

**Corporatism as a process of working-class containment and roll-back:  
The recent experiences of South Africa and South Korea**

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**ABSTRACT**

In this article we argue that recent debates in the corporatist literature about whether corporatism is best understood as a process of structured interest representation or political dialogue miss the point as to corporatism's central task – the shift of material resources and power away from the working class to the capitalist class, in which two processes are evident – containment and roll-back. We discuss these processes in the context of successive waves of corporatism in Western Europe from the 1940s to the 1990s before moving on to an analysis of the contrasting fortunes of corporatism in South Africa and South Korea during democratic transition. We conclude that the ability of corporatism to carry out the processes of containment and roll back in these two cases have been dependent on the existence (or absence) of supportive prior political relationships between organised labour and the state.

## **Corporatism as a process of working-class containment and roll-back: The recent experiences of South Africa and South Korea**

### **INTRODUCTION**

Traditional interpretations of corporatism have focused on institutionalised structures of interest representation (Molina and Rhodes, 2002). Panitch's definition of corporatism as 'a political structure ... which integrates organized socio-economic producer groups through a system of representation and co-operative mutual interaction at the leadership level and of mobilisation and social control at the mass level' (Panitch, 1977: 66) serves as a reasonable summary of what was common to most of the first wave of literature sparked off by the seminal work of Schmitter (1974) and which was marked by a institutionalist bias. The key institutions identified in this literature were mass organisations of employers and unions which were encompassing *horizontally*, that is they enfolded the large majority of relevant enterprises, employees and unions, and *vertically*, that is they were characterised by internal discipline and a leadership able to exercise authority on behalf of (and sometimes against) the wishes of constituents (Lehmbruch, 1979).

During the late 1980s and early 1990s, interest in corporatism faded in the face of economic internationalisation and accompanying processes of neoliberalism. It was now assumed, at least partly on the basis of the Thatcher experience in the UK, that 'the market', in practice the power of multinational capitalism and the discipline of unemployment, made corporatist structures redundant from the perspective of big business and governments. Capital mobility and the threat of unemployment disciplined the working class and ensured wage restraint and labour peace without the need for any pay-off in the form of improvements to welfare that were characteristic of the corporatist practices of the 1970s. The Swedish case of corporatist decay was often cited, and it was assumed that in the context of the erosion of the Keynesian welfare state, the decay of corporatist structures ruled out the potential for continuing social partnership (Schmitter and Streeck, 1991; Grahl and Teague, 1997).

In recent years, however, it has become clear that convergence in industrial relations is not occurring. Governments have responded to the pressures of economic internationalisation in a range of ways, of which the Anglo-Saxon model is just one case (Coates, 2000; Hall and Soskice, 2001). Rather than a convergence on a simple process of economic and industrial relations decentralisation, a range of writers have made the case that while corporatism as a *structure of traditional interest representation* "may possibly be dead" (Baccaro, 2003: 684), social concertation as a *political process* is alive and well. Indeed, social concertation became an important feature of the political landscape in a host of countries during the 1990s, most notably in Western Europe (Compston, 1998). This has been true not just in countries where there has been a tradition of 'social partnership', such as Holland and Austria, but also countries which lack the kind of structures of interest representation that have hitherto been regarded as prerequisites for corporatism. These include Ireland, Italy, Portugal and Spain (Molina and Rhodes, 2002; Siegel, 2005). Crucial to such concertation is the concept of political exchange, albeit, as Molina and Rhodes (2002) and Siegel (2005) point out, of a rather devalued currency when compared to the corporatist practices of the 1970s.

The distinction between structured interest representation (corporatism) and political process (concertation) is not new. Compston (1998), Molina and Rhodes (2002), and Baccaro (2003) have pointed out that in the early literature (e.g. Schmitter, 1982) there was a clear attempt to delineate the two. However, the term neo-corporatism was fairly quickly pressed into use to encompass both elements in an unclear manner. To the extent that the two interpretations were differentiated, it was assumed that the potential for social concertation could only be realised if the appropriate structures of interest representation were in place. Now, however, the European experience in the 1990s suggests that social concertation can flourish without, or not entirely in alignment with, such structures. It is not that structures are unimportant to social concertation, Baccaro (2003) argues, only that the 1970s focus on internal discipline and coercion within union structures may have been substituted, in the case of Ireland and Italy in the 1990s, by democracy and debate within the labour movement.

While the recent literature on social concertation has been useful in drawing our attention to the two separate but related concepts of interest representation and political processes, it has tended to overlook what is fundamental to neo-corporatism in either guise. Reference to 'political exchange'

ignores the fundamentally unequal context within which such exchange takes place. Likewise, Wailes, Ramia and Lansbury's (2003) incorporation of the concept of 'interests' to explain variations in corporatist practice in Australia and New Zealand in the 1980s and 1990s is an important step, but from their application, the 'interests' appear to be attached to particular fractions of capital, sometimes involving coalitions with the relevant unions, not in the broader context of relations between the classes. In this article we start from a Marxist perspective, which locates corporatism as a method by which the capitalist class prosecutes the class struggle through the mechanisms of the state and the leadership structures of the working class. At times this may involve some benefits for the working class – an employer drive for rising profits does not imply that living standards for workers are inexorably driven backwards – but this outcome does not vitiate the fundamental purpose of corporatism – to shift material resources and power from the working class to the capitalist class. A focus on this crucial feature of corporatism enables us to understand the logic behind the social pacts of both the 1970s and the 1990s.

The form that corporatism (of whatever variant) takes differs depending on the underlying balance of class forces and the material base. Classic institutional corporatism of the post-war decades in Sweden and Austria represented the mediation of class differences via state structures and centralised employer and union federations in the pursuit of a long-term growth path during the post-war boom. In both cases, the highly monopolised capitalist classes of these two small open economies successfully established high value-added export industries using the self-restraint of unions in the export sector to keep a limit on wages. As Swedish capitalists changed their orientation in the run-up to entry into the European Union, however, so they began to adopt a more aggressive posture towards the Swedish working class and its leadership structures, spelling the end of the Swedish model (Wilks, 1996). The fortunes of Swedish corporatism therefore depended fundamentally not on the existence of institutions or of specific processes but the strategies adopted by Swedish business in response to the needs of capital accumulation in that country.

Corporatism in Europe in the 1970s was underpinned not by a long-term growth strategy but by the need for containment – to reassert labour discipline and to end the worker militancy that had featured so strongly since the late 1960s (Pizzorno, 1978; Streeck, 1992). In Britain, Italy and Spain, for example, social contracts were essentially about restraining the working class where strategies of straight repression had failed (Panitch, 1977). The use of social pacts to incorporate union leaders in these countries meant that the latter became the main channel for disciplining militant sectors of the working class. The particular focus of these pacts was to limit (if not cut) real wages in a period of high inflation even as the post-war boom was drawing to an end. In return, various improvements to social welfare and union rights were forthcoming.

Concertation in Western Europe in the 1990s and 2000s represents at its heart a policy of roll-back of the gains made by the working class since World War Two, a phenomenon which has been labelled 'supply-side corporatism' (Traxler, Blaschke and Kittel, 2001). Corporatism in the earlier period was a process of political exchange in which there was a modest *quid pro quo*. European social concertation in the 1990s and 2000s, by contrast, takes place in the context of a drawn-out crisis of international capitalism. In Europe, the urgency of rolling back the gains of the post-war decades was emphasised by the stringent fiscal demands of economic convergence and the single market (Crouch, 1999). European governments, both social democratic and conservative, have deduced that the welfare state regimes, income protection schemes, and restrictions on employer rights to hire and fire which were introduced in the post-war decades and further developed in the 1970s are now a cost that can no longer be borne (Molina and Rhodes, 2002).

The difference when compared to the 1970s can be neatly summarised by the fate of the *scala mobile*, introduced in 1975 as a result of working-class pressure, but abolished in the first round of social pacts in Italy in 1992 (Baccaro, 2003). In Ireland, the essential content of several rounds of concertation is demonstrated by the fall in the wages share of national income from 71 per cent to 57 per cent between 1987 and 2000 (Baccaro, 2003: 702). In Holland, where social concertation is regarded as a major success by its proponents (e.g. Visser, 1998), the share of capital in national income doubled from ten per cent in 1983 to 20 per cent by 1990, stabilising at 17 per cent by the end of the century, the result of 'drastic wage restraint' (Becker, 2001: 25-26).

European social pacts in the past decade have therefore been aimed at winding back the welfare state and reviving the profit share in national income in circumstances of economic crisis, in

which the leadership structures of the union movement are mobilised to promote the message of austerity within the ranks of the working class. It matters not whether the latter is done ‘coercively’ or ‘democratically’, whether through threats or persuasion (Baccaro, 2003), the end result is the same – the political domination of the labour movement by union leaders who are committed to ‘national reconstruction’. Their ability to do so is aided by the second major contextual difference in the two waves of social pacts – the demobilisation of the European union movement since the mid-1970s, both in relation to membership and combative capacity. Containment is now less of an issue than hitherto. It has not vanished altogether – otherwise there would be little purpose in concertation from the perspective of state and capital – but it is not as central as it was in the earlier period. Furthermore, it also does not appear to matter which of the ‘social partners’ takes the first steps to initiate social concertation, whether employers, unions or the government, or even if business representatives are involved at all (they were absent, for example, during peak discussions over pensions ‘reform’ in Italy in 1992 (Siegel, 2005)), the agenda of social concertation is still driven by the needs of capital accumulation. When capital regards social concertation as expendable, as the Swedish case demonstrates, it withers on the vine.

Seen in this light, whether or not conducive structures exist for corporatism is a second-order question. Ultimately, if the state or employers are insistent, structures can be created *de novo*. What matters most is the issue of political will within the upper echelons of capital, labour and the state, and their capacity to discipline their constituencies, regardless of the institutional forms through which this is done.

The cases referred to thus far all relate to the advanced European economies which have been the subject of extensive research. In what follows we shift our focus to corporatism in two industrial economies outside the traditional core of the OECD, South Africa and South Korea. First, because these countries have received much less attention. Second, because extensive efforts have been devoted by governments and state agencies to establishing corporatism during common processes of democratic transition, in societies where the kind of institutional supports evident in Sweden, for example, have been missing. What does the experience of corporatism in these two countries tell us about the prerequisites and content of corporatist practice? How do they help to flesh out our argument that corporatism represents a combination of two central processes, working class containment and roll-back in the context of the modern world economy?

## THE CONTEXT

Despite some obvious differences, the recent histories of South Africa and South Korea have been characterised by certain important similarities. The first relates to the common transition that both countries have made from the hitherto highly repressive regimes that had overseen their rapid industrialisation in the post-war decades. This industrialisation had been based on the intense exploitation of labour, the persecution of independent trade unionists and a conscious policy of favouring the large conglomerates that dominated the domestic economy. During the 1970s and 1980s, however, the traditional system of labour subordination in both countries was cracked open by mass unionism.<sup>1</sup> The result was a crisis in the government structures and, in South Africa, a case of ‘democratic rupture’ as the black majority won political power in the first non-racial elections of 1994. In South Korea, by contrast, there occurred a more gradual process of democratic transition as the military generals and their client politicians who had run the country since World War Two were gradually eased aside. This process culminated in December 1997 in the election of Kim Dae-jung as the country’s first genuinely democratic president. In both cases the emerging democratic governments faced restive working classes whose demands for political freedoms and economic advance represented a potential threat to stabilising bourgeois liberal democracy.

The second common factor facing both countries was that their democratisation took place during the 1990s when the international trend towards neoliberalism gathered pace. Both Korea and South Africa represent middle-income countries of middling size whose fortunes are inextricably interlinked with the international economy over which they have little or no control. Effectively, the main economic scenarios that greeted both governments were written externally. This is not to say that these governments had no room to manoeuvre within the broad parameters of international capitalism, only that this room was rather more limited than would have been the case two decades earlier.

The task facing the new democratic governments in both cases was therefore, one of containment of militant working classes while prosecuting severe economic measures judged necessary to revive economic growth and foreign investment. In this sense, the scenario in these two countries represents a hybrid of the situation that existed in Europe in the two phases of corporatist experimentation in the 1970s and 1990s – *containment* of working class militancy and *roll-back* in field of economic gains. In both cases, therefore, corporatism appeared to be a suitable vehicle for ameliorating the obvious tensions associated with such a process. The difference, and this is what forms the focus for the following analysis, is the very different fortunes of corporatism in the two countries. In one, South Africa, corporatism flourished, in the other, South Korea, it floundered. Why was this the case?

## **THE SOUTH AFRICAN CASE**

### **The role of government**

On taking office, the ANC government faced pressure from both business (domestic and international) and organized labour. South African capitalism had fallen steadily behind its main competitors. Business' main demands on the incoming government, then, were labour discipline, social peace in the townships, and a more liberal economic environment based on breaking up the large state industries and faster integration into regional and international trade. The first two of these required a government that was prepared to rein in its former 'struggle partners', most particularly the unions and the South African Communist Party (SACP). The last required government action to increase rates of international competitiveness by shaking up formerly protected industries.

These outcomes could not be achieved in the South African context by means of straight repression of labour and civil society. The ANC had been in alliance with the Congress of South African Trade Unions (COSATU) prior to its election, and from May 1994 this took the form of the Tripartite Alliance (together with the SACP). It was not politically feasible for the ANC Government simply to jettison this alliance on winning government. COSATU was, by international comparisons, a relatively strong and well-mobilised union federation accounting for nearly two million members. Furthermore, the ANC Government was dependent on this union movement, not only for the unions' electoral support and preparedness to accept industrial discipline, but also for their logistical support in terms of personnel at election times.

These factors meant that a frontal assault on the unions to push up productivity, rationalise industry and cut real wages as a means of restoring international competitiveness and labour discipline was simply impossible. Some sort of compromise with organized labour was both necessary and desirable.

The ANC government also faced the further challenge of extreme social and racial polarisation between the major social classes. On the one hand the liberation struggle had generated pressure from the ANC voting base for immediate and systematic improvements in the living standards of black workers and the poor (Ginsburg and Webster, 1995). On the other hand, the white minority had enjoyed substantial material benefits (Lipton, 1992), and this class was not going to remain idle if it felt that its material interests were likely to be threatened. From the perspective of the ANC, some form of political intermediation between representatives of labour and capital was therefore essential (Bond, 2000).

From its very beginning, therefore, the ANC Government has devoted enormous energies to the construction of a 'democratic corporatist' labour relations regime (Baskin, 1993), chiefly by seeking to incorporate the representatives of organized labour in the machinery of state and, to some extent, in the determination of wages and employment conditions at industry level. The most notable innovation was the establishment of the National Economic, Development and Labour Council (NEDLAC) in February 1995. NEDLAC is charged with, *inter alia*, 'seeking to reach consensus and conclude agreements pertaining to social and economic policy' before legislation is tabled in Parliament (NEDLAC, 1997: 2). NEDLAC comprises four chambers, the most important for our purposes being the Labour Market Chamber, which has played an important role in overseeing the most important pieces of labour legislation – the Labour Relations Act 1995, the Basic Conditions of Employment Act 1997, the Employment Equity Act 1997, and the Skills Development Act 1999. 'Industrial partnership' has been a dominant theme of all these acts, with the Labour Relations Act

making provision for workplace forums, bargaining councils and a Commission for Conciliation, Mediation and Arbitration (CCMA). These developments led the International Labour Office (ILO) to declare tripartism in South Africa as 'truly dynamic' (ILO, 1997: 170).

A further factor that has sustained corporatism in South Africa is the apparently permanent grip that the ANC now has on national government – each election has seen the ANC share of the vote rise – and there is no prospect of it being dislodged in the foreseeable future. This means that corporatist programmes and procedures can be established with a realistic prospect of some longevity.

What then of the two major social classes whose interests the ANC Government has sought to bridge – the working class and capitalist class? At first sight, it might seem that the grounds for consensus do not exist in South Africa – for many years the two sides were locked in entrenched, often violent, conflict, and COSATU was wedded to the idea in principle of a socialist South Africa. Given this, why has corporatism taken hold in South Africa?

### **The role of employers**

First, let us consider the institutional capacity of South African employers. Business in South Africa has historically been sharply divided, like the labour force, between its Afrikaaner, English, Indian and African sections, and between the giant conglomerates and small business (Standing *et al*, 1996: 166-74). The formation of Business South Africa in 1994 represented an attempt by business to overcome its divisions. However, BSA has neither the formal authority nor the political legitimacy to discipline member companies and federations. Hence, institutional capacity amongst employers is somewhat lacking.

Nonetheless, as we have seen in the case of Europe in the 1990s, if the political will were apparent, the organisational difficulties could undoubtedly be overcome. Generally speaking, the larger South African employers realise that the Government is determined to promote corporatism and that it is an essential feature of the new dispensation of post-apartheid South Africa. Employers understand that just as the negotiated political settlement of the early 1990s ensured that the unsustainable apartheid structures could be scrapped without explosive revolutionary struggles, so too could corporatism defuse labour militancy under the succeeding black majority rule.

Support for corporatism amongst employers, however, does not necessarily entail destroying elements of the 'apartheid workplace regime' which takes the form of low pay, racial differentials, authoritarian management and racism (von Holdt, 2003). South African employers are determined not to allow any redistribution of wealth and power to their detriment.

### **The role of the unions**

In terms of the institutional capacity of the labour movement, the picture is mixed. While the presence of three competing labour federations limits the potential for labour to speak with one voice, COSATU, with its 1.9 million members, is clearly dominant and the federation that is the key to the success of corporatist structures. COSATU policy is usually binding on members of the federation, both as an operating principle of the federation and because of the authority and legitimacy of the COSATU office bearers themselves.

What of the unions' political support for corporatism? In practice, this means their desire to maintain the Tripartite Alliance, since any break with the Alliance would almost certainly see the collapse of corporatist structures in South Africa. In considering this issue, it is important to distinguish here between the rank and file membership and the leadership of COSATU. In relation to members, high expectations of rapid reforms have been dashed with the adoption by the Government of its Growth Employment and Redistribution Programme (GEAR), a mainstream neoliberal document in all essential regards (McKinley, 2003).

With its adoption of GEAR, the ANC Government signalled to domestic and international business that its interests were safe. By the same token, however, it also signalled a diet of austerity for the South African working class. Average black African household income fell 19 per cent between 1995 and 2000, while white household income increased by 15 per cent (Statistics South Africa, 2002). Only one-third of black Africans of working age are in permanent full-time jobs (NEDLAC, 2000), while black unemployment is estimated at 40 per cent.

These regressive outcomes do not, however, necessarily presage a willingness by union activists to turn away from political pacting with the ANC. At successive COSATU congresses, for

example, members express strong hostility to GEAR, but this is not matched by a widespread desire to disband the Tripartite Alliance. In the absence of a credible opposition party attractive to workers, the ANC still retains significant support amongst black workers.

The combination of disillusionment amongst rank and file union members alongside persisting loyalty to the ANC helps shape the attitude of the COSATU leadership to the Alliance and thus to corporatism. The COSATU leadership experiences pressure from members to bring about improvements in their living conditions which corporatist structures have clearly failed to deliver. It also has its own reasons for threatening to break the Alliance, particularly as it has been effectively locked out from decision-making processes in some key instances, most notably during the drafting of GEAR. This experience of being ignored or bypassed has occurred repeatedly in the ANC's ten year term of office, as recognised in COSATU's 2003 Congress report *Towards 2015*. Regular Alliance Summits are held with a view to 'patching things up' between the Alliance partners but nothing material changes in the Government's approach to COSATU. As COSATU laments 'All too often COSATU letters do not even get the courtesy of a response' (COSATU, 2003).

COSATU leaders baulk not just at the abuse of the consultative processes that are supposed to lie at the centre of the Alliance but also at the content of Government legislation. The Government refused to scrap 'the right to lockout' or to include compulsory centralised bargaining in its 1995 Labour Relations Act, and included a series of restrictions on the right to strike. In the 1997 Basic Conditions of Employment Act, the Government refused to implement union demands for a 40-hour week (despite the Minister for Labour having agreed to it in 1994) and also included the right for employers to vary employment standards in national agreements. The Government has not eliminated the regressive Value Added Tax, and charges for government services are increasing. The Government has also pressed ahead with privatisation and has cut tens of thousands of jobs in state-owned enterprises (van Driel, 2003). Even though there have been some positive government measures in the areas of public works programmes, social security, and training, these measures are relatively minor in effect as they suffer from a lack of funding and feeble enforcement. In short, the overall economic policy framework, established by GEAR in 1996, is hurting South Africa's workers.

The determination of the Government to introduce such policies, and the way in which they are introduced, threatens the political standing of the COSATU leadership in the eyes of business and union members. COSATU leaders are therefore forced to speak out against their exclusion and, on occasion, to organise protest rallies. In 2000-02, COSATU organized three successive national strikes against privatisation, and at the federation's 2003 Congress, the COSATU document *Towards 2015* is probably its most critical statement yet about the failure of the ANC to live up to the promise of 1994.

The COSATU leadership cannot, however, just give voice to membership concerns and its own frustrations with the practice of the ANC Government. As a key partner in the project of national economic reconstruction, it also identifies with the South African 'national interest' which is identified with business prosperity. In these circumstances, promoting the 'sectional' interests of South African workers would immediately bring forth accusations of economic sabotage by the Government and business. Furthermore, forthright opposition by the COSATU leadership to the Government and business agenda would require a mass mobilisation of members which may unleash forces which it could not control. There have already been several episodes when the COSATU leadership denounced groups of workers who have rejected the broad line of march adopted by the federation (Rachleff, 2001). The Tripartite Alliance has thereby become an important means by which the ANC has subsumed the class interests of the country's black labour movement into the broader 'national interest', and defused its explosive character.

The role of the SACP is central in this respect. The SACP includes as members senior figures in the Mbeki Cabinet and in the COSATU Central Committee. Although members of the Party may on occasion disagree over particular aspects of ANC policy, they adhere to the same broad political line, that of the 'national democratic revolution', which in practical purposes means unswerving loyalty to the ANC Government. As in the Italian case in the 1990s, factory level delegates in South Africa, SACP loyalists in many cases, are a useful legitimising layer buttressing the line from the national government and COSATU central committee.

At the industrial level, COSATU's strategy of calling one-day strikes against privatisation is suffering diminishing returns as workers learn that despite heated criticism of ANC measures, the COSATU leadership will not seriously mobilise against the Government. The result is that strike

participation, high in 2000 and 2001, tailed off in 2002, as many workers simply refused to join in the action.

In summary, corporatism has taken hold in South Africa because it is a necessary political arrangement ensuring the integration and institutionalisation of a black working class with a long record of insurrectionary struggles which is too powerful to exclude. For this reason, both business and government are keen to ensure its continuation. Within the labour movement, involvement in corporatist structures and general support for the ANC Government reflect the strong ideological legacy of joint struggle but, increasingly, the use of corporatism has a strong internally disciplinary component, suiting the needs of an increasingly bureaucratised union leadership.

## **THE SOUTH KOREAN CASE**

The Korean labour uprisings of the 1970s and most especially that of 1987 fundamentally changed the parameters of Korean industrial relations. A reliance by government only on repression was no longer a valid response. New methods of labour control were now required. The governments of Roh Tae-woo (1987-92) and Kim Young-sam (1993-97) therefore began a process of tentative engagement with employers and unions, even while arresting hundreds of union activists. The purpose of these overtures was to create a limited space for unions to organise, the better to restrain the more radical elements, to restore labour discipline, and to put a lid on wages.

In practice, moves towards social dialogue were hesitant and partial in the period prior to 1997. In the immediate aftermath of the 1987 explosion, the Government-sponsored Federation of Korean Trade Unions (FKTU) and the Korean Employers Federation (KEF) established the Minimum Wage Council (1988) whose purpose was to develop guidelines for annual wage movements (Lee, 2002). In 1990, however, a much more significant step was taken with the formation of the National Economic and Social Council. Meetings of the Council gave rise to economic summits involving the KEF and the FKTU in 1991 and 1992, and in 1993 and 1994 wage guidelines were negotiated between the two parties (Lee, 2002).

In May 1996 the next major step was taken with the formation of the Presidential Commission whose task was to advise on ways of re-establishing labour control, increasing flexibility at work, and introducing a range of institutional reforms to improve the rights of workers in line with ILO conventions (Lee and Lee, 2003:507). The FKTU, and, for the first time, the independent Korean Confederation of Trade Unions (KCTU), represented the union movement at the Commission. The fact that the Government was forced to include the illegal KCTU was testimony to the strength of the independent unions: no progress could be made in reining in the more militant unionists without it.

Little came of the Presidential Commission, however, as the Kim Young-sam Government refused to accept its recommendations. The Kim government subsequently unilaterally revised the labour laws which did little to improve the rights of workers but focused instead on employers' rights to hire and fire (Lee and Lee, 2003:507-508). The government's action sparked nation-wide protests, including general strikes by the KCTU and FKTU. In the face of this opposition, the Kim government was forced to retreat, and revised labour laws were passed in March 1997 (Shin, 2003:163-167). Nevertheless, the damage had been done to the process of social dialogue, as the unions were now estranged from the Kim government. The Presidential Commission continued to meet but was thereafter a dead-letter (Lee, 2002: 49).

The real test for social concertation in Korea came in the last quarter of 1997 with two major developments: the election of the Kim Dae-jung government and the economic crisis. Kim Dae-jung, a former jailed dissident, was elected to office in December 1997 with the support of the KCTU, and this raised expectations that Korea would see a genuine break from the cronyism and corruption of the former military-aligned governments. Simultaneously, the economic collapse created an urgent sense of national crisis (Koo, 2001: 202). The IMF set harsh terms for its US\$57 billion loan, including accelerated capital market liberalization, reform of the banking sector, the removal of foreign ownership restrictions, a program of corporate reform, and labour market reform (Song, 2002).

Recognising that the IMF loan conditions would provoke fierce resistance from both the *chaebols* and the unions, Kim Dae-jung established the first of what were to be four Tripartite Commissions (TC) in January 1998. Unlike previous government overtures to unions and employers, the first TC was a serious attempt to involve all stakeholders. Members included senior figures from



the government, representatives from the main political parties, the KCTU, the FKTU, and business (Lee, 2002).

The Tripartite Commission quickly drafted the January 1998 Social Pact which involved a commitment by the unions to assist the *chaebols* to restructure their enterprises, specifically to permit employers to lay off permanent staff in large numbers, and to increase labour flexibility, including use of contract and temporary workers. In addition, the FKTU and KCTU agreed to the government's programme of privatisation. In return for these major concessions, the unions were promised the introduction of an unemployment insurance fund, collective bargaining rights for public-sector workers, the right for unions to lobby government over legislation, the legal recognition of the KCTU, the elimination of unfair labour practices (specifically the victimisation of union activists), and advance notification of lay-offs (Lee, 2002).

Barely had the social pact been published than it provoked a crisis within the KCTU. An extraordinary meeting of delegates was convened, the Social Pact was rejected, and the KCTU leadership was voted out and replaced by hardliners from the Hyundai Heavy Industries Union. The KCTU then withdrew from negotiations and the Commission ceased to meet (Koo, 2001:202).

Subsequent Commissions fared little better. TC2 took place following a wave of strikes against the mass redundancies sweeping through the *chaebols* in the first half of 1998. TC2 introduced tripartite consultative committees to oversee the restructuring of the economy and the development of guidelines to avoid unfair labour practices. It collapsed because the government effectively ignored the consultative intent of TC2 and unilaterally took action to reform the banking sector (which led to large job losses), imposed restructuring plans with little or no negotiation with workers or their representatives, and introduced policies that were not applied equally across sectors or companies (Pyo, 1999:150-56). Both the FKTU and KCTU pulled out in protest.

Although TC3, convened in September 1999, involved a wide range of government figures, it could not survive in the absence of the KCTU which refused to participate, or the FKTU, which pulled out in protest at the refusal of the employers to consult in good faith over a range of issues (Choi, 2002:22).

Why has corporatism failed to take root in South Korea in the 1990s and early 2000s? Probably the most important was the lack of government commitment. While successive governments amended labour laws to make it easier to form unions and to engage in collective bargaining (Koo, 2001:189-191) and introduced some social and economic reforms (Shin, 2003:151), this was combined with harsh repression and effective exclusion of the labour movement from political processes.

This stance reflected the character of the democratic transition in Korea, which contrasts with the South African. In South Africa, the ANC took power in 1994 well aware of its debt to the union movement which was both past and continuing. For the largest part of the struggle years (1973-94), it was COSATU (and its forerunner organisations) that had the mass base in the country, not the ANC, which was a banned organisation. The middle-class component of the black population was tiny and in many cases compromised by its collaboration with apartheid. Furthermore, the SAC formed a political link between the ANC and COSATU which shaped the strategies of both organisations. This history meant that the ANC was compelled to deal with COSATU both before and after taking power.

In Korea, by contrast, the movement away from authoritarian rule was both more gradual and more politically diffuse. In Song's words, it took the form of 'reform democracy' not 'rupture democracy' and left much more of the political elite structures intact (Song, 2002: 209). In 1987, the Korean upsurge brought together middle-class intellectuals, small businessmen, and church groups on the one hand and the newly-formed unions on the other. Once the direct election of the president was conceded in the 1987 Democracy Declaration, the cross-class alliance was broken. Continuing union agitation for specifically working-class demands such as better wages and conditions threatened the interests of the democracy movement's small business constituency (Minns, 2001). Thus, the Korean democracy movement, even though it had won its demands at least partly on the back of the working class, now began to press for political reforms independently of the workers' movement and sought to work within relatively elitist and undemocratic structures to advance the interests of its middle-class leadership. Organised labour was excluded from the transition process and little was done to limit the concentration of power in the hands of individual elites, especially the *chaebol* (Song, 2002: 212).

The Korean transition as compared to the South African transition was therefore far more narrowly-based and resulted in a much more restricted reform platform. Unlike the South African case, therefore, there were no organic or historic linkages between the unions and the reforming governments and no particular sense of obligation on the part of the latter to maintain a partnership with organised labour. Furthermore, there was no party organisation such as the SACP providing a common platform for the government and union apparatus.

The second factor underpinning government (and employer) reluctance to engage in more developed forms of social partnership was the economic crisis. While this encouraged union leaders and employers to sign the Social Pact in January 1998, it was also the reason why social concertation was not continued. The crisis was so deep that it sharpened class polarisation in Korea, undermining the ground on which social partnership could be built. From the employer perspective, the adjustments in employment levels and employment conditions associated with the crisis was so severe that they preferred to deal with their financial crises rapidly and without consultation. In 1998, for example, the five large *chaebols* cut 80,000 jobs out of their workforce of 600,000. As Korean business is further integrated internationally, most notably with the purchase by General Motors of the automotive business of Daewoo, so the interests of multinational capital also begin to demand a hearing. Thus, the Kim Dae-jung (1998-2002) and Roh Mu-hyun (2003-) governments have been under constant pressure from not just the IMF but also the international investors to make the country a more attractive investment environment (Lee and Lee, 2003: 516), invariably involving harsher measures against the unions. Time and again, governments have demonstrated their willingness to do so (Song, 2002: 225). This culminated in 2003 with the announcement of plans to seize the assets of unionists engaged in 'unlawful strikes', the mass expulsion of tens of thousands of migrant workers, and the use of the riot police to attack union demonstrations. Arrests of unionists include not just local activists but also prominent national leaders of the KCTU and its affiliates (including some of those who had earlier been the government's 'social dialogue partners' on the Tripartite Commission).

What of the trade unions? Here it is important to consider shifts in attitudes and behaviour over the past decade. The FKTU has increasingly lost affiliates to the KCTU (Lee and Lee, 2003: 514) and in order to stem the flow, and in an attempt to establish its credibility amongst workers, the FKTU has partially distanced itself from its former subordination to government and in recent years the two union federations have cooperated, in organizing general strikes – to resist the 1996 labour law change, for example. The leaders of the KCTU, on the other hand, are veering in the opposite direction, as they have increasingly demonstrated their preparedness to take responsibility for the national economic crisis. Their willingness to agree to the 1998 Social Pact suggests an attempt to trade their militant past for a future of compromise with government and the *chaebols*.

The sheer scale of the attacks on members' jobs and conditions has compelled KCTU leaders to call large demonstrations and strikes in protest at the employer and government attacks, such as during disputes over the restructuring of the banking and public sectors, the mass retrenchments at Hyundai, the sell-off of Daewoo, and the privatisation of the power industry. However, on several occasions these have been called off on the basis of government promises to engage in further negotiations, even without any material concessions being made. Similar to COSATU, the leaders of the KCTU resort to switching action on and off as a bargaining tactic to try to pressure the government or employers to engage in further negotiations.

At rank and file level within the unions, the situation is rather different. Fundamentally, the more militant rank and file union members do not trust government or business. The economic crisis of 1997-98 and the subsequent wave of corporate restructuring has led to heightened employment insecurity, a sharp increase in irregular employees, and worsening income inequality (Koo, 2001: 201; Lee and Lee, 2003). Unemployment soared from half a million to nearly two million in the year following the crisis (Song, 2002: 226). The public-sector workforce was cut by 19 per cent between 1998 and 2000. Little wonder, then, that as Lee (2002) suggests, unions have failed to adopt the creed of 'national economy competitiveness'.

Union opposition has taken the form of fierce battles to protect jobs and fend off government plans to privatise. This has been particularly true in heavy industry. Major strikes involving workers at Hyundai, Daewoo, the shipyards and the electrical power industry broke out in 1998-2002, and these were followed in 2003 by strikes in the transportation, manufacturing and chemical sectors. In many cases these have been the subject of violent repression by government and employer forces. The

arrests and use of repressive legislation by the Roh Mu-hyun government has led to a further increase in the tension between the two would-be 'social partners' and in some extreme cases a return to the 'methods' of suicide and/or self-immolation by union leaders. The industrial climate in many enterprises is therefore un conducive to 'social dialogue'.

Corporatism in Korea is further constrained by the fact that the national union centres cannot 'deliver' union members' consent to social pacts in the way that is possible in South Africa. Ironically, one of the organising principles of Korean unionism enforced by the repressive regime, that is, the prevention of strong vertical links between enterprise unions and national organisations (Song, 2002: 205), has now turned into a factor limiting the ability of the government to pursue its neoliberal agenda. The central role of the *chaebol* in the Korean economy meant that the flurry of union organising in the *chaebols* in 1987 and following years put the newly-formed *chaebol* enterprise unions in a powerful bargaining position in relation to other enterprise trade unions and to peak trade unions (Park and Park, 2000: 82).

These *chaebol* unions pursue the interests of the *chaebol* workforce diligently. Their officers are elected at enterprise level and as a result they do not necessarily feel a particular responsibility to the wider union movement, other than perhaps the relevant industry federation of which they are members (Song, 2002: 213). Korean advocates of social partnership lament the unions' 'too rigid approach for formulating and addressing their own labour and social policies' (Lee, 2002: 53) which leads them to 'focus on the interest on the protection of their members and [to] give little attention to the enhancement of national economy competitiveness' (Lee, 2002: 53). The result is that the FKTU, and the KCTU in particular, to which most *chaebol* unions are affiliated, are not able to coordinate policy effectively across national, industry and enterprise levels (Interview, KCTU, 7 June 2000, Interview, FKTU, 8 June 2000).

There have been concerted efforts over the years by the KCTU, and to a lesser extent by the FKTU, to change the structure of unions from enterprise to industry unions, thereby creating the kind of encompassing structures usually associated with social pacts. However, the massive workforce reductions and increased employment insecurity experienced by Korean workers have only strengthened the enterprise focus of Korean unions. As a central pillar of the social pact was to reform the *chaebol*, union members in *chaebol* enterprises resisted corporatist outcomes that threaten their employment security. Furthermore, permanent workers have formed the core membership for unions and they have been reluctant to shift to industry unions or to admit non-permanent employees for fear that change may weaken the union at the enterprise. In the absence of centralised national federations, commitments given by national leaders are subject to being overturned at enterprise or industry level.

The overall outcome in terms of Korean unions is that preparedness to participate in the kind of national pacting evident in South Africa in the 1990s is varied. At peak level, there is evidently some preparedness within the peak federations to engage in dialogue with government as part of a 'social partnership' approach. However, successive governments have appeared far less ready to reciprocate, and their harsh repression of unionists means that government-union relations are more hostile than in South Africa where COSATU and ANC are in alliance. At rank and file level, the Korean government's repression of local union leaders and the impact of its neoliberal agenda confirms the hostility between the two sides. Korean union leaders are therefore caught between a desire to play the role of labour statesmen and their need to retain the loyalty of their members. They therefore vacillate between strident opposition to government plans and acceptance of them.

In summary, corporatism in Korea is weak because governments have not been firmly committed to it. Further, there are no structures created to implement the decisions reached in the Tripartite Commission. Second, employers like the idea of using corporatism to control wages but feel that they can do this more expeditiously by using a combination of force and outsourcing and, further, are moving away from their historically close relations with government. Finally, union leaders do not have the capacity to 'deliver' working class commitment to social partnership, and rank and file workers fear that their interests are being damaged by the economic programmes that result from corporatist processes, as evident in the 1998 Social Pact. It therefore appears unlikely that the 'paradigm shift in ideological values over industrial relations' that is sought by many Korean supporters of social dialogue (Lee, 2002: 54) will eventuate in the near future.

## CONCLUSION

In our review of the corporatist literature we argued that the essential feature of neo-corporatism is not so much the issue of institutional representation or processes of dialogue but the underlying logic of corporatism whose form changes in different periods but whose essence remains the same – to facilitate the processes of capital accumulation by shifting material and power resources towards the capitalist class. We then used the examples of Swedish corporatism in the post-war decades, European corporatism in the 1970s and European social concertation in the 1990s to illustrate the various ways in which this shift in material and power resources was achieved, whether in the context of a long-term growth path, the containment of a militant workers movement, or the roll-back of wages, welfare states and labour rights accumulated during the post-war boom

In our case studies of South Africa and South Korea we have discussed processes of neo-corporatism in the circumstances of democratic transition. In both cases the employers and state faced the need to constrain a militant labour movement, the key feature of corporatism in Europe in the 1970s, and to do so while also introducing harsh economic policies which impacted most seriously on the working class, the central feature of social concertation in Europe in the 1990s. This has presented the government in both countries with a particularly complex job.

In South Africa, the corporatist agenda has been implemented successfully. In Korea it has failed. The reasons for the differences in the two cases are essentially political. It has long been argued that corporatism is most likely to take root when undertaken by social democratic governments, where the working class has a political voice via the party system (Compston, 1998: 510). Now, although this factor has been questioned in the more recent corporatist literature, the South African case tends to confirm it. Critical to establishing trust between the ‘social partners’, most particularly government and unions, was the long-standing linkages forged in the liberation struggle, which took the form of the Tripartite Alliance. This Alliance was crucial in developing a common political strategy of reconstruction, effectively the expansion of a competitive South African economy on modern capitalist lines but with a non-racial political superstructure. The close personal and political linkages between elite figures in state and unions, lubricated in many cases by common membership of the same political party, created a strong sense of common ownership of the reconstruction. This sense of strong allegiance was also common in the ranks of grassroots unionists – in the words of many South African unionists, there was a common feeling that ‘This is *our* Government’. With such an understanding, some of the institutional limitations of South Africa’s political and industrial relations structures could be overcome relatively easily. The fact that at the same time as containing a working class that had developed almost revolutionary potential in the 1980s, South African corporatism also formed the shell within which neoliberal economic policies were carried out demonstrates its resilience. It is not that the South African working class enthusiastically supports the Government’s economic programme, more that it is either willing to “give it a chance”, or is strongly opposed but lacks the organisational and political capacity to oppose it in the face of the hegemony of the SACP.

In South Korea, by contrast, these political linkages and forms of representation and common understandings are missing. The Korean working class lacks the same history of political representation and political intervention – there is no hegemonic party that can bind together the elite representatives and can win support within the grassroots for a government programme of austerity budgets. The South African working class is led by leaders who have been schooled in and accept the programme of national democratic revolution forged by the SACP in the 1940s and 1950s, and this conception forms the common frame of reference within which the labour movement is organised. The fact that the South African working class has a long tradition of political intervention which has come to this conclusion means that it is more capable of being integrated into the corporatist agenda. The leaders of the Korean working class, by contrast, have no such common vision.

Another critical factor limiting corporatism in Korea is the fact that the Korean state is led by figures who owe no loyalty to the Korean labour movement. Senior politicians and business figures can see advantages in using corporatism to contain the Korean working class, but their tentative steps in this direction are just as soon reversed as they rely on trusted methods of repression and, more recently, retrenchment. Consequently, there is no sense amongst Korean workers that ‘this is our Government’ and thus little basis for trust, an essential prerequisite for sustained neo-corporatism.

Without this sense of common mission and trust, social concertation is unlikely to progress in Korea even if centralised employer and union organisation could be developed.

This article has presented the case of corporatism in circumstances of democratic transition in late-industrialising countries. As such we might expect the exercise of corporatism to differ in some respect from those traced out in the literature on Western Europe with its long-established democratic structures and advanced economies. Importantly, both cases present cases of corporatism being attempted in the context of simultaneous efforts at containment of militant labour movements and roll-back of economic gains, making the process more fragile than when these processes were undertaken in step-wise fashion of Europe in the 1970s and 1990s. The cases bring out the importance of structures facilitating social dialogue but most importantly the question of underlying class relationships. Political processes and political exchange are central to both cases but these have to be understood in the context of the needs of capital accumulation in both countries.

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<sup>1</sup> There are many accounts of the rise of the labour movements in South Africa and South Korea. The following is based on Maree (1987) and Baskin (1991) (in the case of South Africa), and Haggard (1988), Deyo (1989), Kwon & O'Donnell (1999), and Song (2002) (in the case of South Korea).

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