Finance Minister Trevor Manuel.

Employers move to restruc

*A number of recent strikes and disputes highlight the continuous move by employers to restructure the provision of benefits so as to reduce their future liability. The **Labour Bulletin** looks at these developments.*

Employers are increasingly looking to reduce their future liability in terms of the benefits provided to employees. This is largely due to the rising costs of benefits such as medical aids and pension and/or provident funds.

In a recent case, the City of Johannesburg set up a new pension fund to replace 17 pension funds covering 27 000 (4 000 of whom were not covered by any fund). It has been argued by certain trade unions that this move was an attempt by the City to deal with a future liability, largely the result of payments to pensioners in excess of R500m. The City of Johannesburg argued however, that the move to restructure and rationalise the pension provisions was aimed at standardising contributions and benefits. The City said that the current funds were established at a time when extended benefits were provided only to a small group of beneficiaries. The City claimed the establishment of a new fund formed part of an attempt to address racial imbalances and remove discrimination from retirement fund arrangements.

Cosatu's Jan Mahlangu says employers are trying to walk away from future liability in terms of pension funds. This, he says, is clearly evident in the City of Johannesburg case. The Financial Services Board says there has been a dramatic shift in recent years, especially post-1994, for employers to shift the financial risk to employees (members). This has largely been achieved by the move from defined benefit to defined contribution funds. Ironically, it was the emerging trade union movement, which supported this move in the 1980s as defined contribution funds provided greater flexibility to their members. The FSB also believes that the new requirement for employers to share fund surpluses with employees will act as a further incentive by employers to convert to defined contribution funds. This change – as reflected in the Pensions Second Amendment Act, 39 of 2001 – came into effect in December 2001.

Employers previously enjoyed the benefits of fund surpluses. They argued that the only reason there were surpluses was because they contributed more than was necessary to the fund. Employers now do not see why they should be lumbered with financial risk, if the fund for whatever reason cannot pay out benefits, because they no longer benefit from fund surpluses.

The Cosatu unions viewed defined contribution funds in the 1980s as being better able to cater to their members needs, especially for younger workers entering the labour market. The benefits include workers being able to get a lump sum payment when they leave an organisation, as well as getting both the employer and employee contributions. However, the issue for workers is that if the fund performs badly and is unable to pay out benefits to members, the employer no longer bares the risk (as is the case of defined benefit funds). It is therefore, critical for pension fund trustees to ensure funds are properly managed.

The move by the City of Johannesburg to set up one fund for all

ture benefits

its employees – eJoburg Retirement Fund – coincides with discussions in the South African Local Government Bargaining Council to rationalise all the funds within the local government sector. Discussions within the bargaining council came to a halt after a dispute arose between the unions and the SA Local Government Authority. In the interim, the City of Johannesburg announced its intention to go ahead and start making payments into the new fund it had set up. Municipal unions, the existing funds and the bargaining council interdicted the City from going ahead with this. They argued that the new fund would provide lesser benefits and the employer was attempting to unilaterally change employment conditions. During court proceedings it became clear that the City was unable to afford to extend the benefits granted to members of the existing funds to other employees and that certain categories of employees were unlikely to enjoy the same level of benefits as before. An interim order was granted requiring the City to continue paying contributions to existing funds. The City is currently reassessing how it will ultimately, achieve its objectives.

The recent strikes by members of the NUM and Numsa at various Anglo Platinum operations and the dispute at the Harmony/African Rainbow Minerals Joint Venture in the Free State highlights the potential conflict around medical aids and the provision of health care in the workplace. Anglo Platinum changed its medical aid because of the escalating costs. The company has now introduced an in-house medical aid scheme which will eventually cover all of the organisation's 40 000 employees. Anglo Platinum believes this approach will be cheaper in the long run both for the company and its employees. Previously, the company argued, employees were paying high fees with reduced benefits.

The dispute arose around the introduction of Platinum Health – a task team now set up to look into number of issues.

The dispute between the NUM and Harmony/Arm arose because the union believed that the medical aid introduced was expensive. The union demanded that workers should be given a choice in determining which medical aid they should belong to (see p 60).

Escalating medical aid costs are the result of a number of factors including changes to legislation, which have made medical aid schemes less able to control risk. Mahlangu says employers are also beginning to link medical aid liability to retirement. Employers are attempting to ensure that on retirement they are no longer required to carry the costs of medical aid provision to pensioners. LB

Manuel calls on unions to ensure worker savings are properly managed

Finance Minister Trevor Manuel called on trade unions to utilise the power they have by ensuring pension funds are properly managed and fund managers are held accountable.

Speaking recently at Fedusa's national congress, Manuel said trade unions won the right to ensure that 50% of pension fund trustees are worker representatives. Now having won that right, worker representatives on pension funds had to exercise their power and hold fund managers accountable for how worker monies are invested, Manuel said.

'Trusteeship is a badge you should wear with honour.' However, worker representatives were all too often bought over very easily, Manuel said.

He added that the Pension Fund Act was clear about the powers of pension fund trustees. 'The law gives huge powers to trustees.' Worker trustees, he said, need to properly understand their responsibilities in terms of the Act.

'Someone needs to explain to me why no-one is bothering about this issue,' he asked. 'If fund managers lose money because of bad investment decisions, workers will suffer.'

He called on all unions to begin to educate pension fund trustees because for too long unions have ignored this issue and the developmental approach towards savings. With the low level of savings in the country, it is critical, Manuel argued, that existing savings are properly managed. Worker pension/provident funds constituted a large proportion of existing savings. For these savings to grow and be protected, unions had to become active players in the investment arena. The management of savings is an important part of the overall functions of a trade union, Manuel concluded.