From fragmentation to fragile unity: organizational fault-lines in South African business

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This article explores the nature and history of organized business in South Africa. It describes the major racial, sectoral and other fault-lines which fracture the business community, and indicates that many of these are the legacy of apartheid. It points out that the relationship between business and the state was ambiguous, varied between the economic sectors, and changed radically over time. The latter sections of the article discuss the role of business in South Africa's transition (and the collective action problems which were experienced), and charts the developments which lead up to the creation of the mega federation Business South Africa (BSA). It is argued that BSA represents an important, yet fragile, step towards unity.

In contrast to the growing international literature on organized business, very little work has been done on South African trade and employer associations.[1] This is probably due to the difficult nature of the research,[2] and to a preference for studying trade unions on the part of students of industrial relations.[3]

The absence of any systematic study of the strengths and weaknesses of organized South African business is particularly worrying given the post-apartheid institutional impetus in favour of corporatist arrangements. The most notable example is the National Economic Development and Labour Council (NEDLAC) which provides a forum for labour, government and business to negotiate over economic and social legislation. NEDLAC's first major achievement was to obtain agreement on the new Labour Relations Act before it was passed by parliament in 1995. Calls have subsequently been made for NEDLAC to consider negotiating an incomes policy, and for national level agreements to be supplemented with regional and local social accords (NEDLAC, 1995; Ministry of Finance, 1996; Labour Market Commission, 1996; Standing *et al.*, 1996).

In the light of such ambitious proposals, it is indeed surprising that so little attention has been paid to questions such as: the representivity and strength of business organizations; how business overcomes collective action problems; and what kinds of credible agreements are possible. This article touches on some of these issues through addressing a prior and more limited concern, namely the nature and history of organized business in South Africa. The article describes the major racial, sectoral and other fault-lines which fracture the business community, and indicates that many of these are the legacy of apartheid. It points out that the relationship between business and the state was ambiguous, varied between the economic sectors, and changed radically over time. The latter sections of the article discuss the role of business in South Africa's democratic transition (and the collective action problems which were experienced), and charts the developments which lead up to the creation of the mega federation Business South Africa (BSA) in 1994.

Structure of organized business in South Africa

Business acts collectively for a variety of different reasons. According to Windmuller, business organizations attempt to:

> 'regulate matters of trade and competition by mutual agreement; to seek statutory protection in matters of trade, particularly with regard to imported goods; to erect a united front in dealing with trade unions; to provide services in labour relations and personnel administration; and to contest the passage of social and labour legislation. Where commercial interests were the chief organisational impetus, the outcome was the formation of what is generally referred to as a trade association. By contrast, where the issues centred on the employment relationship, the desire for joint action lead to the formation of employers association' (1984: 1).

The distinction between employers associations and trade associations is evident in South Africa. Employers associations are fragmented by sector (in line with South Africa's system of industrial level collective bargaining) and trade associations are fragmented by region, sector, language and race.

Employers associations

As was the case internationally, South African employers in the manufacturing sector tended to organize as a defensive reaction to (white) trade union pressure.[4] Employers organizations with a strong collective bargaining role emerged in sectors where unions were strong (clothing, metal and engineering, building, electrical, textile, laundry, leather and printing) and not in sectors with weak unions (Douwes Dekker, 1990: 161).

South Africa's industrial relations system strongly supports sectoral bargaining between employers associations and industrial unions. It provides a context for employers associations and trade unions to bargain in industrial councils which up until 1979, admitted only white trade unions. Employers associations and trade unions have to register with the Department of Manpower (now Labour) to participate in these structures. Although not all collective bargaining takes place in industrial councils,[5] the industrial council system creates powerful incentives for bargaining within such structures (Nattrass & Seekings, 1996).

The Steel and Engineering Industries Federation of South Africa (SEIFSA) is the dominant employer association in urban manufacturing.[6] Other important sectoral employers organizations are the National Clothing Federation, the Chamber of Mines (COM), and the South African Agricultural Union (SAAU). The SAAU, however, does not bargain wages, and acts more as a trade association than an employers association.

Trade associations

South African trade associations tend to be cross sectoral business organizations. These range from large chambers of commerce, to lobby groups, to small local organizations which fulfil social as well as economic functions. The biggest and most obvious of these associations are the various chambers of commerce and industry at local and regional level.

Given that the apartheid state discriminated against black workers and entrepreneurs, whilst actively favouring Afrikaner capital over English capital, another legacy of the past is the language and racial fault-line which persists in the national multi-sectoral 'trade' associations. The Federated Chamber of Industries (FCI) and the Associated Chamber of Commerce (Assocom), which later merged to form the South African Chamber of Business (SACOB), were predominantly English. The Afrikaanse Handelsinstituut (AHI), remains the voice of (predominantly smaller) Afrikaans firms. Although the AHI and SACOB are both members of BSA, there is strong rivalry between the two organizations.

There are two black national multi-sectoral organizations, namely the National African Federated Chambers of Commerce (NAFCOC) and the Foundation for African Business and Consumer Services (FABCOS). NAFCOC, the older of the two, was formed to oppose apartheid policies which were detrimental to black entrepreneurs in urban areas.[7] It claims a base largely in the urban retail and manufacturing sectors. FABCOS, which was set up in 1989, organizes the taxi industry and claims strong representation in the informal sector. The major dividing line between these two organizations appears to be sectoral, although there are some indications that they differ politically as well (Sidiropoulos, 1994). Despite the transition to democracy in South Africa, NAFCOC's leadership still believes that there is a role for separate black business organizations – largely to address the imbalances of the past and to meet the specific needs of emerging black entrepreneurs.[8] The idea is to develop a 'critical mass' of organized black entrepreneurs before joining forces with white business associations. A 'Black Business Unity Task Team' (which grew out of a black business summit in June 1996) is attempting to forge a united national black business structure.[9] The racial fault-line in South African business thus appears set to continue.

South Africa's strong corporate voice

The final fault-line worth noting is that between large corporations and the rest of the business community. The highly concentrated nature of the South African economy has caused enormous economic power to be vested in the large corporations. This has resulted in the corporate voice of South African business carrying substantial weight.

The international experience of the effect of industrial concentration on employers associations is a contested one. Lash & Urry (1987) argue that concentration and cartelization in German and Sweden underpinned the success of their employers associations. Tolliday & Zeitlin (1991b: 304) however, argue that employer organizations in those countries preceded concentration and point out that German employers associations were able to reconstitute themselves after the war despite the dismantling of their cartels. They also point out that the growth of industrial concentration in the UK was associated with the decline of collective action amongst employers.

Although large corporate interests were able to intervene positively during South Africa's transition to democracy, this strength is more problematic today. The large corporations have relatively little incentive to act through employer or trade associations in order to influence government policy. They either deal directly with the state, or through informal gatherings (such as the Brenthurst Group – see below), or through an association of South Africa's largest corporations called the South Africa Foundation (SAF).[10]

A brief historical overview

The history of organized business in South Africa is closely intertwined with that of apartheid. The relationship between business and the state was ambiguous, differed significantly between mining and manufacturing, and changed radically over time.

Cheap labour for the mines and farms

The mining industry had a particularly ambiguous attitude to apartheid. It tended to support measures which helped ensure a supply of cheap unskilled labour, but objected to the job colour bar which entrenched white workers in certain skilled positions.

As early as 1893, the COM opposed the first colour bar legislation which was enacted in the old Transvaal Republic arguing that a test for miners should be based on competence, not colour (Lipton, 1986: 112). Conflict with the Transvaal Republic over this and other matters escalated to such an extent that the COM President supported the armed ('Jameson Raid') uprising of 1895 – and received a death sentence for his role[11] (Lang, 1986).

The COM's attempt to erode the job colour bar in 1921 lead to the bloody strike by white miners known as the 'Rand Revolt' in 1922. The strike was crushed by government troops, but the COM's victory was short-lived. The election of the Pact (Labour-Nationalist) Government in 1924 ensured the continuation of the job colour bar. This remained a thorn in the side for the mining industry which, given a fixed international gold price, suffered from chronic cost squeezes. It was only in 1986 when black workers became eligible for 'blasting certificates' that the colour bar was eventually removed from the mining industry.

In contrast with its opposition to the colour bar, the COM (and the SAAU) has a history of supporting measures such as the pass laws and the Labour Bureau system which channelled workers to mines and farms (Morris, 1976; Johnstone, 1976). The pass laws introduced in the old Transvaal Republic in 1895 were actually drafted by the COM (Van der Horst, 1942: 133). The COM President supported the 1913 Land Act (which restricted black land ownership to only 13% of South Africa) saying that it would ensure that 'the surplus of young men, instead of squatting on the land in idleness ... earn their living by working for a wage' (quoted in Lipton, 1986: 119–120).

These measures provided a helpful context for the COM in its efforts to set up and manage a monopsonistic system of hiring unskilled African labour. In 1900, the COM successfully centralized recruiting with the establishment of the Witwatersrand Native Labour Association (WNLA). This eventually evolved into The Employment Bureau of Africa. The 1911 Native Labour Regulation Act (which made the breach of contract by mine workers a criminal offence) helped strengthen the control by mineowners over mineworkers.

Through the WNLA, the COM introduced a ceiling (the notorious 'maximum average') on black wages. Fines were imposed on mining companies that paid more. This contributed to black unskilled wages remaining stagnant in real terms from 1911 to 1970. Rather than attract workers to the mines through wage increases, the COM chose instead to spread its recruiting net far into Southern Africa in an attempt to resolve the labour shortage. This enabled the COM to act as a

> 'perfectly discriminating monopsony whereby the employer is able to pay more (in the form of transport subsidies etc.) for his additional workers without having to increase his payments to those already employed' (Wilson, 1972: 104).

Nevertheless, collusion amongst mining houses suffered strain during periods of severe labour shortages. Once the manufacturing sector emerged as a powerful competitor for labour, the mining industry relied on apartheid influx control policies as a way of sharing the flow of black labour by institutional means. In this respect, apartheid policies were in the interests of the mining sector.

Despite this, and the South African government's draconian labour control machinery, the fact that mining wages were low compared to opportunities elsewhere (particularly in manufacturing) resulted in chronic shortages of labour in mining. Mineowners complained that they seldom were able to employ as many African workers as they wanted to at the low wage.

This raises an interesting question: why did the more profitable mines participate in an arrangement which prevented the more efficient firms from paying higher wages and operating at full capacity while at the same time protected the marginal mining operations from wage cost pressure? According to the official view of the COM during the early part of this century, keeping African wages low was a rational strategy because of a (presumed) alleged backward bending supply curve:

> 'If as the Native Recruiting Corporation contends, an increase in wages will actually cause the total supply of labour to contract, the advantage to an industry of keeping down wage-rates may be very great, as more labour will be forthcoming than at higher rates. Under these conditions the incentive to employers to combine is extremely strong' (Van Der Horst, 1942: 200).

However, given that higher wages paid in manufacturing ensured adequate supplies of unskilled labour to urban firms, this backward bending supply curve argument is somewhat tenuous. A different explanation could be that a stable supply of cheap labour extended the lives of mines as it enabled the lower grade ores to be mined. (Higher wages, by contrast, would have increased the volume of ore mined – but only the more profitable grades would have been mined.) In order to maximize the working life of mines, it was thus in the interests of the large mining houses to participate in a monopsony which stabilized the unskilled wage at a low level over an extended period of time – even at the cost of chronic labour shortages.

The ceiling on wages lasted until the early 1960s when Anglo American (the largest and most profitable mining house) tried to introduce more flexibility into the system. A compromise was reached within the COM whereby the maximum average was retained for all but the top 15% of black miners (Wilson, 1972).

The dramatic rise in the gold price in the early 1970s facilitated a major change in the wage and recruiting strategies of the COM. After the independence of Angola and Mozambique, and the halting of recruiting in Malawi by the Malawian government, the COM decided to increase the proportion of South African miners. This entailed competing with urban manufacturing wages. Between 1974 and 1981, South Africans increased from 20% to 25% of the mining workforce, and real black mining wages rose at 10% per annum over that period.

By 1973, Anglo American had abandoned the maximum average and was paying wages well in excess of the maximum. Despite objections from other mining houses (most notably Goldfields) unskilled wages rose sharply throughout the industry. This shift in strategy, coupled with the growing stress by mineowners on the need for a more stable, settled workforce, led to a markedly changed attitude in the COM to influx control. It also heralded the beginning of the COM's change in attitude to trade unions.

Up until the mid 1970s, the COM had been reluctant to deal with trade unions – and in particular, with black trade unions. It only recognized white trade unions in 1915 after being forced to do so by the Botha/Smuts government (Lipton, 1986: 130). In 1946, after the brutal suppression of the African Mineworkers Union strike, the COM declared that 'trade unionism as practised by the Europeans is still beyond the understanding of the tribal native' (quoted in loc. cit.).

However, by the 1970s when black trade unionism revived on the mines, various factors encouraged the COM to look more favourably on black trade unions. Firstly, the mine riots of 1973–1975 indicated clearly that new methods of communication with the workforce were needed. Secondly, the abolition of the Masters and Servants Act in 1974 meant that workers could 'abscond' from contracts with no risk of criminal prosecution. The increase in abscondence and in absenteeism indicated that more constructive labour relations were called for. Thirdly, the COM recognized the utility of black trade unions as allies in the fight against the colour bar (Lipton, 1986: 131).

In 1982, the COM was the last of the major employer associations to extend recognition to black trade unions. According to Lipton, the slowness of the mining industry to accept change lies in the ambiguity of mineowners towards apartheid and in the consensual decision making within the COM:

> 'This unusually tight and effective employers organisation provided advantages (particularly the efficient monopsonistic recruiting organisation) which progressives, no less than conservatives, were loath to sacrifice. This was reinforced by social/class ties, which made individual mineowners reluctant to break rank with their colleagues, fellow members of the Rand Club etc.' (Lipton, 1986: 136).

Unions and wages in manufacturing

Unlike the gold mining industry which faced an unlimited demand for its product at a fixed price (and hence was concerned to keep wage costs as low as possible), the wage issue was more complex in manufacturing and commerce. From as far back as the 1920s and 1930s, some of the larger urban businesses recognized the benefits of higher wages for the domestic market. For this reason, they argued against a low wage strategy. Assocom and the FCI made repeated calls for higher wages (Lipton, 1986). In 1959 a group of larger employers formed the Bantu Wages and Productivity Association to push for a growth path based on higher wages and higher productivity.

However, appealing for higher wages falls into the classic collective action trap: unless higher wages can be extended to all employers, it is in no individual employer's interests to raise them. Furthermore, as smaller, more labour-intensive firms have less room to grant wage increases, it is difficult forging a united business voice on this issue. Thus the FCI experienced significant division in 1973 between labour-intensive sectors (such as clothing and textiles) and the capital-intensive sectors over wage guidelines (Lipton, 1986: 163). Similarly, the AHI which comprised many small firms, did not support Assocom and the FCI in their calls for higher wages. In the end, it was pressure from black trade unions which forced up wages rather than such appeals.

According to the 1951 Industrial Legislation Commission, there were sharp differences between the employer bodies over black trade unions: the AHI and SEIFSA opposed them, whereas Assocom and the Cape and Transvaal Chambers of the FCI were prepared to give significant recognition (Lipton, 1986: 165). These divisions between the employer bodies extended also to the industrial relations system. While Assocom and the FCI complained about the 'inadequacy' of the Works Council System (which governed collective bargaining with black workers), SEIFSA objected to a Labour Department Campaign to extend Works Councils to other factories (Lipton, 1986: 166). SEIFSA's director insisted in 1973 that 'There will be no – and you can underline no – negotiations with African trade unions' (Lipton, 1986: 169).

However, as wildcat and illegal strikes by unrecognized trade unions persisted through the 1970s, employer attitudes began to change. It was this factor, more than anything else, which ended what Verschoor refers to as the 'dark ages of industrial relations in South Africa' during which there was

> 'little evidence that any employer associations played any role other than compliance with government legislation for action against black workers and their trade unions' (1985: 50).

Urban business and apartheid

While urban manufacturing and commerce supported the restriction of black trade unions (and many National Party voting employers no doubt supported residential segregation and other petty apartheid measures), most employers objected to apartheid policies which imposed significant costs on their businesses.

This resulted in a tense and ambiguous relationship between business and the state. This was especially the case for the AHI which was chronically torn between support for segregation and the pro-Afrikaner business stance of the apartheid government on the one hand, and objecting to the economic costs which labour policies imposed on the other. However, as indicated below, even the AHI felt the need to protest against state action at various points.

As early as the 1920s, organized English business opposed the Pact government's colour bar through the FCI. In 1931, the President of Assocom (which included many manufacturing enterprises in its membership), condemned the 'political interference which imposed such high costs to secondary industry' (Lipton, 1986: 141). Although such arguments had an impact on the more liberal administration during the war years, the apartheid government elected in 1948 turned a deaf ear. The Native Building Workers Act (1951) and the 1956 Amendment to the Industrial Conciliation Act extended the job colour bar to industry.

After the Sharpeville Massacre of 1960, SEIFSA, the FCI, Assocom and the AHI sent a memorandum to the Prime Minister stressing the need for reform of the pass laws. Verwoerd reacted angrily. He refused to address a major gathering of businessmen – accusing them of 'paving the way for black domination'. He denounced Assocom as 'traitors' and for some years government departments refused to receive or reply to correspondence from that organization (Lipton, 1986: 151).

During the boom of the 1960s, when skilled labour shortages imposed high costs on industry, organized business intensified its campaign against the colour bar. The FCI reiterated its call for incentives, competition and the need for promotion on merit. The more conservative bodies, such as the AHI, initially proposed a more flexible application of the colour bar. However, all major business organizations objected to the 1970 Bantu Laws Amendment Act which gave the Bantu Affairs Department carte blanche to extend job reservation. This kind of pressure no doubt contributed to the government decision in 1973 to allow black workers to do skilled work in white areas – as long as the white unions did not object. This enabled employers to 'buy off' the objections of white workers with wage increases (Nattrass, 1990).

This victory appears to have encouraged organized business. In 1974, the largest of the fragmented employers organizations re-organized the South African Employers' Consultative Committee on Labour Affairs (SACCOLA), to co-ordinate pressure for the reform of labour policies. Their principle aim was a mobile, competitive skilled labour market.

Agricultural capital eventually added its voice to the opposition. By the early 1970s, the SAAU (like the COM) had switched from relying on controls to ensure adequate supplies and was urging its members to raise wages and improve conditions so that they could compete with other sectors for labour. This change in attitude was in part a recognition of the failure of apartheid labour controls,[12] and in part facilitated by the growing capital intensity of agriculture and the concomitant need for more skilled labour.

Other concerns of organized business included improved education and training for black workers, the relaxation/elimination of influx control, the phasing out of the migrant labour system and the scrapping of the decentralization of industry policy. This latter policy, together with the coloured labour preference policy for the Western Cape, placed severe restrictions on the employment of black labour – particularly in the Pretoria-Witwatersrand-Vereniging area and in the Cape. The Cape Chamber of Commerce and the Cape Chamber of Industries made repeated representations to government on this policy (Nattrass, 1990: 153–154).

The AHI, which had initially expressed support for the principle of separate development and rejected the 'uncontrolled use of non-white labour in pursuit of a maximum growth rate', joined the FCI and Assocom in its campaign against the Physical Planning Act (which attempted to restrict the employment of black workers in metropolitan areas). The AHI warned that the government

> 'does not always have the necessary knowledge of the practical implications of its policy and does not always realise the importance of the profit motive as a basis of efficiency' (quoted in Nattrass, 1990: 154).

Opposition by organized business to the migrant labour system, although inspired by the desire for a more stable, settled, skilled and productive workforce, was profoundly political in that it challenged the very basis of apartheid – that is, the idea that black workers were merely temporary sojourners in white cities. By 1976, the AHI had joined Assocom in its support for such stabilization – and for the improvement of living standards in black townships. Frustrated by the lack of government action in this regard, Oppenheimer and Rupert (representing English and Afrikaner capital respectively) established the Urban Foundation (UF) in 1976 to push for reform in the areas of influx control, housing, black land ownership *et cetra.*

However, despite its lobbying against influx control, the UF's image remained poor in the black community. Douwes Dekker, following Offe, suggests that this may have been because the UF was the 'archetype of the second undemocratic form of expression used by capital' (1988: 32), that is, those informal co-operative efforts which improve the image of business without requiring formal co-operation. He contrasts the massive support for the UF and social responsibility programs by individual employers with the limited support for employers associations during the 1970s and 1980s. As indicated below, frustration with the limitations of business organizations, coupled with the not insubstantial power of top business leaders, was an important factor behind the attempts by larger corporations (such as personal action and the formation of new organizations) to influence their environment directly.

Business and political change in South Africa

Collective action problems

The above historical overview points to the ambiguity within the ranks of white employers to apartheid. Although hesitant to take on the state over political issues, both English and Afrikaner business associations were eventually forced to do so as the economic and political crisis of apartheid deepened.

It would be a mistake, however, to boil down political opposition on the part of white employers and their organizations solely to material interests. As rational choice theorists from Olson onwards have pointed out, collective action in pursuit of common interests is plagued by the free-rider problem. According to Olson, collective action will only take place if members are obliged to contribute to the collective good through some form of coercion; where individual members are strong and powerful enough to pursue the collective good irrespective of free-riding by others; where the group is small enough to provide social as well as economic incentives for collective action; or where collective solidarity is underpinned by the provision of 'selective incentives' (Olson, 1965).

Although business organizations issued odd statements, the political impetus for change from the business community came from high profile small, yet powerful, groupings of business leaders (see below). In terms of Olson's framework, this could be attributed to the concentration of South African industry: large firms had an incentive to pursue the collective interest (albeit in the presence of free-riders) because of the sheer size of their economic stake.

But collective action on the part of business organizations was not stymied simply by collective action dilemmas. The very process of formulating the collective interest was fraught by ideological dispute. Apartheid policies structured more than the labour market. They constituted an entire social milieu in which employers were differently located. Opposing the apartheid state had ramifications which extended way beyond the business environment. It challenged beliefs, relationships and social attitudes as well. This inevitably resulted in greater division and strategic dilemmas in business organizations. Streek & Schmitter's observation that 'organised group interests are not given but emerge as a result of a multifaceted interaction between social and organisational structure' (quoted in Tolliday & Zeitlin, 1991a: 21), is particularly apposite in the South African case.

South African employers associations (which even today are overwhelmingly white) thus had to take into account more complicating factors in their organizational strategies than have been attributed to their counterparts in the advanced capitalist countries by Offe. In his influential piece entitled *Two logics of collective action* (1985), Offe argued that capital has organizational advantages over labour in part because unlike trade unions:

> 'most of the "central life interests" of capital are either resolved *beneath* the level of association (within the individual firm) or *above* the level of association (within the state apparatus). Consequently, the range of issues and interests that the association has to deal with is much more limited and specific. ... Furthermore, business associations do not have to bother with the problem of formulating an explicit ideology, which, in the case of unions, serves to attract some members while antagonising others. And even if the need to rely on some explicit common understanding of interests should come up, the task is an easier one to solve because one can assume a presupposed consensus of social cultural, and political values, to which one can always refer' (Offe, 1985: 190–191).

This sharp categorization is questionable. Employers organizations are, after all, organizations of competitors. And as Traxler notes,

> 'the more intense competition is, the higher the payoffs realised through non-co-operative behaviour. Hence capitalists are more prone to defection in the compliance dimension and consequently are less governable than workers' (1993: 687–688).

Constructing solidarity is plagued by union pressure to break ranks, the quest for competitive advantage, attempts by management to keep marginal enterprises afloat, and by principled differences over labour relations policies (Douwes Dekker, 1990: 19).

Collective action is, furthermore, compromised in both employer and trade associations by ideological disputes. It is certainly not the case, as Offe would have it, that employers do not need to construct common visions of the world. In fact, one could argue that capital found it more difficult than labour in South Africa to come up with such a vision. Whereas the obvious injustices of apartheid made it easier for the independent black unions to formulate a progressive ideology, South African employers were divided by a distinct lack of consensus about social, cultural and political values.

Unlike the advanced capitalist countries, where according to Offe, the pursuit of the capitalist 'interest' is firmly established, viewed as legitimate and supported by the state (1985: 198), important sectors of business in South Africa had to fight for both legitimacy and for policies which furthered capital accumulation. This often meant direct confrontation with the government. However, as shown below, this process was fraught and uneven as business was alternately jolted into action and cowed into submission. Owing to the moribund and internally divided nature of the trade and employer associations, the political cudgels were eventually taken up by key business personalities and through new business initiatives dedicated to political change such as the Consultative Business Movement (CBM).

Political developments in the 1980s and 1990s

By the early 1980s, many of South Africa's top business personalities and organizations were openly condemning authoritarian behaviour on the part of the government, and objecting to detention without trial of trade unionists. As international sanctions started to bite – especially after the township revolt of 1984 and subsequent refusal on the part of major overseas banks to roll over South Africa's debt – the sense of crisis deepened in the business community. The declaration of the State of Emergency in July 1985 and President P.W. Botha's 'Rubicon Speech' the following month convinced many that to operate successfully as a business meant changing the political system in fundamental ways.

Business leaders protested as individuals[13] and collectively through their organizations. The large employer organizations started to act more in concert with each other by issuing joint statements. In 1985, Assocom, the FCI, the COM, SEIFSA and NAFCOC presented a memorandum to Senator Edward Kennedy calling for 'universal citizenship' and for 'meaningful black political participation'. Over the next two years, leading businessmen held discussions with African National Congress (ANC) delegations in Lusaka and London.

According to Lee, the 'latter months of 1985 and the first half of 1986 represent the high point of business perception of a policy-influencing role for itself' (1989: 13). By contrast, the following two years were characterized by more muted opposition. The re-imposition of the second state of emergency in July 1986, and the widely publicized clash between the State President and the Managing Director of Barclays Bank, appears to have dampened the enthusiasm of employers for voicing opposition.

In May 1987, the white right wing became the official opposition in parliament. This shift to a more conservative position was reflected in the election of more conservative representatives in the FCI. The FCI had apparently been loosing members for being 'too political' (Lee, 1989: 14). The AHI withdrew entirely from political commentary. The banning of 17 organizations and the shutting down of two newspapers in 1988 saw little reaction on the part of organized business. By June there were widespread accusations that business had been co-opted by government (Lee, 1989: 14).

However, in 1988, a black consumer boycott, sparked off by the re-introduction of petty apartheid in the right-wing town of Boksburg, gave business a very tangible experience of black anger. Even the AHI was forced out of its apolitical stance after a delegation returned from overseas to report that political and economic pressures would worsen unless change took place. Business leaders across the political spectrum became concerned about the negative image of business in the eyes of the disenfranchised black majority. This lead to a concerted business effort in the field of social investments and high profile political business initiatives to deepen the links between business and community organizations – and to join a wider front against apartheid.

In August 1988, the CBM was formed by representatives of progressive organizations and business people to work towards a 'fair and just society and a successful economy in a united non-racial democracy' (quoted in Lee, 1989: 42). The CBM actively sought alliances with popular leaders (many of whom were on the run from the police) and attempted to guide business along the path of political transformation (see e.g. CBM, 1993).

According to Douwes Dekker (1995: 45), both the UF and the more radical CBM were able to act quickly as they were not 'encumbered by mandating' and had the resources to be effective.[15] They became the most effective voice of business interests because 'employers associations as institutions had become defensive collective bargaining agents only negotiating with the increasingly weak white unions' (1995: 45). With the exception of SEIFSA and the COM, employer associations were characteristically reactive, conservative and lacking in innovative responses.

In order to gauge the reaction of big business to the transition and to obtain a business input in the negotiations, a group of 15 chief executives (the Brenthurst Group) was formed at the request of Mandela at the time of the constitutional negotiations to advise on issues relating to the new government (Douwes Dekker, 1995: 47). The advantages of such face-to-face negotiations between high ranking individuals had clear advantages. As one top executive put it:

> 'Organisations like Assocom or AHI etc. do good work, but organisations look for consensus, and when you look for consensus you tend to water down and moderate your view. I think that when you speak as an individual of substance to somebody else of substance, you can be more frank' (quoted in Lee, 1989: 55).

However, as pointed out earlier, the fact that individuals in the business community are of such 'substance' that they can influence the state directly, serves to weaken the potential role of business organizations.

Since the 1994 elections, the greatest challenge facing business has been to forge some kind of unity to participate meaningfully in South Africa's tripartite institutions (most notably NEDLAC). The fact that the ANC came to power on the basis of an alliance with the trade union movement made the need for concerted action on the part of business all the more pressing. This was a tricky task for South Africa's business associations which in the not too distant past were hostile to black trade unions, were fighting very different battles with each other, and had different relationships with the state.

Towards unity: the making of Business South Africa

The first time an attempt was made to unite employer associations was in 1958 when ten key employers and trade associations formed the umbrella body of SACCOLA. Up until 1988, when the organization was called upon to represent business in negotiations over the Labour Relations Amendment Act, SACCOLA confined itself mainly to international public affairs.

Having SACCOLA represent South African business was widely perceived to be a problem given its lack of representivity and lack of mandating procedures (Douwes Dekker, 1988: 44). To facilitate the creation of a representative body of employers in South Africa, the Norwegian government sponsored an international meeting of employers organizations in Harare in 1992. South Africa was represented by FABCOS, NAFCOC and SACCOLA in a grouping known as FNS.

At the end of the meeting, FNS set up a task team to work towards setting up a representative structure (Dowie, 1994: 29). The International Organisation of Employers (IOE) lent support to this process, and in May/June 1993, a FNS delegation attended the IOE General Council – the first time South Africa had been represented since SACCOLA lost its IOE membership in 1983. The FNS initiative, however, was overtaken by the creation of the tripartite National Economic Forum (NEF). As the NEF business caucus included FNS representatives amongst its 18 affiliates, it became the appropriate body to push for a national business federation.

The result was the creation of Business South Africa (BSA) which formally represented South Africa at the IOE conference in June 1994. In addition to being a member of the IOE, it is a member of the Pan African Employers Confederation and of Eastern and Southern Africa Business Organisation. BSA now represents business on the NEDLAC (the successor to the NEF).

BSA brought together the old affiliates of SACCOLA, the black business organizations of FABCOS and NAFCOC, and the major sectoral and employers associations.[16] It is estimated by BSA that through its member organizations, it represents some 80–85% of employers employing more than 90% of employees in the formal private sector.[17] This estimate, however, should be treated with caution, particularly since half of the 18 member organizations organize predominantly large firms, two of which operate in highly capital-intensive industries. The fact that all members of BSA pay the same membership fees – regardless of size or income – further consolidates BSA as the voice of large powerful business sectors.[18]

By the time that NEDLAC was launched on 19 February 1995, NAFCOC had withdrawn from BSA due to unhappiness with the structure of BSA. According to NAFCOC's Mashudu Romano, NAFCOC wanted BSA to be an organization of federations – rather like the FNS grouping.[19] The convenorship of business in NEDLAC is now shared between BSA and NAFCOC.

Given that NAFCOC's membership numbers are not known (the central federation charges no fees and hence cannot determine its membership), it is unclear how many businesses are denied representation in BSA by this development. Nevertheless, the perception that black business is outside BSA is a problem. As an industrial relations consultancy put it,

> 'The ability of BSA to win and retain the support of organisations like FABCOS and NAFCOC will determine the success in shaping policy on behalf of employers. Without that support, BSA will be seen to be a white and big business organisation only'.[20]

Negotiating the LRA

The first major task to face BSA after its formation was to negotiate the LRA with labour and the state. The main battle line was drawn between BSA and organized labour over the issue of voluntary or compulsory centralized bargaining. The final compromise was that bargaining councils (the new name for industrial councils) would be institutions of voluntary collective bargaining, and where business proved intransigent to union requests for collective bargaining, a statutory council could be triggered by representative trade unions.

Although many business people remain suspicious of the statutory council provision, the BSA negotiators succeeded in convincing the constituent members to accept it. Other bones of contention included the rights given to workplace forums (which include access to certain information), and the extension of collective agreements to non-parties.[21] The member organizations which represent smaller businesses (SACOB and the AHI) have made their disquiet about this provision public on a number of occasions. So too have many regional chambers of commerce and industry.

The experience of negotiating the LRA raises a set of concerns about the mandating and consulting procedures within BSA. Although the chief negotiators reported back to BSA committees where possible, the time pressures placed on the negotiation process resulted in BSA effectively mandating the negotiators to do the best they could. The disengagement of the member organizations from the negotiations was exacerbated by the fact that different individuals often represented their organizations in BSA meetings – with the result that very few had a complete picture of what was being negotiated. Those member organizations with the resources (human and otherwise) to spare (most notably the COM), were able to attend more meetings and hence had a greater impact on the BSA negotiating position.

Public calls by the AHI and SACOB to scrap the extension of agreements to non-parties (because of its potentially harmful effects on small business) points to the fragile nature of BSA as the voice of business. There is a growing perception that BSA is primarily the voice of the corporate mining and financial sector, and that small business gets a poor deal. There is also significant dissatisfaction with NEDLAC amongst regional business organizations. A common refrain is that NEDLAC consists of 'big business and big labour looking after Gauteng', and that BSA is incapable of dealing adequately with regional concerns.[22]

Concluding comments

Although the creation of BSA represents an important step away from the fragmented and divided structure of organized business under apartheid, important fault-lines still exist. Regional, sectoral, material and ideological cleavages remain to make the new-found business unity distinctly fragile.

Effective mobilization at national level is thus likely to be confined to areas where policy can be made by the various business organizations through consensus. This rules out concertation over areas in which significant conflicts of interest occur (such as structural adjustment policies). Likewise the potential for a negotiated incomes accord is correspondingly slim.[23] BSA has no mechanisms whatsoever to ensure compliance with national agreements over wages and prices.[24] The most powerful incentives for collective action remain at the industry level, where as Calmfors & Driffil (1988) have shown, limiting wage increases within the bounds imposed by macroeconomic stability is least likely to occur.

The future role of BSA is thus likely to be as an uneven voice of business in national negotiations about social and economic policy. Social accords, if they are to be constructed at all, are more likely to be meaningful at local and regional level, where issues are more focussed and immediate, and where repeated interactions between key players can help overcome collective action problems (Nattrass, 1997).

Notes

1. The only academic work on employers associations consists of a Master's Thesis (Verschoor, 1985) and several papers by Douwes Dekker (1983, 1985, 1987). See Hope (1987), Hudson & Sarakinsky (1986) and Sidiropoulos (1994) for analyses of black business organizations in South Africa. See Lipton (1986) for useful historical detail, and Nattrass (1997) for an earlier, more detailed version of this article.
2. Windmuller & Gladstone note that employers associations the world over tend to be 'less than generous in responding to serious non-hostile inquiries about their activities and internal affairs' (1984: v–vi). A recent South African study had to be abandoned in part for this reason (interview with Loet Douwes Dekker, 29 September, 1995). The fact that most South African employer organizations do not have full-time staff and tend to rely on the secretariats of larger federations for their administration, exacerbates the problem. This is particularly severe as regards the black business organizations which suffer from acute and chronic shortages of resources (Sidiropoulos, 1994).
3. As Windmuller & Gladstone note, most students of industrial relations consider the worker side to be 'intrinsically more compelling' with a 'greater potential for social drama' (1984: vi). This was particularly the case in South Africa where the independent trade union movement played a central role in opposing apartheid.
4. This was, for example, the case in Britain, Germany, Sweden and France (see Reid, 1991; Sisson, 1991; Tolliday & Zeitlin, 1991b).
5. Collective bargaining takes place in the mining, banking, retail and the explosive chemicals industries without an industrial council.
6. The dominance of SEIFSA is consistent with the international experience. As Windmuller notes, 'in almost all countries the leading employers associations in size and influence are based in the metals industries ... Their pre-eminence parallels the leadership role of the industrial unions for metal workers that one encounters in many national labour movements' (1984: 11).
7. NAFCOC's demands have included the removal of restrictions on black business expansion; exempting black entrepreneurs from influx control restrictions, issuing firearms to black entrepreneurs; allowing black representation on licensing boards; removing white trading rights in and around black residential areas, *et cetra* (Hudson & Sarakinsky, 1986: 171–172).
8. Interview with Mashudu Romano (NAFCOC), 6 February 1996.
9. Reported in the *Cape Times*, 25 September 1996.
10. The SAF recently produced an economic strategy for South Africa (SAF, 1996), distributed it widely and lobbied the cabinet directly about the proposals. The government's latest macroeconomic strategy (Ministry of Finance, 1996) reflects many of the SAF's arguments and proposals.
11. This sentence was eventually commuted to a life sentence, and then to a stiff fine.
12. See Greenberg (1987) for a discussion of the uneven effectiveness of labour controls.
13. For example, after Reagan imposed limited sanctions on South Africa, Tony Bloom and Raymond Ackerman (two leading businessmen) placed an advertisement with 92 signatories entitled 'There must be a better way' in most national newspapers.
14. This is evident from Lee (1989), statements in the press (particularly from individuals associated with the CBM, and from interviews with businesspeople.
15. The CBM and the UF subsequently merged in 1994 after the political transition to form the National Business Initiative.
16. See Nattrass (1997) for details on these organizations.
17. BSA information, 30 May 1995.
18. Hennie Van Zyl of the National Clothing Federation argues that the expensive fee structure was the reason why the organization did not join BSA (interview, 25 January 1996). The National Federation of Hotel and Accommodation Associations resigned from BSA for the same reason (interview with the Director, Deon Viljoen, 20 December 1995).

19. Interview on 6 February 1996.
20. Andrew Levy and Associates *Annual Report* (1994–1995: 38).
21. See Nattrass & Seekings (1996) for a discussion of this issue.
22. From interviews conducted in the Eastern Cape amongst business representatives in May 1996. NB: Gauteng is the richest province in South Africa.
23. See Nattrass (1997) for a more detailed discussion of this question.
24. Soskice (1990) argues that without effective means of encouraging compliance, employers associations will be unable to participate in successful economy-wide concertation.

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