Trade unions in Chile and Uruguay have entered social pacts during the transition to democracy. Trade unions in Argentina and Brazil failed to do so. RONALDO MUNCK* discusses the experience and concludes that a democratic social pact offers many advantages.

# the social pact *in Latin America: advantages* for labour

As Ian Roxborough showed in *SA Labour Bulletin* Vol 16 No 4 (*'Neo-liberal' offensive in Latin America*), the new democratic governments in Latin America have betrayed the hopes of the working people who voted for them.

Instead of getting social and economic reform, working people have been confronted by governments applying the neo-liberal recipes of the International Monetary Fund with greater gusto than the military dictatorships which preceded them. While accepting the bleak economic scenario painted in Roxborough's article, I am not sure labour's alternatives are that limited. In particular, I believe the option of the social contract or social pact could be usefully explored.

Also, we need to ask whether a strategy for the labour movement can ignore the vital role played by the so-called 'new' social movements such as squatters and human rights activists in the struggle for democracy. These debates have an obvious relevance for South Africa.

It would be wrong to attempt a simplistic balance sheet of the social contract in Latin America as if it is either *good* or *bad*. In fact it is neither a democratic cure-all for labour nor just a means to contain and demobilise labour. Like most of social reality, the social contract is a contradictory phenomenon. That is hardly surprising when the usual three 'partners' to the contract – the trade unions, employers' federations and the government – have such disparate interests. Clearly who is pacting with whom and for what purpose will determine the meaning of any pact.

## The social pact and democratisation

In this respect it is worth stressing that in Latin America (as in South Africa) the social pact debate occurred in the context of democratisation. These were semi-industrialised countries emerging from a long period of military dictatorship. The social contract debate in Western Europe during the 1970s seems to be a quite different type of experience.

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So, bearing in mind the specific context of democratisation in Latin America, we shall now look at arguments for and against the social contract. We shall then compare countries where social contracts did not materialise (Argentina and Brazil) with those where they did (Chile and Uruguay).

The organisers of a labour conference in Chile in 1985 argued: "Democracy cannot be consolidated and will find it difficult to survive in Chile if confrontation prevails over *concertacion*" (a Spanish word implying a more organic and harmonious arrangement than that implied by 'social pact'). Against the prevalent zero-sum (or 'all-or-nothing') conception of politics, the proponents of the social pact envisage a situation where all can benefit, or, at least, where all might suffer equally.

The social pact can thus be seen as a vital ingredient in the democratisation process insofar as it sets certain 'rules of the game' whereby opposed social interests can be mediated.

The other main argument in favour of the social pact is that it can, to some extent, make labour independent of the economic cycle. Straightforward militant direct action might 'deliver the goods' in the economic upturn but it rarely does so in the economic downturn. The social pact might thus, arguably, help cushion the impact of the economic cycle and also help 'pull along' less well organised sectors of the working class. So, while the dangers of labour being co-opted are clearly recognised, there were strong strategic and political arguments in Latin America in favour of trade union participation in a democratising social pact or contract.

## Arguments against pacts

There are, of course, powerful arguments against trade union participation in a social pact. Clearly when trade union leaders participate in behind-the-doors dealings with employers and governments there is the possibility of trade unions becoming bureaucratic and inner union democracy and accountability being undermined.

The dangers of corporatism as the unions become sucked in to state structures are also real. Ultimately, the tripartite state-dominated version of the social contract can lead to the demobilisation and demoralisation of ordinary trade union members.

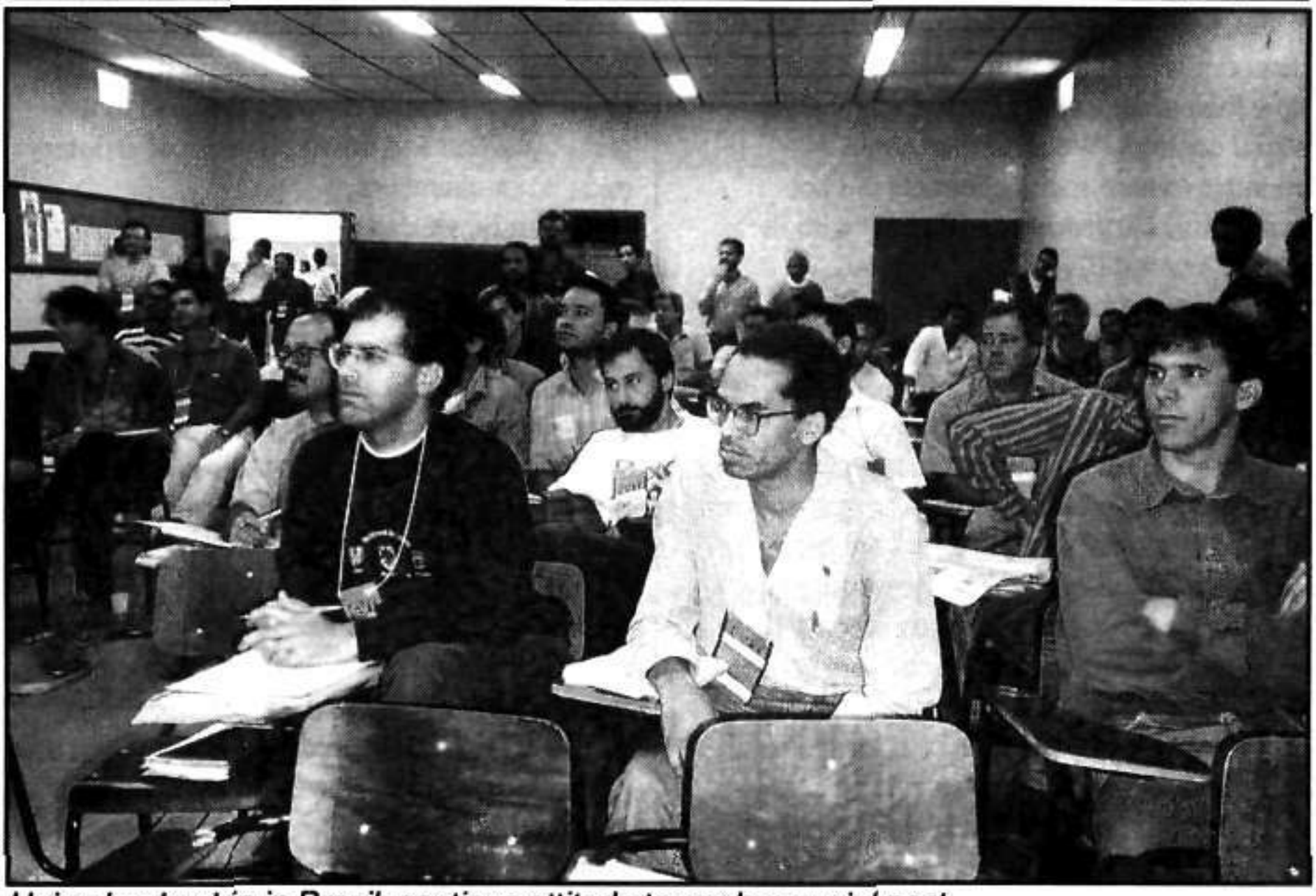
Certainly, we can also agree that social pacts are constructed on the terrain of capitalism and are not usually a springboard for the transition to socialism.

While all these issues are real, the critique is ultimately an abstract one because the critics of the social pact propose no viable alternative. But at best, a strong labour movement (as in Argentina) can only block a process of capitalist restructuring for a while. "Trade unionism as usual" – as advised by the critics of the social pact – is now simply inadequate. While accepting all the risks outlined above – and the obvious, if uninteresting, point that it is not socialism – the Latin American experience in recent years points to the social contract as the best strategy for labour's survival.

The dramatic economic transformations occurring under the auspices of 'structural adjustment' require a minimal degree of social negotiation and compromise to alleviate its effects. As Ian Roxborough points out: "Class compromise is inevitable; the point is to make sure that the terms of the compromise are as favourable to the working class as possible."

Latin American trade unions find their very prospects for survival threatened by the economic crisis and their maximum aspiration today is simply to maintain minimal labour rights and conditions. The social pact entails recognition of this socio-economic reality, while seeking, to varying degrees, to reform it. Its significance will depend on the conjuncture in which it is introduced and the relationship of social forces which prevail. We should also recognise, as Chilean trade union leader Eraldo Crea puts it: "Social struggles and *concertacion* are not mutually exclusive alternatives, but must be integrated in a unified strategy."

So, a realistic assessment of the need for class compromise through the social pact does not preclude mobilisation which can strengthen labour's position in, and extend the limits of the social pact or contract institutions.



*Union leadership in Brazil: cautious attitude towards a social pact*

*Photo: Karl von Holdt*

## The progressive social pact

There are, however, serious weaknesses in the traditional corporatist model of social contract. In the first place, a progressive social pact would need to have built in specific mechanisms to ensure democratic accountability of the leadership. The 'new' social movements and some labour movements (such as that in Brazil) have stressed the value of grass roots democracy and a 'prefigurative' political practice (that is, not leaving socialist practices to the magic day after the revolution). The 'new' social movements have also helped take labour beyond the 'statist' conception of politics whereby all labour's problems will be met by a favourable government.

The second aspect where the corporatist social pact is weak is in its focus on organised labour only. As Bird and Schreiner have argued for the South African context, we need a multi-partite model as a counterweight to the corporatist tendencies of the tripartite social contract: "This model could be based on guaranteed representation for the organisations of civil society with a mandate and notable national interests, which are independent of the state and are not contesting parliamentary power. In this conception, civics, women's groups, associations of the unemployed and the aged, consumer and rural organisations, and so on, would be guaranteed the right to participate in ongoing negotiations in appropriate bodies, on key aspects of state policy, together with the Big Three" (*SA Labour Bulletin* Vol 16 No 6). Of course, this is no magic formula and the problems of representativeness, accountability and the differential power of some of these groups, would be considerable. But the cost of *not* pacting is also considerable – as we shall see.

## Social pact fails in Argentina and Brazil

Since the return of democratic government in 1983, the trade unions in Argentina have been involved in several attempts to set up social contracts. In Argentina, given the severity of the military era and its precipitate fall, one could have expected *concertacion* to have a chance. However, the various parties

concerned had different conceptions of what *concertacion* would entail. For the government, it was a way of compensating for the weakness of its social base. For employers, it was a way of subordinating the unions to a rationalisation project and of influencing the government. Most trade unionists came to oppose *concertacion* for its failure to prevent factory closures and wage reductions as the economic crisis deepened. At best, *concertacion* achieved a limited non-aggression pact between the various social and political actors, and thus allowed for a level of dialogue, even if a mythical social consensus was never really a feasible option.

When the new democracies of Argentina and Brazil came to apply their economic stabilisation projects, the Austral and Cruzado plans, the time for *concertacion* had clearly passed. The language of economic warfare sat ill at ease with the democratic discourse of citizenship and co-existence. Now, the Peronist President Menem has turned his back on his supporters in the trade unions. These mainly conservative nationalist unions have little alternative to offer when 'their' President offers the most anti-worker economic policy since the 1930s.

In Brazil too, the civilian governments since the military finally withdrew in 1985, have attempted to draw the powerful independent trade union movement into a social pact. Towards the end of 1991, President Collar called, for the third time since taking office, for the construction of a social pact to deal with the economic crisis. Yet the "consensus agenda" which the President called for seemed no more likely than in the past.

In fact, throughout the democratisation period in Brazil, it was workers' struggles for a living wage which were being portrayed as the cause of inflation and a threat against democracy. In this context it was the trade unions which were being asked to do most of the "compromising". The new independent trade unions are for their part wary of any arrangement which smacks of corporatism, given the long years of union subordination to the state in Brazil.

While union caution about a social pact is understandable, it has to some extent helped isolate the organised labour movement from the mass of the labouring poor in the cities and the countryside who lack basic organisation.

Under the new coalition government which has replaced the impeached President Collar it is possible that the union and employer agreement to create economic growth and rising living standards, rather than an IMF-induced recession, will prevail in government circles.

## The social pact in Chile and Uruguay

A more successful social pact emerged in Chile when the Pinochet dictatorship gave way to a coalition civilian government in 1989. The left and the trade unions in Chile were painfully aware of the need for a stable democracy after the collapse of the Popular Unity government in 1973. There was thus a certain convergence between the left and the Christian-Democrats on an economic project which would respect private property while seeking to meet people's social and economic needs. Thus, the social pact was part of a much broader *political* pact on the nature of democracy and the compromises it entails.

In Chile, the trade unions are currently seeking to redefine their strategic role in society after the difficult Pinochet years. There is a certain tension between those currents advocating a decisive intervention in the political arena through the mechanisms of the social and political pacts, and those who seek to address the postponed economic claims of the working class through social mobilisation. There is, however, general consensus on the need to focus on the democratic reconstruction of the country and not engage in precipitate actions which could still today trigger a return to the Pinochet dictatorship. The trade unions and the other social movements such as the squatters' organisations played an important role in the democratic campaign to overthrow Pinochet; they are now set to consolidate their social and political role under the new dispensation.

Finally, in the much smaller country of

Uruguay, we see another relatively successful social pact experience. As in Chile, the transition to democracy took place after a political pact between the outgoing government and most political parties, including the Communist Party. Then, the National Programmatic Contract was set up bringing together representatives of government, the employers and the trade unions, but also student and squatter movement representatives, among others.

While democratisation created the atmosphere and the procedures to negotiate labour demands, the repression of labour under the military dictatorship meant there was a high level of labour conflict under the new regime. There was no smooth transition from confrontation to co-operation, but at least the mechanisms now exist to create a framework in which social demands during a period of economic crisis do not lead inevitably to a crisis for democracy. To overcome a crisis of governability might be of benefit to the dominant classes because capital accumulation acquires a stable setting. It is also, arguably, a precondition for a labour movement to strengthen its organisations, its social alliances and its role in society generally. So, while the social contract has not led to social peace (how could it?) it has ensured an unprecedented period of trade union freedom and activity in Uruguay.

Having examined some general arguments for and against the social contract, we have also had a cursory look at countries where the social pact has and has not come to fruition.

## Challenge to labour

On balance, the price to be paid for *not* pacting seems greater than the risk involved in participating in some kind of democratic social pact. The old model of capitalist accumulation in Latin American countries, centred on the state sector and oriented towards a protected internal market, is in deep crisis. Capitalism is being forced to restructure in order to overcome this crisis. Labour will ultimately lose if it engages in a defensive rearguard action to resist restructuring. Old strategies, social alliances and political aspirations seem simply to evaporate as social classes and fractions within them jockey for positions as the old socio-economic edifices crumble. Rather than simply being reactive in this situation, labour faces the challenge of being pro-active and actually taking responsibility for the future of the whole country.

The project of *concertacion* which some Latin American unions have developed (particularly in Chile), while running the risk of co-option, contains at least the possibility of overcoming trade union sectionalism and corporatism, and the inevitable political impotence which flows eventually from these. The alternative is, certainly, a wholesale weakening of the labour movement and its chances to offer an alternative vision to the weakest in society.

We must conclude that labour in Latin America cannot continue with the old strategies under the new democratic regimes. The new economic model being ushered in by structural adjustment (as described by Roxborough's article in *SA Labour Bulletin*) is the unavoidable context of any alternative labour strategy. The 'new' social movements have taught the trade unions that democracy is essential both as political regime and internal practice.

The history of the different countries discussed above, furthermore, points towards the social pact or contract as a means of developing a viable labour strategy under difficult circumstances. What is not clear is how the trade unions might broaden their traditional role to embrace (while not strangling) the 'new' social movements which have emerged in the community.

Here I suspect the South African experience may have highly relevant lessons for South American trade unionists. We certainly need to challenge the situation whereby capital works with a broad international project, while labour remains imprisoned within its national boundaries, failing to recognise common interests, comparable experiences and, ultimately, a shared future with workers in other parts of the world. ☆