Financial crisis
hits unions

Trade unions are finding they have to embark on a cost cutting exercise to remain in business. ***Reneé Grawitzky*** *looks at the financial problems behind the unions.*

The country's largest trade union federations – Cosatu, Fedusa and Nactu – are feeling the effects of those affiliates who are unable to pay affiliation fees as they battle to sort out their financial problems.

Earlier this year Cosatu was owed in the region of R11m from affiliates who, for a variety of reasons, had been unable to pay their affiliation fees on time. Fedusa has also begun to feel the pinch, but because it has a smaller infrastructure seems able to weather the storm. Fedusa general secretary Chez Milani says that the smaller affiliates are struggling. The financial status of Nactu has been considered precarious for sometime.

Trade unions facing financial problems is not a new phenomenon. Throughout the relatively short history of the emergent black trade unions from the early to mid-1970s, this has been an issue. However, the environment in which unions are now operating is potentially tougher than in the earlier years. Unions, in order to survive, are going to have to become sustainable and survive on subscription fees as they can no longer rely on foreign funding to the same extent as they were once able. (Perhaps some will benefit indirectly from activities of union investment companies or other financial arrangements such as the provision of a range of financial services?)

To survive on subscription fees alone, might prove difficult for some unions. This could be partly due to the nature of the industries in which they are operating – which might require a higher number of officials to members – or due to the following:

- The income in some unions, especially those recruiting in manufacturing is declining. Ironically, however, some unions that have experienced a dramatic growth in membership in recent years, such as Nehawu, are facing huge financial difficulties.
- Some unions have argued they are not only losing members to retrenchments but as a result of casualisation as has been experienced in the retail sector. Unions such as Saccawu have borne the brunt of this trend.
- Unions continue to battle with ensuring that companies are passing on worker subscriptions to the relevant unions. Last year Numsa embarked on a campaign to tighten up on the collection of stop orders. Operation Bhatala was aimed at ensuring that shopstewards would begin to monitor and ensure that the companies in which they work are paying over the dues to the union. Numsa spokesperson Dumisani Ntuli says: 'The best people to monitor whether companies are

paying or not are the shopstewards.' Through this campaign the union found a number of companies who, over extended periods of time, have not paid over due to the union. Monitoring income is a big issue for most unions. Over the years millions have been spent by Cosatu and individual affiliates to develop computerised subscription monitoring systems. Few of these work effectively. This is not a purely local problem – unions in other countries have had similar difficulties with computer programmes. Often they are designed to be far too ambitious and then are really complex and costly to operate and maintain.

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- The running costs of unions are continually rising but their incomes remain constant, if not declining, in some instances. Unions are having to pay higher salaries to get skilled staff. Hence unions are constantly facing an upward pressure on wages from their own staff who want to earn market related salaries. In addition to wage costs, there is also the fact that every union now has to deal with a broader range of issues, each of which is more complex. This generally requires more structures and committees. All these activities have escalated costs.
- Poor financial management and inadequate or insufficient financial checks and balances are a feature that has characterised some unions for many years. A union official says many unions continue to lack proper financial systems. In the early days, the general secretaries used to be involved in all union activities including financial management. But these days they have so many other functions to perform that they rely on financial managers. Good financial managers, who understand unions and who have the necessary skills are very hard to come by at the salaries unions offer.
- Aside from poor financial systems being in place, unions continue to be hampered by fraud and corruption. 'This continues to be a factor but remains unresolved,' one union official says. Over the years, unions have expressed some interesting fraud cases. For example, officials opening bank accounts in the name of the union and stealing cheques. Numsa had a case where an individual opened a cheque account in the name of N Umsa. Satawu also had a case about six years ago in KwaZulu-Natal.
- Although a number of unions have been forced to embark on cost-cutting exercises, many officials have begun to expect a certain standard in terms of travel and accommodation. Unions spend millions per annum on air travel and accommodation while international allowances are seen by some to be exorbitant. 'Office bearers fly all over the place, at the drop of a hat and then accumulate voyager miles,' another official explains. The issue of voyager miles is becoming a problem in some unions where they are not pooled together and utilised by the organisation, but are kept by the individual. There is a sense that at the level of general secretary and even other senior officials there should be a certain standard they now need to uphold – this is draining the union's resources. Another official adds that it is not only amongst top leadership that problems exist. When meetings are held there is a demand for reasonable hotel accommodation. Ultimately, however, unions are facing ever rising costs – a price to pay for operating in a modern fast environment. Unions have to contend with paying for flights, car hire, cell-phones, computers, Internet, e-mail, photocopiers etc. All these have added disproportionately to costs since the days of an office with a union-owned car, a fax machine (if lucky), a drawer full of stamps, a telephone, a roneo machine, and a manual typewriter.

Unions are being forced to re-align their expenditure with income coming in. In the absence of a higher degree of accountability and stricter financial controls this will not happen. But even this might not be sufficient to ensure unions are financially viable. Aside from cutting expenses, unions could try and increase income through subscriptions. Increasing subscriptions would be a hard thing for workers to accept. While there is no easy answer to the financial woes of unions, a failure to deal with the ever-incurring financial problems is bound to lead to the resurfacing of old tensions in some unions. In recent years such tensions have played themselves out in relation to how unions engage in the investment arena – with union investment companies and the provision of financial services. In the latter case, the involvement of unions in providing a range of financial services to members has brought to the fore some problematic practices (see p 53). LB