

Can unions create jobs?

Ntwala Mwilima believes that trade unions can create jobs but under specific circumstances. She investigated jobs created by the Job Creation Project and came to these conclusions.

One of the outcomes of the Jobs Summit held in 1998 was a decision by the three main trade union federations, Congress of South African Trade Unions (Cosatu), Federation of Unions of South Africa (Fedusa) and the National Council of Trade Unions (Nactu) to form the Labour Job Creation Trust (JCT) with the sole purpose of job creation.

The main way in which the Trust would create jobs was to fund projects in rural communities with the purpose of job creation either by providing interest-free loans or grants or both. The main beneficiaries were women and youth living in rural areas. Beneficiaries were expected to draft a business plan or proposal which would stipulate the nature of business and how many jobs would be created.

In addition, the business plan had to include a budget, possibly with the assistance of a technical person. The project had to be a community project rather than an individual project.

UNION ROLE IN JOB CREATION

In the past trade unions have been active players in job creation either directly or indirectly. There are three ways in which they participate in, or contribute to, job creation.

Firstly, unions can get involved in job creation by influencing macro-

economic and social policies in multipartite structures. In South Africa, unions use structures such as Nedlac (National Economic Labour & Development Council) to influence socio-economic policies towards a job creating path. Examples of such policies include support for labour-intensive investment as compared to capital intensive investment, using public sector procurement as a way of creating jobs and advocating for government to invest heavily in public works.

Secondly, unions can respond by playing a facilitative role in job creation through skills development. This is illustrated by the role that unions play in the Sector Education Training Authorities (SETAs).

Finally, unions can create jobs directly as illustrated by the Mine Workers Development Agency and the Job Creation Trust. The Mine Workers Development Agency was formed in 1987 after 40 000 mine workers lost their jobs after participating in strike. Under this initiative, retrenched workers were provided with funding to start projects aimed at income generation. However, a high failure rate was experienced due to various factors and this model was abandoned.

FINDINGS OF STUDY

After my study investigated the experience of unions in direct job

creation, it concluded that unions *do* have a role to play in job creation. Unions should focus on influencing macro-economic policies and facilitating skills development rather than being directly involved in job creation. This conclusion is based on the fact that there are many challenges that undermine the success of unions' direct intervention in creating jobs, especially sustainable decent jobs.

Let us look at the models adopted by South African unions in funding projects in rural communities.

I classify the first model as a survivalist model, small and micro enterprises, which are owned solely by the local community.

The second is a partnership model, whereby the community goes into partnership with an established business.

The final model is the labour market intermediary model, whereby an already established training institution recruits among the disadvantaged rural youth, provides them with training and tries to place them with employers. Thus the first two models provided jobs directly, while the third model was merely involved in training or skills development and placement.

I made an assessment as to which model offered decent work and had high levels of sustainability. This showed the following.

The partnership model had high chances of sustainability and could provide decent work based on the following factors:

- The model provided a clear employment relationship between employer and employee.
- The model provided employment contracts which clearly stated employment conditions.
- In addition to salaries, workers were provided with benefits.
- Investors were committed to making sure that the business succeeds as they had invested their own private capital in the business.
- Most importantly, relevant skills and experience required to run a business were present.

On the other hand, the survivalist model lacked most of the above aspects. Their only strength was that it had a strong local ownership. The main challenge to such a model is the lack of sustainability which undermines the objective of job creation.

Most of the projects had been funded by the JCT. Most survivalist projects struggled to survive beyond the funding period from JCT and often ended up collapsing. Moreover, such projects failed to attract investors in the project or to generate sufficient income to sustain the project. Based on this and other factors discussed below, the study concluded that for such projects to have any chance at surviving, they need close monitoring. Other factors that undermined the sustainability of survivalist projects included:

- Low levels of education among project members.
- Lack of experience, exposure and expertise.
- Low income returns in rural enterprises due to high poverty

levels among the targeted market or consumers.

- Limited local markets.
- Lack of product diversity as projects within the same area tended to concentrate on the same type of business activity.
- Large group size of project which reduced the incomes that individual members could earn from the project

The third model of a labour market intermediary had the potential to play a critical role in promoting the employability of youth as it provided training and skills to them. Labour market intermediaries include a wide range of organisations that mediate the relationship between workers and employers. However, the model faced challenges in achieving this as it had a poor relationship to the demand side of the labour market – employers who seek workers to labour in their organisations.

Despite training young people, Vuka Sekusile Trust had failed to achieve a 100% placement of the trained youth. However, if Vuka strengthened its relationship to the demand side of the labour market, it has the potential to promote decent work as it strengthens the bargaining position of young workers by improving their qualifications.

Based on these findings, my study makes the following recommendations.

Firstly, JCT should continue funding rural micro and small enterprises. Such a route requires close monitoring of the projects to help with the challenges that such projects meet which lead to their failure.

Also, JCT can consider encouraging projects that involve a partnership between the local community and private investors. However, such a partnership should be managed carefully to ensure that private investors do not use the local

community to get access to interest-free loans and grants. JCT loans are cheaper than bank loans so private investors may seek a partnership with the community only for this reason. Part of the conditions of such a partnership should be to ensure that in the long run the community benefits meaningfully through skills transfer and development and transfer of ownership.

JCT can also play the role of a labour market intermediary where it recruits among the unemployed and facilitates training and placement. This would require that JCT works closely with training institutions and employers to ensure that training is linked to the skills required in the labour market.

CONCLUSION

The study found that trade unions have a role to play in job creation. However, the way in which they intervene influences their success or ability to have a positive and meaningful impact.

The ability of unions to intervene in job creation through both indirect and direct interventions such as influencing macro-economic policies have their limitations. Yet despite the challenges that face trade unions involved in direct job creation, they have more control when it comes to influencing the impact of direct job creation. However, caution should be taken when trade unions get involved in direct job creation as it can be quite costly, and if not managed properly yields poor results in creating decent and sustainable jobs that can take people out of poverty. LB

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