

□ Anglo American's Leslie Boyd speaks bluntly on
unions, wages, investment



From left to right: Leslie Boyd, Michael Spicer, Karl von Holdt, Lael Bethlehem

Lael Bethlehem and Karl von Holdt interview LESLIE BOYD, deputy chairman of Anglo American Corporation and chairman of Anglo American Industrial Corporation, and MICHAEL SPICER, group public affair's consultant to AAC.

S ALB: *What are the prospects for industrial growth in the new South Africa.*

Boyd: Foreign investment is extremely important to create the jobs we need, to create the extra wealth, to get the economy going. In order to attract that investment, and indeed to encourage more investment by South African companies, you need an environment that is totally conducive to investment.

The first priority is stable government. President Mandela is setting an excellent example. They haven't rocked the boat, they haven't shot from the hip, they haven't done too many foolish things or tried to correct everything in a great hurry. But the violence

that still exists in parts of the country is not conducive to investment. It is a top priority to reestablish law and order fully.

Turning to economic issues, the one thing that has to be established is that we are going forward on the basis of a free market economy. We have to have low inflation. We need a climate of low taxation. For the foreign investor, the principle interest is company tax. Company tax in this country is still not low enough – it is not competitive with other countries that are looking for foreign investment. At 35% we have made a lot of progress, but it has to come down to below 30%. While I agree with the principle of STC, at 15% it was fair but at 25% it has gone too far*.

Foreign investors do not invest in the country because they are Father Christmas. If you tax the hell out of them they will go to Taiwan. Personal tax also needs to be kept low. In South Africa we have the financial rand and we have exchange control. There will be no major investment in this country – I think I can say that with complete confidence – until we remove exchange control, certainly for foreigners.

There are enormous opportunities to privatise in this country. Privatisation gives the message to the world that you are serious about a free market economy, so it is an absolute must. The proceeds from privatisation can be the basis for the RDP funding.

I think the chance for growth in this country is extremely high. Apart from possibly taxation and the current wage negotiations, which are definitely going to impact on the inflation rate, the investment environment is moving in the right direction. The world economy is recovering strongly so we have got an external environment which is going to pull us along whether we like it or not.

This country is in a fortunate position, because of the hard core of mineral wealth which gives us a very solid base of exports.

* STC is a tax on dividends; the intention is to encourage companies to reinvest profit rather than distribute it to shareholders – ed

We're working from that base of mineral exports – we're trying to do it in our own way in our group – we have to add value and get into industrial products and gradually increase the export potential of this country.

SALB: What in your view is the impact of strikes and wage settlements on the investment environment?

Boyd: I am not worried about strikes. The first of July is the negotiating period – there is nothing unusual. What I am worried about is the way in which the wage settlements are being driven. That could and will have – if it goes too far – a negative impact on our future growth. It's vital to hold wage increases down so that they bear a relation to the inflation rate. It is not just the business community, but also the World Bank and the IMF, that say your wage increase should be held around the inflation rate. You can go up 1 or 2% above that – as long as you get some productivity improvement. The auto industry dispute is already at 10% which is 2,5% above inflation. That is too high already.

SALB: There is a strong argument that wages in South Africa are not really the source of inflationary pressure or productivity problems. The real problem is a crisis of relations in the workplace. A more productive mode of operating the workplace would make wages much less of an issue. Related to this is the question of income differentials across society. In South Africa the differentials are quite phenomenal, and that is a source of the frustration of workers going out on strike. A lot of the other areas you have pointed to – low personal tax, low company tax, privatisation – may be said to not address the very large income gap in South Africa. But without addressing that very large disparity in access to wealth and resources, you are not going to be able to say to unions that wages should be held down, or that productivity should be increased.

Boyd: One of the important elements of a free market system is the law of supply and



demand. You have got a small pool of skilled people and a large pool of unskilled labour. You have to pay more for skills and you pay less for labour. A worker today at the labouring level is elite in this country. For everyone that is in a job there is probably one outside that is not in a job. Unskilled labour has to recognise that there is no way that you can pay them wage rates that are way out of line with international competition.

SALB: What do you think of the union proposals for a high wage, high skill, high productivity industrial strategy?

Boyd: I can't think of an example in the world where higher wages have pulled up the economy. Actually higher wages depress the economy. In countries that had very high unemployment – Taiwan, South Korea – people accepted low wages and you got the economy going. You get high growth, and the economy pulls up the wages.

South Africa is different. This is a dual economy situation. It has a highly industrialised, almost world competitive sector, like our steel industry, the heavy

industrial sector. And then we have the rural economy. I am not suggesting that we take everybody who is in the first world part of the economy and drive their wages down to the level of the Chinese and Indonesians. We have got these wages and we have to live with them. What we have to do is to make sure that the increases are productive increases and inflation related.

But I am talking about a low wage strategy for the unemployed. I have been travelling to Asia for 22 years. Anglo American holds overseas investments in South East Asia – I happen to be the chairman of the company involved in that. One of our most recent investments is in a mini industrial conglomerate in Indonesia, called Mitra. Let me tell you about some of the businesses in that Indonesian conglomerate. They make takkies, golf shoes, golf clubs, leather handbags, stainless steel cutlery. Those workers earn a fifth of what our workers earn in similar industries in this country.

Those businesses started in Japan. When wages went up with economic growth they

moved to Taiwan. They moved to Korea. Now they are moving to Malasia and Thailand. We want to be part of that world and we are not going to be part of that world if we say we have a high wage, high skills strategy.

You need low capital requirements to start these businesses. It is not a Columbus or an Alusaf – it is peanuts. They are labour intensive, they create jobs and they are export orientated. These are the businesses we need. The union needs to acknowledge that, and not force unionism on infant businesses. Let people take low wages, it is better than not having a job at all, and let's grow the economy.

I am arguing for a differentiated, much more flexible wage attitude by the trade unions.

SALB: It is generally acknowledged that we have a productivity problem in South Africa. What is your view on this?

Boyd: Productivity in South Africa is by and large low, although there are some industries that are almost world competitive. To understand productivity is very important. Let us take Columbus. We currently employ about 1 800 people at Columbus and they are currently producing 150 000 tons of stainless steel a year. By the time the expansion is complete we will be able to produce 600 000 per year. We will be able to do that with 1 900 people rather than 1 800 and that is a productivity improvement of four times. It will make us the most productive stainless steel company in the whole world. But in order to get there we are having to spend R3,5 billion. These are the issues in productivity.

I do not blame the workers for low productivity. I do not say we have got low productivity because of unions. Productivity is the job of management. Your best managers will get more out of the labour force than your bad managers. It is simply a question of management.

SALB: What do you think could drive productivity growth, sustained productivity growth, in South Africa?

Boyd: Determining productivity here is

what determines it anywhere in the world. If we are going to survive we have got to get our productivity up. You have to manage your business. Often unfortunately it means down-sizing and that is why you need strong economic growth because then it does not need down-sizing.

Spicer: It is skills as well, obviously we have a mutual commitment to training. We have also driven hard in this corporation to have productivity introduced into our wage settlements. We innovated first at Ergo and then elsewhere, the idea of productivity and profit sharing. This year we've been told by the union we don't want any of this productivity stuff, we just want a flat wage. We find that very difficult to handle.

Boyd: Look at almost any company in the Amic group and the growth the a number of non-white artisans since 1980 is phenomenal.



More than half of our artisans are non-whites. I have debates with my colleagues at Anglo about this, because I am not a top down man. I say until you have got black artisans bringing up families where the kid sees the father who is a fitter or an electrician, and he says 'gee my dad is really something and I am going to go one stage further, I am going to be an engineer'. Once you have got that solid artisan class you can really build. You can't take it from the top and push it down. Affirmative action, let us try it, but we know it fails everywhere. If you look at the artisan issue we have made enormous strides.

SALB: There is still a real question

about productivity. Unions have put their eggs into the skills basket and say skills, shopfloor skills, not only artisan skills are going to drive productivity growth. The unions are also talking about new forms of work organisation. What do you think of changing work organisation?

Boyd: We use the Kaizen* system in many of our companies now. Samcor is a classical example. We have Kaizen groups all over the plant made up of supervision and workers and they sit down regularly and say how can we do the job better.

It is working, the thing that is not working is the economic growth to drive the market. Business does not start with productivity, it does not start with production, it does not start with investment – it starts with the market and opportunities. Business is driven by the market, it is not driven by managers or trade unions. Unless you grow that market all this other stuff means nothing. How do you drive that market? You do it by creating an economic environment.

SALB: Getting greater worker participation at the plant level will not easily be achieved through the Japanese system because we have a strong and militant trade union movement.

Boyd: There is no co-determination in Indonesia or in Malasia. There are no trade unions! I strongly believe that as management our business is to manage. Our entrepreneurs at the end of the day will drive the economy.

SALB: Trade unions often criticise the quality of South African management. What is your view?

Boyd: You can't generalise. It is variable. I think South African management can hold their heads up in any country in the world. We have some excellent management in this country. That does not mean that every manager is a great manager, and we are a bit short on numbers.

SALB: Earlier when you talked about

productivity you did say a key problem is management, that you were not blaming unions or workers.

Boyd: I meant productivity is the job of management. That is why I like the Kaizen system, because that is what they tackle all the time. But if you do not get the market to grow you can forget productivity.

SALB: You have talked about freeing up the markets and the free market economy, privatisation and so on. But in the light of state involvement in the Columbus project, I imagine that you favour a role for the state in investment decisions together with the private sector. Would you like to see the state continuing to play a role in certain kinds of investments in the new South Africa, and what kinds of investments?

Boyd: I do not believe in permanent state subsidies. I do believe in kick start support, infancy industry protection – tax holidays, flexible and imaginative schemes. But permanent subsidies to maintain industries that should not be there, no.

Spicer: We do not believe in sectoral targeting. There is a distinction between the circumstances here and Japan. There you can have a MITI (ministry of International Trade and Industry – *ed*) drawing on the absolute elite of the civil service, who happen to also have gone in and out of industry. They have the same world view, they have a technical understanding. And their planning works because it is indicative, it is not directive. It can make recommendations, but business can and does say sorry we do not accept it if they wish to. It would be deeply unattractive to us to try to replicate a MITI model here with people who do not have experience, who believe in central planning and targeting. We can start at the NEF level where we jointly discuss these things and from there we can build.

SALB: Amic is moving into a project with Daewoo from South Korea to establish a TV tube plant. There is news about Ford wanting to reinvest in Samcor. Why do these companies

* Kaizen or "continuous improvements" refers to Japanese forms of worker participation, eg quality circles – *ed*



want to invest here? Is it with the expectation of a dramatic growth in local consumer demand, or is it as a platform for exporting?

Boyd: There are a number of reasons. All of them say that here is an immediate market of 40 million people. Here is a country with first world infrastructure, not just roads, telecommunications – it's got a financial sector which is the equal of the world. You can come here and understand the culture. So SA is the gateway to Africa. That is the general view.

Take the Daewoo case. We said the next wave of investment has to come from the East. We got to work on the big Japanese and Korean companies. Eventually Daewoo responded. We want to manufacture the colour picture tube together. What is driving that is the electrification programme. What is the first thing people buy when they have electricity? It is a TV. Daewoo says, with this electrification programme there is going to be a sure market for TVs, and it is going to be a growing market.

This is an infant industry. We have been

talking to the Board of Trade and Industry. We need seven years protection, and then we will go to GATT and we will fight the rest of the world. The wonderful thing about this plant that we are putting in is that there is no plant in South America to supply South America. So we see immediately – advised and driven by the South Koreans – a market over there. So it is not a simple process.

Ford says they have been here for 71 years. Why give up a market? Our brand name is well known. Ford was a number one seller in this country, and it will do that again, I have no doubt.

SALB: *But a lot of this runs counter to the free market. You are talking about protection, about a market which depends on electricity supplied by Eskom which is a state utility, and you are talking about disposable income so people can buy TVs. Internal wage levels cannot be driven down if you want a market.*

Boyd: I did not say that we should drive wages down. I am saying the people who do not earn any wages at all must accept low



wages. And Anglo American believes that Eskom should only be privatised in the long term, precisely because of its role in electrification.

SALB: How do you assess relations between labour and employers at the moment in South Africa?

Boyd: Relations are much better than the press would have us believe. I am a great believer in the shopfloor relationship. If you work in a steel works for example, the relationship is remarkable on the shopfloor. Even in the bad old South Africa. Obviously there are incidents, often racist incidents, that disrupt it. What concerns me most is that the leadership of the unions has gone into politics and there is a big vacuum. The shopfloor is saying that you guys are not looking after us. I don't think it is management that they are after at this point in time, I think it is the trade union leadership.

You should know a little bit about my background. I am a Scot and I have been here for 24 years. I come from a working class background. My father was in the steel industry, my grandfather was in the steel

industry. My other grandfather was a coal miner. I was brought up in a nice home and my father worked hard. I am not claiming to be deprived, I had a good education and I worked hard and I made some kind of progress.

Harold Wilson became Prime Minister and he nationalised the steel industry. The trade union grip on the country was such that we weren't working half the time, it was a disastrous period. The unions were so militant and strong, irresponsible. I said to myself I can't work for the state. I am three generations of steel maker, I want to stay in the steel industry, so I am going to leave Britain.

I don't want to see happen in South Africa what happened in Britain. Once you start to dig your way out of it, as Margaret Thatcher had to do, the pain and the grief was horrendous. The result is the trade union movement has been destroyed in Britain. I do not want to see the trade unions do that to this country. I actually believe in strong trade unions. But I believe in strong trade unions where the leaders lead and don't follow.

I sometimes worry about the leadership of

the trade unions here. In the Pick 'n Pay strike the workers lost R1 500 to gain R5 per month. It will take 25 years for the workers to get that back. In the car industry strike the half percent that separates them now is equivalent to R2,50 a week. A week on strike costs each worker R484 – it would take them 200 weeks to get back what they lost. So I say to myself there is something wrong with the leadership of the unions at the moment. They should be saying 'listen guys there is no logic in this anymore'.

SALB: Why don't you just pay them the extra 0,5%?

Boyd: I have told you what we have to do with wage increases – we have to keep them just that smidgen above inflation. I do not regard 10% plus as a smidgen. That is too much.

SALB: How do you see the NEF? Do you see any scope for a National Accord of some nature between labour, business and the state at the NEF? Is there any place in South Africa for workplace co-determination?

Boyd: We support the National Economic Forum. But in my view it is not a forum that should run the ministry of finance or the government. It's going to have its input. It's going to try wherever possible to achieve consensus. But it can never be a decision-making body.

Regarding codetermination in the workplace, if you look at Europe and South East Asia, which one has got the highest growth rate? South East Asia by a factor of three. Europe in many ways has lost its way and I have no doubt in my mind that the way to go is the Eastern way, the Kaizen way. I believe in democracy but I do not believe in democracy in the workplace. The managers have to manage. You have to have a decision maker, you have to have a leader. It is the same in the trade unions. That is what leaders are for. Leaders are for leading.

I like to consult, but at the end of the day the manager has to make a decision. So I like the Kaizen system. I do not like the European system. The reason I like the Kaizen system is that it gives you what this

country is going to need, which is high growth and the creation of a lot of jobs.

Spicer: We feel that the West German model has a big question mark behind it. It is clear that some things have become unbearable burdens on the performance of the economy. Secondly, codetermination will have to be earned in the sense that relationships mature. At the moment there are too many elements in dispute. One cannot end up immediately with codetermination. If we ever get there it will grow out of the improving relationship. You also have to be confident that it will not stifle the growth that we are looking for in new industries.

Centralised bargaining, industrial councils, we are always told that these are going to be flexible but the track record is of inflexibility and destruction of jobs. There is no evidence that we are going to produce new super bureaucrats who are somehow going to be light handed and light footed. So the prevailing view is sceptical.

SALB: In some industrial sectors task forces have been established to look at the future of that industry, usually when the industry is in crisis. Do you support bringing trade unions into strategic discussions about the future of industry at the sectoral level?

Boyd: I think the trade unions have an extremely important input. One has to define the objectives of these studies. Let us take the motor industry. If you only want to achieve affordability of motor cars then shut down the industry. Then the first question would be where are we going to get the foreign exchange to buy the cars? The second question is what are we going to do with the 250 000 people you have just put in the street? The objective has to be to protect foreign exchange, to protect some employment, and by all means try to get the price of cars down. Frankly, the proposals that have come out from the motor industries task group – the only thing they would achieve is affordability, because there won't be an industry by 2005. The input of trade unions is very important because they will recognise that protection of jobs is the key issue. ☆

Comment

'Conservative orthodoxy' is how one might best characterise the views of Leslie Boyd and Michael Spicer. Reduce the role of the state, limit wage increases, introduce quality articles and let management get on with managing – these are the essential ingredients for economic growth.

Boyd and Spicer show no inclination to think about the state as an agent and resource in facilitating productivity, competitiveness or industrial development; to entertain a broader analysis of incomes, productivity and inflation; or to consider new and more creative relations between unions and management. If these views of some of SA's most powerful business leaders are at all representative, they must set business and labour on a collision course as far as economic policy is concerned.

Our own various views on wages, productivity and codetermination are set out in other articles in this issue. Here we wish simply to comment to certain specific issues.

Firstly, Boyd and Spicer appear to have no answer to the need for substantial redistribution of wealth and power away from the elite which currently controls the economy.

The macro-economic policies they advocate on tax, inflation and privatisation would tend to preserve rather than reduce these disparities. Interestingly, there is more of a convergence with the views of labour on industrial policy. Far from endorsing an IMF – type free market approach (which they *do* support in relation to wages), Boyd and Spicer argue for various kinds of state support for infant industries and new projects, and support union involvement in formulating long term strategies for specific industries.

Secondly for Boyd the main factors in

increasing productivity are good management, technology and Japanese style 'worker participation' – which tends to bypass the union. Spicer adds the need for a "mutual commitment" to training, but there is no sense of the kind of investment in skills and training that the unions are calling for. Indeed, it seems that there is no role for trade unions beyond ensuring that wage settlements do not rise above productivity increases, and negotiating productivity-rewarding wage schemes.

These very different approaches to productivity suggest that there is more conflict than co-operation in store. Indeed, the length of the auto industry strike, when only half a percent separates the two parties, may be attributed to these underlying differences.

Thirdly, job creation. Boyd mounts a strong argument for a dual economy in which a low-wage no-union Malaysian or Indonesian – type manufacturing sector is established alongside the already resisting "first world" sector paying relatively high wages. Is such a strategy feasible in a highly unionised democracy such as SA?

Questioning the feasibility of Boyd's suggestion does not mean the trade union movement has an answer for creating five million new jobs. If the Industrial Strategy Project, with its high skill, high wage, high productivity strategy, in some way reflects union thinking, the lack of an answer is all too apparent. ISP acknowledges its strategy will not create a significant number of jobs. The question remains: what sort of industrial strategy will create jobs?

More research, analysis and debate will be needed to break the deadlock between labour and business in this area. (LAEL BETHLEHEM, KARL von HOLDT).