Opposing the recognition of worker entity for dependent 	<ul style="list-style-type: none"> - Proposing the special law to guarantee quasi-workers

	dependent self-employed in the trade union law - Extending the definition of worker in the labour standards law	self-employed in the trade union and the labour standards laws - Resolving the issues of dependent self-employed by the civil or commercial laws	(dependent self-employed) labour rights to organize and bargain - Suggesting additional policy-consultation to prepare for labour and social protection
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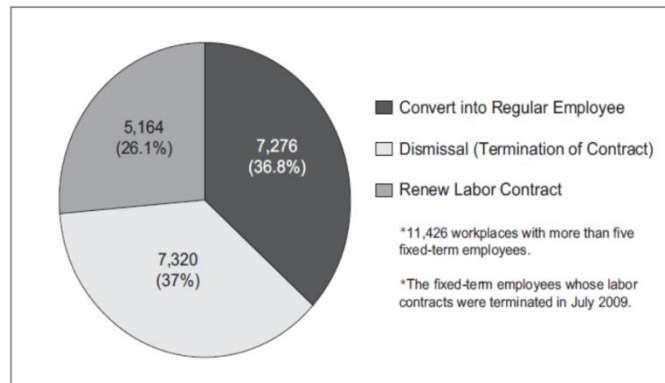
As seen above, non-regular workers were divided into four types. There were self-employed workers including insurance sales people, golf caddies, and home-visit teachers. They used to be directly employed by the employer and in the past signed labour contracts with their employers. However, the status of these jobs was changed to that of special employment - that is technically the status of being self-employed. The problem was the expansion of the service industry and the diversification of employment form. Special employment is being expanded, and these workers are suffering from worse labour conditions than those of non-regular workers by being placed outside of legislation.

Under the circumstances, business consistently demanded a reform policy to ensure labour market flexibility and that the statutory regulations on the use of non-regular labour be minimised. South Korea again faced a global crisis in 2008 and business made aggressive demands for the deregulatory revision of non-regular labour laws; the state pursued a pro-business labour policy to promote labour market flexibility.

Despite the criticism, the state argued that the employment situation had shown improvement after the Act (see Figure 4. 2. and 4. 3.). The state argued that after the law was adopted, 37 per cent of non-regular workers were converted into regular workers, however what was

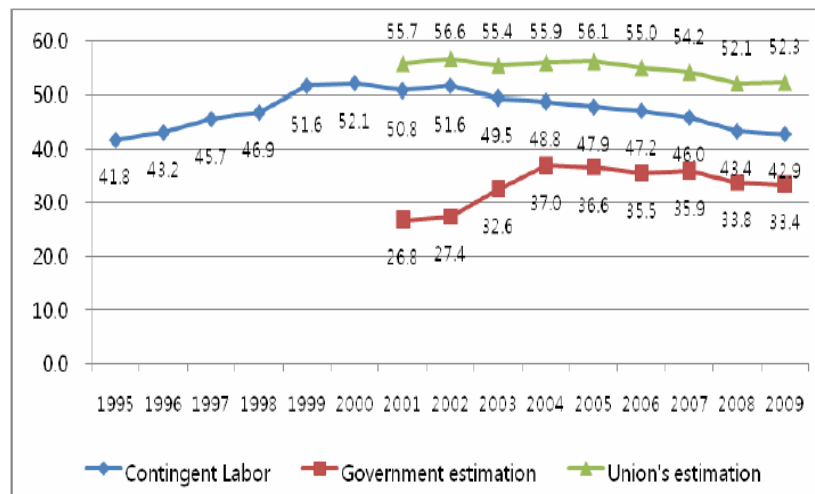
overlooked is that almost the same number of such workers lost their jobs and there was no follow-up research regarding whether these workers could enter the labour market again. Even though the employment situation seemed a bit improved, as the state argued, there was lack of analysis of the impact.

Figure 4. 2. The actual situation of non-regular workers (fixed-term)



Source: Department of Labour, 2009.

Figure 4. 3. The percentage of non-regular workers as measured by the state and labour



Source: Lee Byung-hoon, 2009.

Figure 4. 3. shows the gap between the estimation of the number of non-regular workers by the state and labour. Figure 4. 3. shows that there a was slight decrease in the percentage of non-regular workers, however, the statistics submitted by the government and labour differed by 10 per cent, which tarnished the credibility of each actors' argument,

One of the issues that created a rift between business and labour is that labour tabled comprehensive issues concerning fundamental labour rights, public sector restructuring, and other social issues and hoped that these would be discussed by a practical consultation body. Labour's attempt to raise issues relevant to the entire working class is related to the expansion of the service industry and the diversification of forms of employment. However, this was seen as idealistic but not realistic. For example, business at the 25th meeting on 23 July 2008 pointed out that "the discussion on social security is too broad and irrelevant to the mandate of the sub-commission which was established to discuss non-regular workers" (KTC, 23 July 2008). Business continued to justify their position by saying that their hands were tied in the globalising context, and demanded the loosening of employment protection legislation on the grounds of enhancing corporate competitiveness. Business repeatedly took in the same position namely that labour should stick to matters directly related to non-regular workers' issues instead of the issues affecting the entire working class. The KEP argued that the Act would undermine the autonomy and the productivity of business.

In the South Korean context, the rigidity of the labour market derived from the overprotection of regular workers, the Non-regular Workers Protection Act has a negative impact on hiring in general and has become a burden. Many of the workers who have a fixed-term contract, which is one of the various forms of employment and lawful, misunderstand and think that this act guarantees their conversion to regular workers. Employers should adapt to the fast-changing business environment, however the rigidity of

the labour market and labour's unilateral demands have led to the deterioration of labour relations.⁵⁰

At the 5th meeting on 28 May 2007 the Korea Chamber of Commerce (KORCHAM) participated and argued that labour's demands could lead to a deterioration of the labour market's flexibility and productivity, and that this in turn, could possibly aggravate the entire employment situation, KORCHAM also advocated the autonomy of business.

At first, the FKTU welcomed the Act as it established a platform where labour could participate in matters which would largely affect workers. Since it was the first Act that was created with the intention of protecting non-regular workers, the FKTU expected to find a way to improve the Act, as well as working conditions in general. However, this did not take place.

Nowadays, how the KTC and the state deal with labour relations makes FKTU members feel that their strategies are useless [for labour]... our official response is the state has no strategy and no regulation itself. Without these, the KTC will not be successful. The FKTU could also withdraw (Interview with the union activist from FKTU in December 2012).

In December 2013, the FKTU did actually withdraw from the KTC. This is not directly because of the Act, but rather because the FKTU itself has suffered frustration. Since the FKTU has been seen to cooperate with the KTC, it was striking that the FKTU also decided not to participate at the KTC. The fact that the KTC does not have labour as a partner means

⁵⁰ 경영계는 “정규직 과보호로 인한 노동시장 경직성이 심각한 가운데, 현행비정규직법이 기업 인력운용을 제약하는 규제적 법률로 작용함. 비정규직법이 정규직전환법 으로 오인되고 있으며, ‘기간제 계약’이라는 적법한 계약형태 자체가 노동시장에서 인정받지 못하는 등 비정규직법 본질이 왜곡되고 있다. 또한 급변하는 경영환경에 기업이 대처하기 위해서 인력운영상 탄력성 확보가 필요함에도, 과도한 정규직 보호에 더하여 노동계가 일방적인 정규직 전환만을 요구하는 등 기업 부담을 강요함으로써, 현장 노사관계 불안을 초래하고 있다.”

that all the on-going discussion has to be halted and this will undermine the KTC's authority in the end.

4-3-4-3. THE UNDERLYING PROBLEMS OF THE KTC

The KTC was expected to play a significant role by bringing about social stability and economic growth, however, it did not make any significant contribution in this regard. Also, participants continuously showed their dissatisfaction with the KTC and the decisions which were taken at the KTC. Related to this, it is interesting to note that Kim Sung-jung, former chairman of the KTC (2007-2008), argued as follows:

In 1998, while facing the financial crisis, it was possible to reach consensus through compromise, however, after that, labour and business simply stuck to their own agendas, and there was a limit to what mediation could do. There were also problems with the leadership of both labour and business, for example the withdrawal from the KCTU and the low density of FKTU, also there was no coordination between businesses. These all negatively affected the KTC (25 October 2007).⁵¹

The role of the KTC was to narrow the gap between the two actors, business and labour, by means of discussions leading to an agreement or settlement reached by each side making concessions. However, several fundamental problems related to the KTC as a social dialogue mechanism, were revealed.

⁵¹ "98 년 초에는 위기의식이 작용, 상호 양보에 의한 대타협이 가능하였으나, 이후 노사가 자기 주장을 고수하고 세부 사항까지 합의를 추진함으로써, 노사단체의 이해관계 충돌 시 공익위원의 중재 역할에 한계가 있었다. 또한, 민주노총의 불참, 낮은 노조 조직률(노동계), 경제단체간 조정기능 미비(경영계) 등으로 노사단체의 대표성과 리더십이 확보되지 아니하여 협의과정에 어려움이 있었다. 노사정위는 경제위기시 대타협을 맺으면서 잘 넘겼지만 사실 그런 경제위기가 와서는 안 되지 않습니까. 지난해 노사관계로드맵, 산재보험법 등을 노사정 논의를 통해 타협했기 때문에 과거와 같은 노동법 파동이 발생하지 않은 것입니다. 거창한 합의를 기대하기보다는 실질적이고, 일상적인 대화체제로 나아가야 한다."

In April 2007, the Minister of Labour, Chang Ue-sung argued at the end of the meeting,

If we cannot reach consensus smoothly in terms of the selection of agendas, we will discuss this at the plenary meeting (higher level). However, you (labour, business and the state) should attend without any conditions then. In order to proceed, let's decide on the agenda, let's say, a 'fact-finding' research, and we will discuss this in more detail at the managerial meeting.... (also) I hope you actors will unify your voices, otherwise an enforcement decree will be pushed through by the state unilaterally.⁵²

While labour focused on enhancing general working conditions through the making of new labour laws at the KTC, it is also argued that labour should have brought up something negotiable and should have tabled something feasible. In general, business reacted passively and reactively. Business always showed reluctance and avoided further discussion, sometimes attempting to bypass the KTC, "so far we have had in-depth discussions but we have not found any middle ground. Thus each actor can submit (its) own opinion to higher level, so that they can decide". In this situation, the KTC could not play the role of coordinator and aggregator of the actors' demands.

In addition, there are several underlying problems that prevented the KTC from functioning properly. Firstly, both business and labour were highly fragmented. Business was fragmented into KEF, the KORCHAM and the Federation of Korean Industries (FKI). A representative from each organisation attended meetings at the KTC from time to time. However, they often did not coordinate their agendas. Rather from the beginning, they submitted their own agendas separately (at the 5th meeting, 28 May 2007). The fragmentation caused confusion

⁵² "일단노사정 협의의 진행 상황 및 내용을 후속대책위원회에 보고하기로 한다. 단, 외부의 노사정협회가 원만히 이루어지지 못할 경우 본 회의체에 의제로 채택할지 여부를 다시 논의하도록 한다. 노. 사. 정 모두 각자 입장에서 갖는 어떤 조건도 붙이지 말고, 일단 '실태조사'를 의제로 정하고 자세한 내용은 간사회의 조정을 거쳐 추후 논의하기로 한다."

and adversely influenced the efficiency of the KTC meetings as the actors submitted uncoordinated agendas. The rising (in)efficiency of the meeting was repeatedly emphasised throughout the meetings in 2007 and can be seen again a year later at the 24th meeting (actually the first meeting in 2008) on 9 July 2008.

From the labour side, the overall power of labour has been divided between two umbrella organisations, the FKTU and the KCTU. Under the circumstances, it is difficult to build one united voice at the KTC. The labour unions have not been successful in gaining support from and making alliances with a wide variety of social groups in civil society. The public and especially the middle class often see labour disputes and protests as expressing selfish group-interests (*Asia Economy News*, 6 September 2013). Labour is also well aware of this criticism. However it does not seem to use the KTC as a mechanism to forge alliances with other societal actors (Interviews with the senior officials from the KCTU and the FKTU, 13 December 2012).

As discussed already, from the beginning (since 1999), the KCTU refused to join the KTC since it argued that the act itself should be abolished and that the act would become an alternative legislation for controlling the use of non-regular workers. This withdrawal was severely criticised by other actors. Kim Dae-whan, a chairman of the KTC, during his interview with *Labour Law*, said “The KCTU has not suffered any disadvantages as a result of its withdrawal from the KTC, although this has negatively contributed to the deadlock at the KTC...”⁵³

⁵³ “민주노총은 노사위에 참여하지 않아도 손해보는 것이 없었다. 그래서 이런 상태가 계속 되는 것이다.” 노동법률 2013년 10월호와의 인터뷰.

The withdrawal was the KCTU's own decision, however, other actors were also reluctant to involve the KCTU in discussion at the KTC. Before the first meetings of the sub-commission took place in May 2007, there was an attempt by the FK TU to include the KCTU. The KTC also wanted the KCTU to participate in order to gain legitimacy as an institute promoting social dialogue, the other actors however resisted. The president of the KEP, Lee Su-young said, "I cannot attend the meeting with the KCTU" (10 April 2007). He further said "Unless the KCTU stops announcing nation-wide strikes, we businesses will also close our operations here [in South Korea] and relocate our businesses in other countries".⁵⁴ Business did not welcome the idea that the KTCU should join the KTC. All the other actors (except the FK TU) seemed to agree that they wanted to avoid unnecessary disputes by including the KCTU which showed hostility towards the corporatist institution.

There has been no development of discussion among social partners. After the inauguration of the current government, the KTC excluded KCTU from discussions on these issues. The discussion ended without agreement, demonstrating the different positions of each party (KTC, 29 October 2009).

The fragmentation of labour is closely linked to the issue of representation at the KTC. The KCTU and business representatives of SMEs were not included at the KTC.⁵⁵ The reality is that SMEs faced more serious problems in terms of the employment of non-regular workers. As the law would apply to SMEs from July 2008 it was anticipated that SMEs which did not have as many resources as big businesses, would experience more problems absorbing non-regular workers. The participants at the KTC agreed to provide various incentives for SMEs

⁵⁴ "민주노총이 파업을 공언하는 상태가 지속된다면 기업인들이 공장 문을 닫고 한국을 떠나는 말없는 '스트라이크(파업, 해외공장이전)'를 할 것이다."

⁵⁵ The KCTU could not gain the broader support of the workers. The KCTU affiliates represent male workers employed under regular, full-time employment in *chaebols*. Therefore, there are limitations and the KCTU does not actually represent the workforce at large, especially the rapidly growing periphery of non-regular workers in lower-paid, more insecure jobs and the socially marginalised.

like tax reduction so that this could offset the hiring of non-regular workers after the expiration of their two-year contracts. However, there was no participation by SMEs at the series of meetings at the KTC. Also, while other business organisations based on *chaebols* conducted research on the impact of the Act in order to prepare for the consequences, SMEs showed lack of preparation. A fact-finding study conducted by the KTC, the results of which were published on 9 July 2008, shows that more than 35 per cent of SMEs would terminate contracts with their non-regular workers which would negatively affect the unemployment issue (KTC, 2008). In fact, there was no institution that represented non-regular workers even though the act itself was meant for non-regular workers. The lack of representation of the significant stakeholders undermined the KTC's legitimacy.

Secondly, despite the conflictual situation between business and labour, there was no active intervention from the state, and whenever the state tabled its agendas or outcomes including statistics, it was criticised by the both sides and accused of being unrealistic or of not reflecting the reality. Thus, the state was successful neither as an actor that took the initiative and became an active mediator, nor as an actor providing reliable statistics on which the further policy-making process could be based. Rather the state maintained an ambivalent stance after the 6th meeting on 15 June 2007, "the Act has not been enforced yet, therefore we should not hesitate to predict the outcome, the government will monitor the labour market and gradually complement the Act."⁵⁶ However, it is difficult to observe any significant intervention from the state at the KTC when analysing the minutes of the sub-commission written during the rest of the period. Rather the strategy of the state was to wait and see, in other words, they were inactive.

⁵⁶ "비정규직법이 아직 시행되지 않았고, 비정규직에 대한 정책들이 이제 출발단계에 있는 상황에서 정책효과에 대한 판단은 너무 성급함. 앞으로 노동시장의 상황을 지켜보면서 문제점들을 보완해 나갈 계획임."

Whenever labour and business encountered strong antagonism, the agenda was halted for a while. The state did not take clear stance on the legislation concerning non-regular employment, nor did it make an active effort to mediate between labour unions and business associations.

Thus, each actor started following its own path to push forward its own agenda and this tendency has increased. The KCTU used mass strikes, and business lobbied members of parliament in order to achieve their goals. The KEP directly approached the parliament members by distributing a report entitled *Perspectives from Business towards Problems with the Non-regular Worker Act* in April 2007. In the report, business argued that “business will suffer if it has to absorb non-regular workers... the additional cost will reach 5 trillion won”. Business expressed frustration saying, “we are under pressure to accept excessive demands and the state and labour should understand the principle that business is there to create profits”. Business claimed that the role of business was different from that of the public sector. It is possible to observe that both labour and business stuck to their own positions and did not show any willingness to settle the disputes over detailed issues.

It seems that the state took a pro-business stance over time. The Lee Myung-bak government which made clear its pro-business administrative direction during the global crisis in 2008, gave consideration to business’ demands for the deregulation of labour policies including the non-regular employment laws, and made a public pledge to undertake aggressive policy-making for the promotion of labour market flexibility. This impaired the autonomy and the neutrality of the KTC.

All in all, no genuine exchange took place between actors at the KTC. In order to resolve the issue, the new chairman of the KTC proposed a package of social dialogue in January 2014. He wanted there to be compromise or exchange (KTC, 8 January 2014). However, it was still not certain how other actors would perceive this agenda as the KTC was seen a deteriorating institution. Also it was uncertain how much they would be willing to yield in the name of corporatism.

The contention and uncertainty regarding labour relations with regard to the revision of the non-regular employment laws have not been resolved up to the present. Labour (FKTU) agreed that to some extent, the Non-regular Workers Protection Act could have a positive effect (the agreement of 5th June 2009), but felt that the state would not be able to monitor whether big business misused the regulations. Business argued that the tendency to overprotect labour would negatively affect the rigidity of the labour market and labour argued that business would avoid hiring non-regular workers due to the law being a burden. Labour further alleged that this would negatively affect the entire employment situation since employers would prefer indirectly hired workers so as to avoid contact with the law.

The series of KTC annual reports and minutes clearly indicated that all the participants recognised the non-regular workers' problems. The KTC contributed to some extent by providing suggestions such as "Master plan Non-regular workers' employment" which includes plans for expanding training opportunities, supporting vulnerable populations and collecting data on non-regular workers. Nevertheless, when analysing the annual reports and minutes, it is possible to see that there was a lack of productive and cooperative discussion; nevertheless it is possible to identify several characteristics of the discussions.

The KTC faced the representation issue. The actors who were directly affected by the Act, did not participate due to the characteristics of the corporatist institution in South Korea that allows only high-level actors to join. Thus, an ironical situation evolved namely that the union that was based on regular workers represented non-regular workers, and the KEF that consists of *chaebols* took part in the discussion representing SMEs.

The outcome was in favour of business that wanted labour market flexibility. The state took unilateral action that allowed neo-liberal corporate restructuring including outsourcing, in order to cope with the changing business environment in the era of globalisation. Also, there was another crisis in 2008 when the pro-business government took power promising economic growth rather than distribution. Since the Kim Dae-jung and Rho Mu-hyun administrations could not be successful in terms of distribution, South Korea also stagnated, and people became inclined to treat economic growth as their top priority. The state pushed forward neo-liberal economic policies, which negatively affected the discussions at the KTC where the focus was on social protection for workers.

In the case of the KTC, it is noticeable that none of the actors were cooperative. Labour could have used the KTC as a useful platform in order to create protection mechanisms for workers, however labour itself was divided between the FKTU and the KCTU. There have also been a series of clashes between the KCTU and the FKTU over participation in the KTC (Roh Joong-kee, 1999:98). Under the circumstances, it cannot be said that the two largest unions were supportive of each other. Business was reluctant to join the KTC from the beginning and the state either acted reactively or was biased towards business.

4-4. THE IMBALANCE OF POWER BETWEEN THE STATE, LABOUR AND BUSINESS

In this section, the balance of power between the state, business and labour over time will be focused on. The establishment of corporatism and its diminished influence are all related to the balance of power among these actors. Before democratisation, South Korea's unique political economic situation due to the confrontation with North Korea, helped the state maintain sole power. However, the state faced the growing influence of labour, one of the principal societal actors leading democratisation. Right after democratisation, the state seemed to lose its influence over the society. Furthermore, South Korea faced another formidable transition, globalisation. How this has affected the state-society relations? Has this brought an opportunity for labour to become an equal partner vis-à-vis the state and business?

4-4-1. BEFORE 1987: THE STRONG STATE-BUSINESS COALITIONS AND LABOUR'S GROWTH

Prior to South Korea's democratisation, the state maintained the dominant position towards societal actors. South Korea was a largely agrarian society until the early 20th century, when the working class began to gain prominence, along with industrialisation under colonialism. However, during this period most of labourers were impoverished due to the exploitive characteristics of Japanese colonialism. The number of wage workers was small; therefore, it was difficult to develop class consciousness among workers. Nevertheless, the working class became a strong force in the development of nationalism and became involved in independent movements. After independence, the state-led development plan was pushed forward under the authoritarian governments. In the process, the state and a small but stable number of business actors strengthened their ties. On the basis of the unprecedented support from the

state, in terms of grants and loans, these big businesses could develop into world class players. The state intervened in industrial relations maintaining low wages and long working hours. In the process, the state used suppressive methods. This resulted in the South Korean export industry becoming exceptionally competitive (Kang, 2002).

The political situation that South Korea faced regarding the confrontation with North Korea, helped the state use its absolute power (Kim Eun-mee, 2010), which ultimately strengthened the state's authority (Doner, Richie and Slater, 2005). In the 1960s, university students and intellectuals who were against the authoritarian government and in favour of democracy supported the labour movement. However, at that time, authoritarian governments treated anyone who was against the state, as if they were linked to communism or profited North Korea. Furthermore, since the first republic (1948-1960), the labour related laws and regulations inhibited labour from partaking in political activities. Labour could not raise its voice against increasing exploitation from the state and business (Koo, 2000).

Ironically, along with the rapid industrialisation policies, some heavy industries such as automobile and steel were promoted by the state, and the influence of these sectors became crucial for the growth of the South Korean economy (Chang Dae-oup, 2002). These industries were the driving forces of the rapid growth of the Korean economy, and if they had exerted their influence through strikes and workplace stoppages, the negative impact on the economy would have been considerable.

Therefore the state and business tried to maintain peaceful industrial relations. At that time, the major issue from the labour side was related to basic rights like increased wages, reduced working hours and improved conditions. The demands of labour had a direct impact on

competitiveness. Wage and other agreements that labour gained enhanced productivity, as well as increasing stability at the shop floor level. In the case of South Korea, labour was granted economic gains and material support from government, for example job training, insurance and housing allowances, among others in this regard. Vandenberg and Hundt (2011) argue that South Korea had a better social protection system than the United Kingdom and the United States in the 1990s. This led to labour's loyalty helping to maintain high productivity, which in turn made South Korea achieve remarkable economic growth.⁵⁷ However, when South Korea was incorporated into a single global market, the state could no longer maintain the existing system, especially after 1997. The relations between the state, business and labour entered a critical transition phase in the democratisation period.

4-4-2. THE LABOUR MOVEMENT AFTER DEMOCRATISATION

Along with industrialisation, labour experienced change in terms of the number of members and the number of unions. Increasing union membership bolstered the power of labour. It is also possible to observe the development of regional and industrial unions. Later, this movement led to the creation of another union, the KCTU. The KCTU, which was based on considerable support from workers, played a significant role in strengthening the power of labour (Yang Jae-jin, 2010:454). However, it could not lead to a change in the relationship between the state and society.

⁵⁷ Amsden (1990) points out that wage increase policies were implemented by the state in order to gain loyalty under the authoritarian governments. Amsden (1990; 1992) notes that the higher wages can be seen as a type of populism. Higher wages were paid to encourage learning in technology. In this way, South Korea could achieve growth in a very short time. For the state, productivity was one of its top priorities in the course of economic development. In the process, big businesses could retain their profits even though they had to raise workers' wages. At that time, in the 1980s, wages increased by an average of 15 per cent per annum, but the state could still maintain competitiveness, while it kept the three lows: the low exchange rate, the low oil price and low interest rates. These could compensate for businesses' losses (Amsden, 1992).

As discussed above, under the Kim Young-sam government, the KCTU and the FKTU showed their collective power. However, because of their different stances and conflict between soft liners and hard liners in each confederation, they were considerably fragmented (Yang Jae-jin, 2010:458). Furthermore, since democratisation, labour has experienced a sharp decrease in numbers. Also, South Korean unions are criticised because they are perceived to have pursued short-term distributive gains instead of pursuing the interest of the whole working class (Lee Yoon-kyung, 2006).

In South Korea, enterprise unions, in other words, unions organised based on a single enterprise, had been dominant unlike those in most European countries and in South Africa that are organised at national/industrial level. Many point out that labour in South Korea needed to develop meso- and macro levels of collective bargaining (Kim Eun-sook, 1997; *Labour Today*, November 19 2012). South Korea has a tradition of enterprise-level unions, which were introduced by the state and aimed at disintegrating labour. Enterprise-level collective bargaining became the accepted mechanism for setting wages and working conditions after the colonial period. Relations between labour and business remained highly antagonistic over differences in the bargaining process (Roh Joon-kee, 2008). Of the two national labour federations, KCTU was more successful in transforming its affiliated unions into industrial unions than the FKTU. However, this movement has faced strong resistance by employers concerned about labour becoming strong and uncontrollable.

In addition to the issue of fragmentation of unions, the distance between union leaders and the shop floor has become a new problem arising after democratisation. Especially, the union leaders and workers who belong to big businesses and have permanent positions, are criticised for belonging to a union aristocracy. This is clearly shown in the case of South Africa, where

shop floor workers criticise the distance between them and union leaders. For example, the unions of *chaebols* are more centrally organised. The high level of unionisation in large companies meant that the state and business were unable to forcibly constrain wage growth within the guidelines. Also union militancy in South Korea originated from unions belonging to *chaebols*. These made it easier for the unions of *chaebols* to protect their interests. The problem is that these unions focused on their own interests, thereby neglecting the interests of the working class as a whole. Sometimes, they were seen by the shop floor as being too cooperative towards employers and the state. One of the prominent examples is the dismissal of the KCTU leadership in 1998, on behalf of the rank and file of the KCTU, on the background of being too cooperative with the government, which made the organisation take a more militant line. The conflict between the union leadership and shop floor level members has continued to the present (2013) and has been pointed out as one of the main reasons for the ebb in the labour movement.

Yoo Hyung-geun (2012) describes the characteristics of the labour movement in South Korea as “labour militancy without solidarity”. Before democratisation the labour movement in South Korea not only represented the narrow economic interests of organised labour, but also served as the central force of social movements. However, solidarity has weakened after the financial crisis of 1997. This weakened solidarity is largely due to globalisation and a restructuring of the workplace, this can also be seen in the case of South Africa (Von Holdt and Webster, 2008).

There is another significant reason why labour could not achieve an extensive level of reform. Many scholars have pointed out that the labour movement could not develop into a political party that could represent the interests of the whole working class (Roh Joong-kee, 2010;

Yang Jae-jin, 2010). Even though labour could achieve a certain level of economic gain including wage increases, the political channel was blocked (see 4-1-3). Without political representatives who could promote labour's interests, labour faced limitations in terms of the redistribution of wealth and other economic and social rights.

Before democratisation, labour was successful in gaining the broad-based support of intellectuals, religious leaders and the middle class. This coalition became the driving force of democratisation (Sandbrook, 2007). As in the case of South Africa, after democratisation, labour failed to create broad coalitions which resulted in reforms, beneficial to organised labour only. Also, labour did not seize the leadership in the coalition and has remained as junior partner. Under the circumstances, labour could not push forward reform alone without the help of other segments of the coalition.

It is also possible to observe that the coalitions between labour and the middle class rapidly disintegrated, in other words, labour lost its biggest support base. This can be related to the hierarchical structure of South Korean society. There is a deeply embedded idea that the working class is the lowest stratum in society (Guillen, 2000:431). Even though the labour movement was at the centre of the democratisation process, in practice, it was led by middle class people, such as intellectuals and white-collar workers. Choi Jang-jip (2012) notes that the democratic revolution was led by elites, and the authoritarian characteristics derived from this elite-led transition have influenced the current political system and became a barrier to incorporating a range of societal groups. Labour in itself was not strong enough to become an independent social force, without forging an alliance with other social groups.

After democratisation, once the middle class gained political freedom, they no longer supported labour movements.⁵⁸ At that time, the state used the media which described labour movements as an obstacle to economic development. The middle class, which gradually looked for stability, stopped supporting labour; thus, the alliance became weak. What should be noted is that, as Koo (1991:499) argues, the original goals of the middle class and the working class in South Korea were different. While the middle class pursued political freedoms including direct and free elections and freedom of speech and association; better working conditions and higher wages were urgent issues to the working class. Ideology also played an important role in terms of the incorporation of labour. For example, communism or socialism was not accepted in South Korea until 2000, when the Democratic Labour Party (DLP) was established.⁵⁹ South Korea took a strong anti-communist line and the state suspected labour movements of being linked to North Korea and planning to cause social disorder (Guillen, 2000) (see Footnote 35).

4-4-3. THE SECOND (MISSED) OPPORTUNITY FOR LABOUR TO INCREASE ITS POWER

The power of labour reached a peak during democratisation, which made the government incorporate the interests of labour, conferring a status of equal partner within the corporatist framework. However, it became clear that the existing relations between these three actors were not transformed. The transition in South Korea took place in relatively stable conditions; the ruling forces, including the state, had the capacity to weather the crisis. On the other hand,

⁵⁸ This alliance between labour and the middle class and the subsequent disintegration is not found in South Africa, since the country has a very small middle class and there are many fractions based on race and occupation.

⁵⁹ The DLP is based on the KCTU. After democratisation, despite the decrease in union density in South Korea, the ratio of the KCTU's membership to the total unionised members jumped from 27.4 per cent in 1996 to 43.5 per cent in 2003. This shows that labour's political influence grew stronger and its method of participation became more organised.

labour was relatively weak and decentralised; therefore, it was beyond its capacity to transform the society (Choi Jang-jip, 2012).

At this juncture, from 1998 South Korea has had ‘liberal’ governments: the Kim Dae-jung government (1998-2002) and the Roh Moo-hyun government (2003-2007). Both of them were sympathetic towards labour and antagonistic towards business. This seemed to be the opportunity for labour to advance their interest, supported by these pro-labour governments.

The appearance of the liberal government drew attention in terms of its relations with labour, in comparison to that of the previous authoritarian governments before democratisation. Moreover, the KTC was created under the liberal Kim Dae-jung government. Therefore, much attention has been paid to the role of these two governments (*The Wall Street Journal*, 9 September 9, 1987). From 1998 onwards, the major issues that the government and the KTC faced were the assurance of labour rights and a social safety net through the corporatist institution (Yang Jae-jin, 2010:457). The Non-regular Workers Act can be understood as one of measures.

The series of pro-labour programmes were implemented because both the governments were elected based on the support of labour. Especially, the Roh Moo-hyun government had sympathy with labour’s discontent with the neo-liberal economic reforms. The prime goal of his government’s economic policy was to achieve a balance between growth and distribution. The correction of distributional imbalance, and the *chaebol* regulation policy became pillars of the new government’s economic policy. President Roh had a strong aversion to the economic concentration on big business and campaigned for the reform of the *chaebols*. Despite a series of efforts to limit big businesses and their influence, labour gained no significant benefits with regard to political power after democratisation. However, as long as

labour participated in the KTC, it was bound to agree with the decisions made by the KTC. The structural change of the South Korean economy influenced labour and the negative influence has continued until today (2013). It was easy for the state and businesses to hire and fire workers in the name of market flexibility; thus, they had more leverage.

Right after the 1997 crisis, business temporarily became a subordinate actor since the crisis originated due to their lax management (Cho Hui-yeon, 2009). In the wake of the 1997 crisis, 15 of the 30 largest *chaebols* went bankrupt or had entered restructuring programmes by the end of 2000. More importantly, numerous big business affiliates, such as Daewoo Motors, were sold to foreign capital, which involves an erosion of the *chaebol* system. However, the two liberal governments failed to achieve substantial reforms in favour of labour, in terms of creating jobs and a more equal redistribution of wealth. One of the prominent reasons, as already mentioned, was the change in ownership structure of Korean big business due to foreign capital's control of these companies. Even though the ownership structure changed, the influence of business remained strong, since the country's economy heavily relies on the success of the *chaebols*. All in all, the state lost its ability to control business (Yang Jae-jin, 2010:472). Under the developmental state, all *chaebols* enjoyed preferential treatment given by the state. Under the authoritarian governments when South Korea achieved the rapid economic growth, the state wanted to support big businesses, such as Samsung and LG in the interests of becoming competitive enough on the global market. However, as these *chaebols* became stronger, they no longer wanted government protection and regulations. Thus, their relations with the state have become antagonistic and government regulations have become regarded as barriers to their growth (*Yonhap News*, 18 February 2013).

As seen in 4-3, labour has been exposed to employment instability. Labour was incorporated into the policy-making process, however its internal problems (the split between the FKTU and the KCTU) and decreasing membership as well as public support did not help labour aggregate various demands and act as an equal partner vis-à-vis the state and business at the KTC. Kim Young-cheol (2010:35) points out, that corporatism in South Korea has become unstable. Labour negatively contributed to this instability by repeatedly withdrawing from and re-joining the KTC, which did not strengthen its bargaining power vis-à-vis the state and business.

Despite the government's efforts to institutionalise stable industrial relations, the outcome of the social pact was not promising. At the beginning of his administration's term of office, President Roh pledged to institute a multi-level collective bargaining system, which implied that his government would endorse industrial unions and the industry-level bargaining that trade union leadership aspired to establish, which was expected to strengthen the bargaining power of labour (Lee Joo-hee, 2004). In the case of South Korea, the absence of one encompassing union like COSATU in South Africa has negatively influenced the strength of labour. At the negotiation table, the low level of political representation meant that labour could not initiate its own overarching agenda.

The first year of Roh's presidency was marked by a relatively high level of labour disputes, it clearly indicated that the KTC was not used as a forum for the state, business and labour. The Roh administration also took an even tougher stance toward striking workers (see Table 4.11.). The government heavily criticised the labour leaders' "aristocracy" and militancy. Ironically, the Kim Dae-jung government and the Roh Moo-hyun government were elected based on support from the working class; yet, these two governments have been criticised for

their use of coercive means to control labour (Roh Joong-kee, 2010). Guillen (2000) argues that the Kim Dae-jung government continued to maintain mild repressiveness towards labour, and tried to pacify labour by introducing corporatism. Kim Eun-mee (2010:112) argues that the Roh Moo-hyun government did not confer full autonomy on society, since the state was still inclined to lead society. Within the framework which was created by the state, society could enjoy only limited autonomy.

Since democratisation, the state was expected to play an important role in coordinating all these actors' demands (Yang Jae-jin, 2010:452). However, the relations between labour and business and between labour and the state have become hostile. In this process, the corporatist institution did not simply function through neglect. All the employment policies that were introduced by the government's financial departments were supportive of neo-liberal economic policies, and the employment policy was subordinated to the economic policies of financial departments (Roh Joong-kee, 2010:8). This proves that labour's rights were not afforded top priority. Consequently, the reform measures in the KTC were stalemated, and the legislative procedures for implementation were delayed. In the case of South Korea, corporatism seems to have failed to gain support from the all participants and agreements made through negotiations were not implemented.

4-4-4. GLOBALISATION AND ITS IMPLICATIONS FOR LABOUR

Roh Joong-kee (2010:6) argues that globalisation has resulted in numerous changes in the relationship between the state, business and labour in South Korea. From the Kim Dae-jung government, there have been two overarching pillars in economic policy: the expansion of the market economy and a flexible labour market. Shim Ji-hong (2008) argues that unlike the Lee

government that was clearly directed towards restoring economic growth, the Roh government was fixated on redistribution. However, the government could not achieve the economic growth in the first place. Under the circumstances, the redistribution programme, which was strongly pushed forward by the Roh government, negatively affected the domestic economy by discouraging investment from both foreign and domestic investors. This is similar to South Africa's adoption of the RDP. At that time, the new South African government inherited debt from the NP and had to push forward a debt-based programme, which resulted in fear among foreign investors. In the case of South Korea, the Roh government's ambitious redistribution programme brought about similar responses from international and national businesses.

Roh's policies were pushed forward without economic growth to buttress the redistribution programmes. During his presidency, the increasing bi-polarisation of society and the slow economic growth, led the South Korean society to choose the Lee Myung-bak government, which promised a new developmental state, emphasising economic growth.⁶⁰ According to Roh Joong-kee (2010:7), regardless of the differences between them, the three governments (Kim Dae-jung, Roh Moo-hyun and Lee Myung-bak) strictly applied labour law to labour disputes and used force to quell protests. There was resistance from labour and even the pro-government KCTU held vast demonstrations. Table 4.11 shows that since the Kim Dae-jung government, the number of detainees arrested during demonstrations has increased. Even though the Kim Dae-jung and Roh Moo-hyun administrations called themselves pro-labour

⁶⁰ Even though, the unemployed and those who are placed outside the labour market supported Kim Dae-jung and Roh Moo-hyun, pro-labour presidents, these presidents used the same violent methods against the labour movements and the promised redistribution failed to materialise. The society that used to enjoy relatively egalitarian distribution was disappointed and turned to President Lee Myung-bak who has a strong conservative inclination. In 2013 President Park Geun-Hye whose father is President Park Chung-hee who established a developmental state in South Korea, was elected. These two presidents promised to consider economic growth first. President Lee used to be called a neo-liberal bulldozer and President Park Geun-Hye also follows the doctrines of neo-liberalism.

governments, their repressiveness in dealing with strikes did not seem different from that of the previous authoritarian governments. This is also seen in the case of Marikana in South Africa, which reflected the government and police's repressive use of force towards labour.

Table 4. 11. The Number of Detainees during Labour Dispute

	Roh TW ⁶¹	Kim YS	Kim DJ	Roh MH	Lee MB
Number of the detainees	1973	632	892	1053	334 (2009.10.28)
Annual average	394.6	126.4	178.4	210.6	200.4

Source: Roh Joong-kee, 2010.

As the South Korean developmental state became democratic and liberal, it seems that the country has followed a new pattern, becoming a 'developmental state' with democracy. In other words, the state has incorporated labour's interest within the corporatist framework, however, the state still uses suppression to deal with industrial relations. This can currently be seen in South Africa as well. There have been debates about whether it is possible for South Africa to construct a developmental state, within the framework of a constitutional democracy (Edigheji, 2010). It is important to extract some of the characteristics of a development state

⁶¹ The Roh Tae-woo government was in power during the process of transition to democratisation. It still had largely authoritarian characteristics due to Roh's military background, and his political base was the same as that of his predecessors, mainly the upper-middle class and the wealthy. The middle class sought stability after the transition period.

such as that it is a state with a long term developmental goal for the country, however, the oppressive relationship between the state and labour should not be replicated.

4-5. AN ASSESSMENT OF CORPORATISM IN SOUTH KOREA

After democratisation, Presidents Kim Dae-jung and Roh Moo-hyun had a relatively cooperative relationship with labour at first. However, it seems that the two governments employed an institutional approach to controlling labour by using the KTC. The two governments applied tough measures when dealing with illegal strikes and the politicisation of the labour movement. Especially, a commentator points out that the ministry of labour came to be in charge instead of the KTC. The minister of labour was critical of labour's militancy and preferred discussion of issues at forums other than the KTC (Roh Joong-kee, 2006:6-7). The governments are theoretically expected to discuss issues with labour at the KTC, but it can be observed that the government's willingness to push forward corporatism does not exist any longer. Kim Hwang-jo (2007) argues that since the establishment of the KTC, its meetings have never been attended by a president or prime-minister. According to him, this shows that the state has not considered the KTC as a significant institution. Taking this into consideration, in the case of South Korea, corporatism seems to remain symbolic and a new type of instrument with which the state could control society after democratisation.

The pressure on the KTC increased when President Lee was elected in 2008. The Lee government stopped pushing forward social programmes that had been implemented by the previous governments, and switched to neo-liberal economic programmes (Roh, Joong-kee, 2010:9-10). This has brought conflict between the state and labour at the KTC. Given this

situation, labour still repeatedly withdraws and does not participate in the negotiation, the state pushes forward policies in an unilateral manner.

Roh Joong-kee (2010)'s argument is that while the state lost its power under the participatory democratic system, labour also experienced difficulties. In the aftermath of mass layoffs and the high unemployment rate, the membership of trade unions declined sharply. Furthermore, the multiple unionism somewhat accelerated internal disputes.⁶² Despite all these changes, business seems to remain in a prominent position vis-à-vis labour. Yang Jae-jin (2010:471) argues that business, especially *chaebols* have tried to put an end to the KTC by lowering its legal status and the scope of activities, since the KTC was regarded as an impediment to business.

Yang Jae-jin (2010) argues that the state looked for a way to suppress labour. After democratisation the state needed to find a new strategy to take the place of physical repression. All these efforts were aimed at maintaining peaceful industrial relations and national competitiveness in the face of globalisation (Yang Jae-jin, 2010:462). However, these efforts were conducted at the expense of labour's interests.

Since South Korea does not have a tradition of corporatism based on trust among the state, business and labour, the environment of the KTC was not conducive to success. Commentators such as Shim Ji-hong (2008) and Yang Jae-jin (2010) doubt the efficiency of the KTC and point to the intervention of the state, as one of the causes of KTCs' failure.

⁶² Another significant change took place in industrial relations, that is multiple unions in a single workplace were accepted from 2007. The Trade Union and Labour Relations Adjustment Act was amended to allow multiple unions in the same workplace. The Act became effective from 2011. The multiple union system is still somewhat unusual in South Korea, having never been actively practiced before, and many problems have arisen which can result in decentralisation of the power of labour, particularly during the bargaining process of the enterprise level. Multiple representatives insisting on their own agendas can potentially disrupt the bargaining process. This pluralistic approach might impede corporatism in South Korea.

Whenever a new administration came into power, a new form of industrial relations was promulgated, which included the strengthening of KTCs' status. However, these efforts did not bear any fruitful outcomes. Whether the corporatist institution in South Korea will eventually achieve its proposed goals remains to be seen; however, the prospects at the moment are not very bright. Kim Hwang-jo (2007) argued that the conditions for the success of corporatism did not exist in the case of South Korea.; rather, the KTC was used as a tool by the state to accomplish neo-liberal goals. It could be said that the KTC is no longer a viable forum for discussions and negotiations, but rather an entity whose legitimacy is now only enshrined on paper. This will be further discussed in Chapter 5.

4-6. CONCLUSION

Corporatism gave all the actors opportunities. For labour, the significance is that it could be involved in the policy-making process as an equal partner. Trade unions were allowed some political activity, with rising expectations of more progressive future changes. Labour did reap some benefits; however, its losses far outweigh those of the other actors in the corporatist institution. Although the state argued for equal burden sharing to overcome the economic crisis, labour bore the majority of that share. The doctrine of market economy and the principles of competitiveness and efficiency have exerted a prevailing influence on struggles between labour and business. Business argues that more flexibility along with globalisation is needed in the labour markets, as this will help attract foreign investors and result in job creation. Restructuring the labour market should have been accompanied by the construction of a social protection system so as to absorb the shock.

However, at the KTC, political exchange did not take place in earnest among the three actors in South Korea. By means of the KTC, business could prevent conflict and also maintain moderate wage levels throughout the bargaining process (Yang Jae-jin, 2010:465). In reality, business has benefitted from the KTC. Businesses were granted the legal right to lay off workers in times of mergers and the acquisition or handover of firms, or whenever management felt there was an urgent need.

Also they were able to make use of replacement workers when the union members were on strike. In order to keep the industrial peace, the government took a tough stand against striking unionists, who were demonstrating against the restructuring and layoffs. The government often resorted to physical force to stop the strikes, and the frequently associated illegal actions. Although the KTC exists, it is hard to observe any sign that it ever acted or acts as a mediator; rather, the state uses physical power to control labour. Due to the fragmentation between the KCTU and FKTU, it has been difficult to aggregate the interests of labour. Furthermore, the labour leadership has been criticised for pursuing only the interests of those who belong to unions. Compared to the state and business, labour has lost its influence at the KTC.

Under these circumstances, the question arises: if the KTC does not function properly, why does the institution still exist? Responding to this, Yang Jae-jin (2010:466-7) notes that the KTC has been granted official and legal status, and it is in the interest of the actors to retain their seats at the bargaining table, in order to at least have legitimacy. As long as the KTC exists, social pact in South Korea will remain. Under the circumstances, each actor should have strategic capacity. It is especially important that labour is organised at the industrial level, instead of the enterprise level. In South Africa, labour is organised at the national- or

industrial level, and can have a more unified voice based on its superiority in numbers, than the labour movement at the enterprise level. In the case of South Korea, wages are still likely to be determined by businesses; thus, the leverage of business is much stronger.

The KTC has failed as a corporatist institution in South Korea for several reasons:

- After democratisation, labour was incorporated as an equal partner vis-à-vis the state and business, however the balance of power among actors became asymmetrical as time went by.
- At the KTC, the actors do not show cooperative attitudes, rather they seek a way to bypass the corporatist institution. Labour relies on strikes and business seeks to find loopholes in the decisions which were made at the KTC.
- One of the main reasons for the imbalance of power between actors is related to labour's diminished influence after democratisation. Labour has experienced a decrease in its membership along with massive layoffs after the financial crisis of 1997. Also, the split between the KCTU and the FKTU, and furthermore the KCTU's withdrawal from the KTC negatively affected the influence of labour at the KTC.
- Business has a reluctant attitude towards the KTC and the state also does not play its role as an active mediator. Rather, the state's stance has favoured business pursuing neo-liberalism in the name of economic growth.

CHAPTER V. CONCLUSION

5-1. INTRODUCTION

When South Africa and South Korea introduced the corporatist institutions in the late 20th century, it was expected that corporatism would play a role in ensuring the maintenance of political stability in liberal democracies and improve the effectiveness of economic policies. This became the rationale for those who supported the adoption of corporatism in South Africa and South Korea. However, in the cases of South Africa and South Korea, the corporatist organisations have not functioned properly and this was followed by labour's discontent and withdrawal from the corporatist institution.

There have been significant changes in South African and South Korean state-society relations since democratisation. Labour in South Africa seems to have gained strong political economic influence through mass mobilisation, such as strikes; and labour in South Korea has also gained a certain level of political influence. For example, there are a number of new labour laws in South Korea, which guarantee the right to join unions and to defend and improve working conditions including the establishment of minimum wages. However, in the case of South Africa, there is no evidence that rampant inequality and unemployment have lessened after the country's adoption of corporatism in 1994. In South Korea, the post 1997 economic crisis in particular led to serious problems, especially the polarisation of the labour market between regular employees and non-regular workers, which widens the gap between the rich and the poor.

Against this background, in this final chapter the key aspects of this study are reviewed and the main contributions of the study are summarised. The chapter will begin with an overview of the argument and findings, similarities and differences and the insights gained from the analysis of the case studies will be listed. Corporatism has its origin in the Western European countries that have different political and economic backgrounds to those of South Africa and South Korea. Therefore, when it was applied to South Africa and South Korea, several differences were revealed. Based on this, theoretical reflections on the use of corporatism in these late-late-industrialising countries will be discussed.

5-2. OVERVIEW OF THE ARGUMENT AND MAIN FINDINGS

Corporatism in South Africa and South Korea was adopted by the state in order to pre-empt the worsening political and socio-economic crises during the democratic transition period and the financial crisis in 1997. However, as a mechanism for maintaining cooperative state-society relations, the corporatist institutions in South Africa and South Korea were less successful. This is mainly the result of the imbalance of power between the actors. Labour's influence vis-à-vis the state and business has diminished. The decreasing influence of labour is projected through NEDLAC and the KTC.

In order to overcome this limitation, labour in South Africa tends to use the tripartite alliance with the ANC and the SACP instead of NEDLAC. In South Korea, labour which does not have strong bargaining power, tends to use mass action. Under the circumstances, it is obvious that these corporatist institutions have not played significant roles in coordinating the actor's demand.

5-2-1. MAIN FINDINGS

This comparative study comprises not only an empirical analysis but also a discussion of the theoretical development of corporatism. This study has provided new insight into corporatism in late-late-industrialising countries in Asia and Africa. This study provided insight into whether corporatist institutions in South Africa and South Korea have brought any benefits, as was the case in Western European countries, where macro-economic stability was achieved. Also, several reasons were discussed with the focus on the imbalance over time between the actors.

Can a balance of power among actors bring about the success of corporatism?

In Western European countries, the balance of power among actors is relatively equal. Hassle (2009) argues that when the state and labour have moderate power, there is a greater possibility of corporatism being successful. Would corporatism have been more successful if the relationship was more balanced? It is worth looking at Woldendorp's (2011) investigation on nine North Western European countries that have adopted corporatism and are well known for having a more equal relationship between the state and societal actors, particularly labour. In Finland and Norway, it is possible to observe that there is a cooperative relationship between the state and its counterparts. On the contrary, in Denmark and the Netherlands, the influence of labour seems subordinated to that of the state.

Looking into the dynamics of each actor, it is noticeable that in the cases of South Africa and South Korea, labour is subordinate to the state and business. The balance of power among actors has become asymmetrical, which has negatively affected labour's influence in the corporatist framework. The coalition between the state and business was formed again after

democratisation. In the process, neo-liberal economic policies, especially, the highlighting of a flexible labour market in both countries was unilaterally pushed forward by the state and business, without consultation with labour. Even though the actors reached consensus, the agreements were often not implemented.

Can corporatism be successful in a country that has a weak institutional environment?

On a theoretical level, Molina and Rhodes (2002:322) argue that the fundamental element of corporatism is political exchange, which can take place in a weak institutional environment, as well as a strong one. In South Africa and South Korea, some exchanges took place at first. However, due to the weak institutional environment, the corporatist institution itself did not function as many expected. As a result, each actor especially bypassed the KTC or NEDLAC. In many cases, labour directly influences the state and business by using strikes and an alliance framework. In the case of South Africa, it is noticeable that COSATU has a relatively strong influence vis á vis the ruling party, the ANC. Not only labour, but also business, uses its influence without going through the KTC or NEDLAC. Business uses its influence by using wage increases, restructuring and lobbying the state and labour. Under the circumstances, corporatist institutions in both countries do not play a significant role in creating a space for negotiation.

Unlike Western European countries, in both South Africa and South Korea, the lack of a corporatist tradition has had a negative influence on the current corporatist structure. The conflict between business and labour in particular, and the asymmetry of power between the state and society, has made the situation worse. In this situation, it is hard to observe any

intervention from the corporatist institutions in either of the countries. Consequently, in both South Africa and South Korea, many have questioned the usefulness of these institutions.

Corporatism is not the panacea for all cases.

Corporatist theory is a relatively recent development and it has been through rapid changes as time went by. For example, many European countries that have a strong corporatist tradition have experienced economic crisis and many have questioned the usefulness of corporatism.

When corporatism was adopted in South Africa and South Korea, it was expected to bring about macro-economic stability and the incorporation of labour as an equal partner in the decision-making process. These are the main outcomes, expected from the successful experiences in Western European countries. However, it should be noted that it is not necessary for a country to adopt a certain model, even though it has been successful elsewhere. In this context, it would be useful to look at the case of Sweden. Although the socio-economic context of Sweden is similar to that of other European countries where corporatism was successful; Sweden decided not to adopt corporatism, as the different actors did not perceive themselves as receiving enough benefits, and because they did not think that the country as a whole would either (Lindvall, 2005). In the end, it seems that Sweden has maintained the corporatist institution, however, labelled as “creative corporatism”, which is focusing on economic adjustment and facilitating new high-technology industries (Ornston, 2014). Belgium is another country that shows a declining tendency in corporatist policy formation, for the same reasons as Sweden (Woldendorp, 2011).

As mentioned earlier in Chapter 1, one of the methodological constraints is the exclusion of a third case from Latin America or Eastern Europe. However, at the time of writing this final chapter, it seems that the imbalance of power between the actors at corporatist institutions will also largely impact corporatism in Latin America. For example, corporatism is deeply ingrained within Latin America's political structure, and is practised widely in labour relations as well as a variety of public policy programmes. However, when looking at corporatism in Peru under Alberto Fujimori (where labour was strong in the 1970s but has weakened considerably since) and Venezuela under Hugh Chávez (weak labour, only about 11% of the workforce belongs to a union), it is clear that none of the goals of corporatism, namely economic growth and social stability, have been achieved.

It was hoped that these corporatist institutions would contribute to social stability, as well as peace in industrial relations, and the qualitative development of the labour movements in both countries. However, even in the cases of Western European countries there are various and asymmetrical relationships among participants. Corporatism has been successful in some countries. However, other country, such as Ireland, which was referred to as a successful country with corporatist experience, has experienced economic crises (*The Economist*, 21 March 2009). According to *The Economist* (2009), its economic growth fell to -2.5 per cent in 2008 and the unemployment rate soared from 5 per cent to 10.4 per cent. These indices directly show that the adoption of corporatism does not guarantee successful economic growth and the question whether it can be successful in the era of globalisation remains. Corporatism might not be a successful social organisation in the globalised economy.

5-2-2. SIMILARITIES BETWEEN SOUTH AFRICA AND SOUTH KOREA

The relations between the state and societal actors have changed over time.

After democratisation, societal actors have gained more influence vis á vis the state.

Under their authoritarian governments, the state in both South Africa and South Korea used to exert its power vis á vis societal actors. In the name of economic development in South Korea and as part of the apartheid policy in South Africa, the states were authoritarian regulators. On the one hand, the states suppressed collective action by labour and on the other hand, stimulated economic growth through coalitions with business. However, through the industrialisation process, from the 1970s onwards, labour in both countries gained power against the coalition of the state and business, which became strong enough to hamper political stability and bring about socio-economic crises.

In the process of economic development, labour has become influential in strategically significant sectors in both countries. Labour in the mining sector in South Africa and in heavy industry in South Korea still has a strong impact on the economy in general. Under the circumstances, the state realised that it no longer had the power to mobilise society, including labour, as it used to do in the past.

In terms of the reversing of state-society relations in South Africa and South Korea, not only did these societal actors pressurise the states in terms of industrial relations, but also international actors, such as transnational companies and international organisations forced the states to incorporate labour. In the case of South Africa, the sanctions imposed due to

apartheid, undermined the exploitation policies of the white regime. South Korea was under pressure from OECD and the IMF and had to abide by regulations that guaranteed a certain level of labour rights.

For the first time in each country's history, labour played a significant role in gaining an equal position vis á vis the state and business through democratisation. In the case of South Africa, COSATU is one of the pillars of the tripartite alliance with the ruling party, the ANC and the SACP. Particularly, COSATU has exerted its power, especially in politics. One of the prominent examples of COSATUs' political power was exhibited in 2007, when it supported Jacob Zuma in his bid to replace Thabo Mbeki, the ANC president at the time. In South Korea, labour has also been successful in achieving a certain level of political power. During the elections in 1997 and 2002, President Kim Dae-jung and President Roh Moo-hyun, advocating pro-labour policies were elected based on a wide range of support from labour in South Korea. In 2000 for the first time in the history of South Korea, a labour party, the DLP, was established. As the labour movement has grown in stature, socio-civil rights are now (2014) protected to a significant extent.

Along with globalisation, the states have had to diminish their role in all the stages of industrial relations. It is significant that the increasing power of business has also challenged the state's autonomy. Both South Africa and South Korea have internationalised their economies and expanded their international trade. In this process, the ownership structure of business has become transnational, which makes it more difficult for the state to intervene in industrial relations. The state is no longer the unilateral decision maker with regard to action. Along with globalisation, it is noticeable that business has gained much leverage against the state and labour. This will be further discussed in the following section.

The power of business has become dominant and it challenges corporatist institutions and their functions.

Before democratisation, business used to exert a relatively strong influence on industrial relations through the coalition with the state. In South Africa and South Korea, big businesses were strategically chosen and received unprecedented support from the state. They were also big employers, and their authoritarian supervision on labourers was accepted by the state. However, as the power of labour expanded, business became eroded by the actions of trade unions through strikes and lock-outs.

However, since the adoption of a more flexible labour market system and the impacts of globalisation, the dominance of business has re-emerged. This pattern was reinforced after the 1997 economic crisis in South Korea, when the majority of financial and public sector organisations, as well as large private firms, undertook major restructuring and made increased use of non-standard labour practices. South Africa has also experienced large-scale restructuring in the major economic sectors. Flexible labour methods were introduced that legalised mass layoffs and relaxed restrictions on the use of non-regular workers. Using non-standard labour, based on temporary and casual workers, has become more common in both countries. Wages of non-regular workers are usually half of those of their regular counterparts. This has resulted in a large pool of a working poor, which are additionally excluded from social protection schemes.

Basically, labour market flexibility was chosen by many businesses to cut down cost in order to boost productivity. It has been said that: “the intention behind productivity enhancement is not higher wages for workers, but the increased profitability of the firm” (Sharp, 2011 in

Forslund, 2013:97). On the contrary, labour market flexibility has had a negative impact on flexible workers and they have remained poor and underpaid. Under the circumstances, trade unions have not been effective in resolving the issue nor able to properly represent the workers.

While the influence of the state and labour has diminished, business uses their access to political parties and parliament in order to modify the business environment in its favour. In both countries it is possible to observe that big businesses are not interested in corporatism and/or regard it as a barrier. In both South Africa and South Korea, big business formed a structural barrier against the creation of favourable conditions for corporatism. Businesses have used various ways to access politicians, in order to lower the legal status of corporatism. In the case of South Korea, for example, a new law that allows multiple unions was enacted in 1997. However, businesses have strongly opposed this law. This law has been implemented only since 2011. In the South African context, there are conflicting attitudes towards labour brokers. COSATU has been continuously calling for a ban on labour brokers, but BUSA argues that overregulation will result in the rising cost of employment, which will lead to job losses. The conflicting perspectives of business and labour have not converged. The state has not intervened in this situation. On the contrary, the state has shown a tendency to side with business.

There are no significant positive outcomes from corporatism, considering that one of its major purposes is closely linked to economic efficiency and competitiveness.

In both South Africa and South Korea, corporatism was adopted in order to overcome economic crises and improve industrial productivity and national competitiveness. Policies

associated with corporatism are supposed to bolster competitiveness in a peaceful manner via changes in the existing antagonistic industrial relations system. This stems from the European experience. European welfare states adopted a model of corporatism in order to increase economic internationalisation and the subsequent economic integration in Europe. As a result of the adoption of corporatism, countries such as the Netherlands could attain competitiveness as well as macro-economic stability (Molina and Rhodes, 2002).

Bearing this in mind, when looking at the cases of South Africa and South Korea, the Global Competitiveness Index ranking directly shows that the competitiveness landscape of the two economies have not significantly improved.⁶³ In fact, these rankings for both cases have dropped since 1997 when the ranking report was first compiled.⁶⁴ At best it is possible to say that the two countries could maintain the status quo in some respects. This shows that the adoption of corporatism did not automatically create favourable conditions for the economy and improve competitiveness.

In addition to this, it is hard to find any evidence that corporatism contributed to high rankings in other macro-economic indices. It was anticipated that corporatism would bring about peaceful industrial relationships, but the statistics do not look positive for South Africa and South Korea. Compared to the European countries that recorded an average of 30.6 working days lost per 1,000 employees per year during 2005-2009, South Africa lost 507 working days per year from 2006 to 2010. 17,290,552 working hours were lost to illegal strikes in 2012 and during the same period, a total of 99 strikes were recorded (*News 24*, May

⁶³ The Global Competitiveness Index is composed by 12 variables such as institutions, infrastructure, macro-economic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation.

⁶⁴ South Korea was ranked 13th out of 134 countries in 2008, 19th out of 134 countries in 2009, and 22nd in 2010 and South Africa was ranked 45th out of 134 countries in 2008, and 54th in 2010.

28, 2013). In South Korea the situation is similar. There were 105 recorded strikes in 2012 (Korea Labour Institute, 2013). The number of average working days lost has been decreasing in South Korea since 2000. This can be seen as part of the achievements of corporatism, since the main focus of the KTC's is to create benefits in the form of reduced strikes. However, it is still high compared to other OECD member countries.

In both countries, it seems that strikes are the best way for labour to exert its power and negotiate wage increases. For example, Hyundai, the fifth-largest automaker in the world, has a long history of militant action. The workers are among the best paid workers in the country. Due to their high productivity, Hyundai could afford this raise. It is reported that Hyundai made profits of US\$ 49,730 per worker in 2012. This is nearly three times higher than one of its competitors, Toyota's US\$ 17,250 (*Bloomberg News*, 2013). However, the situation is somewhat different in South Africa. For example, as a result of the Marikana incident in 2012, Lonmin workers lost approximately 12 per cent of annual wages. According to Brand (2013), as a result of the incident, direct losses in gold and platinum amounted to R 10.1 billion. This brought about R 15.3 billion in financial losses across all mining sectors, which negatively affected GDP growth forecast, dropping down from 3 per cent to 2.5 per cent in 2012. Thus Lonmin has planned to lower the production cost by reducing labour cost. It is possible to see that a strike has a negative impact on labour, as well as the mining sector and furthermore the entire economy of the country. This reflects that the corporatist institutions in both South Africa and South Korea do not prevent strikes, which can cause tremendous damage to the country's economy.

Corporatism has failed to help achieve social stability.

Economic development and social cohesion are essential contributing factors to social stability. It is possible to see that corporatism has failed not only because it has not helped achieve economic growth but also because it has failed to forge a comprehensive social pact addressing inequality, poverty and unemployment.

According to Etzioni (1996), community is defined in terms of shared values and identity. These shared values in turn reinforce relationships among groups and individuals to allow them to reach decisions peacefully. In other words, these shared values help a society function in a peaceful way. In the opinion of Etzioni, representative institutions like corporatist institutions should facilitate social cohesion. However, the increasing level of inequality between workers and the unemployed, and between better paid and poorly paid workers, hampers the attainment of social cohesion in both South Africa and South Korea.

Social cohesion is defined as a society's ability to secure the long-term well-being of all its members. There are four central principles of social cohesion, namely: fair and equal access to resources, individual and collective dignity, autonomy of the individual and participation in community life (Council of Europe, 2005). Some of the sub-indicators are employment, income and housing, all of which many South African citizens urgently need. In both South Africa and South Korea, relative poverty has become a problem. Considering relative deprivation is more prevalent in more unequal societies (Wilkinson, 2007), South Korean society has become steadily more unequal, whereas the economic circumstances of most South Africans have remained largely the same.

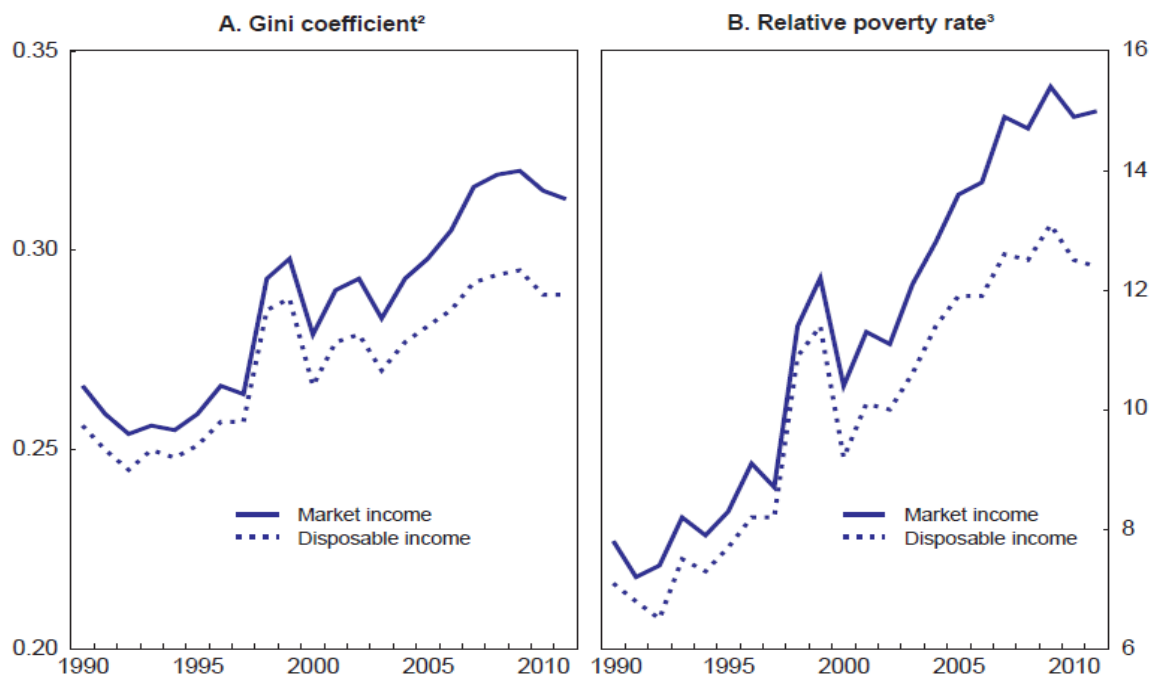
Even though the South African government created a social grant system and expanded the number of beneficiaries, the efforts have not been sufficient to diminish the inequality. Marais (2012:317) describes the situation using the data from Statistics SA of 2008, “in the mid-2000s, the poorest 5 million South Africans received about 0.2 per cent of national income (through wages and social grants), while the richest 5 million pocketed 51 per cent of national income, according to the latest income and expenditures survey”.

South Korea, which used to be egalitarian in the past, throughout promoting equal educational opportunity, redistribution of land, has also experienced problems with regard to social cohesion. In order to provide social security to the poor, the governments of both South Africa and South Korea have designed various programmes targeted at reducing gaps among groups. Social assistance to the poor has been directed from national revenue in the form of social grants. However, while government has expanded social assistance to households over the past decade, employment and economic growth, which have to be the main economic drivers of income growth and poverty reduction, have not improved, particularly in the case of South Africa.

This is shown by income distribution and the Gini coefficient index. Current research shows that wage disparities between regular workers and irregular workers have become wider, and this can be seen in both countries. In South Africa, inequality rose strongly from 1994 to 2000 and this trend showed little change between 2000 and 2006. Between 1995 and 2008 South Africa’s ranking according to the Gini coefficient, rose from 0.64 to 0.67, identifying South Africa as one of the world’s most unequal countries, with 31.3 per cent of the population living in poverty in 2009 (World Bank 2011; World Bank 2012).

The income inequality in South Korea increased consistently from the late 1990s until 2009, after which it somewhat decreased in 2010. The decrease in income inequality in 2010 is due to expanded social welfare benefits, which transfer income to the poor. Despite the attempts to decrease income inequality, South Korea now has a more unequal society than the average OECD member, thereby raising concerns over the widening economic disparity between the rich and poor. The 2012 OECD report showed that South Korea's income distribution measured by the so-called Gini coefficient, stood at 0.31, still the lowest level, indicating however, that its economic disparity is growing (OECD, 2012).

Figure 5.1. Inequality in South Korea



Source: OECD Economic Surveys. 2012, p18.

Figure 5.1. shows that South Korean society has quickly become polarised, since early 2000. After the structural adjustment, following the IMF bailout and economic crisis in 1997, the Gini coefficient has been increasing, indicating an increasingly unequal distribution of wealth among the population. In spite of continuing economic growth, unequal wealth distribution is worsening. Interestingly, while this polarisation is worsening, economic indicators of South Korea demonstrate growth. However, many have concerns about the current situation, where economic growth continues without employment, while the paradox of income disparity prevails.

After democratisation, the adoption of corporatism did not resolve the problem of rampant inequality and unemployment, which stands in the way of achieving social cohesion. Interviewees also highlighted that the corporatist institutions would experience further difficulties if they fail to contribute to resolving the inequality issue. Consensus and harmonious interaction by different actors is necessary in order to achieve social cohesion, and increasing social capital as a tool is significant. High levels of social capital will not only provide resources to individuals, but will also be a collective resource leading to healthier, stable and integrated societies (Zetteret al., 2006: 22). Under the circumstances of South Africa and South Korea that experienced ethnic diversity (South Korea as a result of increasing numbers of immigrants from Southeast Asia and South Asia) and skewed income distribution, both countries need such institutions to promote social cohesion. In this context, neither corporatist institution has been successful

In both South Africa and South Korea labour's diminished power which is linked to the imbalance of power among the actors negatively influenced corporatism

The relations between the state and societal actors have changed over time, as has been discussed. In both South Africa and South Korea, the power of labour reached a peak at the time of democratisation. However, right after that its influence decreased remarkably. The decline in labour's influence derives from its loss of members, along with the impacts of globalisation. It is also possible to observe that South African and South Korean labour has become highly fragmented. During my interviews, it was confirmed that shop floor members feel distant from their union leaders and indirectly show mistrust of them. For example, high-level trade unionists are accused of bribery, corruption and scandals. In the case of South Korea, there have repeatedly been scandals involving union leaders. In South Africa, COSATU leader, Zwelinzima Vavi's scandal damaged the credibility of labour movements. As a result, labour leadership has lost support not only from union members but also from those who do not belong to unions; in other words, the larger part of the population.

In this context, labour has failed as an agenda setter in the corporatist structure, which in return, has resulted in lack of public support for labour and corporatism. As can be seen above, labour has lost its credibility by being engaged in corruption and mismanagement. The series of scandals contributed to the public keeping its distance from the labour movement.

Furthermore, in both South Africa and South Korea, labour has failed to set an agenda regarding ways in which to protect or promote labours' basic rights, through corporatist institutions. This is despite some initial achievement such as the Labour Relations Act, the Basic Conditions of Employment Act, and the Employment Equity Act. Rather, the state still plays the dominant role by proposing and implementing related regulations. In both countries, even though the unemployment and related social issues, in which labour is directly involved, have been dealt with in a serious manner, the problem is that labour was largely excluded

from the related policy-making process. Labour is not strong enough to restructure the whole of society as it was during the democratisation process; rather, labour has used its power to gain immediate and short term gains for a limited number of members.

In South Africa, the political system is dominated by the ANC, even though COSATU is in an alliance partnership with the ruling party. The problem is that the ANC largely supported by labour, does not seem to consider its performance seriously; rather, it seems that the ANC has only focused on electoral victory and made populist promises, usually shortly before elections. In South Korea, the political system is much different from that of South Africa. The presidency is the centre of power, especially in terms of policy formation and implementation, and labours' vote has very little chance of changing this. Even though the labour party, the DLP in South Korea which was established in 2000, has gained power based on labour and the young progressive population; at the parliament, it has been one of the minor parties with only a small number of members elected to parliament. Despite the different relations between the ruling party/state and labour in the two countries, labours' influence on policy-making process or policy outcomes in both countries seem insignificant.

Corporatist institutions themselves have been losing ground in both countries.

Despite the initial enthusiasm about the adoption of corporatism, the corporatist institutions in both South Africa and South Korea have lost ground and public support. First of all, these institutions only provide negotiation rounds before parliament delivers the final decision. In South Korea, the KTC only makes recommendations. In South Africa, the state's perspective towards NEDLAC is that it can always bypass it when necessary in the name of the efficiency

of the decision-making process. Therefore, agreements made at NEDLAC or the KTC have often not been implemented, particularly by business.

In the case of South Korea, more than half of the public (58.1 per cent) thought, right from the beginning that the KTC did not represent the national interest. According to research conducted by the Korea Labour Institute, this perception has not changed since its establishment (KLI, 2013). In South Africa, many do not know what NEDLAC is and what it does (Cherry, 2006). Furthermore, the institution itself was criticised in 2012 for not being transparent. Recently, as a result of its poor performance, many have questioned its worth (*News 24*, 2012). The institutions in both countries have become formalities and their actual implications have become marginal. Also, it can be seen from interviews that social dialogue has little legitimacy amongst unions, which see it as a continuation of government dominance, and ineffectual in solving labour market polarisation problems.

5-2-3. DIFFERENCES BETWEEN SOUTH AFRICA AND SOUTH KOREA

Several differences exist between the two cases of South Africa and South Korea. Labour in South Korea does not have political linkages with the state. There is no common history between the state and labour in South Korea, unlike the case in South Africa, where the relations between the ANC and COSATU were built during the struggle against the apartheid government. Also, South Korea has a relatively better socio-economic environment than South Africa, in terms of the level of inequality and poverty. Despite the different political and socio-economic conditions in the two countries, it is noticeable that there were more similarities than differences between the two countries as time went by.

Firstly, labour in South Africa has maintained a closer relationship with the state. This is derived from the liberation movement experience during the fight against apartheid. Unlike South Africa, in South Korea, labour and the state do not share any historically long and close relationship. However, although COSATU and the ANC are members of the tripartite alliance, the rift between the state and labour has been growing as seen in Chapter 3. This also did not have a positive influence on corporatism in South Africa.

Secondly, South Korea achieved economic growth in the 1970s, which elevated the standard of living. This became the foundation for the country's fast growing middle class, which is currently dominant. This has a long-term impact in various ways. One of the prominent examples is that South Korea's productivity level is much higher than that of South Africa, due to the country's high level of education and technology. Nevertheless, after the financial crisis in 1997, along with the increasing numbers of non-regular workers, the society has become rapidly polarised. The size of the middle class has become smaller and the inequality level has significantly increased.

5-3. CONCLUSION

When the corporatist institutions were introduced in South Africa and South Korea, there were debates over their adoption. Some stakeholders expressed concern that corporatism was only adopted to suppress labour, by binding them within a corporatist framework. Nevertheless, the introduction of the KTC in South Korea and NEDLAC in South Africa was the best option that the states could choose at that time, especially in the face of political and socio-economic crisis. However, the adoption of corporatism turned out to be a prerequisite

for the management of the crisis situations. Nearly two decades later, in 2014, corporatism in both South Africa and South Korea has become little more than a name.

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