

Forestry workers buckle under outsourcing pipedream

Outsourcing to black contractors is now the norm in the forestry industry. The consequences for workers and the industry however, according to **Nicolas Pons-Vignon**, is dire.

In South Africa, the popularity of outsourcing expands far beyond corporate boards. Cabinet ministers recently told parliament that, out of the 400 000 jobs that government wants to help create over the next five years, 100 000 would come from outsourcing.

Outsourcing means replacing labour arrangements *within* a firm with a contract given to a service-provider, or contractor. Countless operations, in the public and private sectors, have been outsourced in recent years in South Africa. In an economy characterised by high structural unemployment, there is a tendency to idealise what is seen as an avenue of job creation. But is outsourcing a relevant response to the economic and social problems of South Africa? To what extent can it benefit the poor, either working or unemployed?

To answer this question, looking at commercial forestry (CF) is interesting because, with the preparation of a Broad-Based

Black Economic Empowerment (BBBEE) Charter for the sector, the prospect of 'preferred procurement' (outsourcing to black entrepreneurs) is generating hopes which, to say the least, cannot be justified by experience. The analysis of outsourcing in CF does not yield promising results for contractors, workers or the unemployed.

OUTSOURCING AND FORESTRY INDUSTRY CRISIS

In 2000, Russell Morkel, now head of forestry operations at Mondi-Business Paper, claimed that outsourcing forestry operations would benefit the sector as a whole. He added that there were important conditions for this: a responsible industry and qualified contractors.

Contradicting his claim, most research since 2000 on forestry has shown that the sector had severely suffered since outsourcing started. Productivity has dropped which deprives many downstream users of timber, in particular small



Forestry workers at work in Mpumalanga



Forestry compound in Mpumalanga

sawmills. This has been compounded by the marked increase in 'criminal' acts, ranging from timber theft to arson. Job loss has resulted and the possibility of developing secondary transformation industries have been jeopardised. A large number of forestry contractors, of all sizes, have left the sector, unable to sustain their businesses. Companies that were renting forestry equipment (like chainsaws) to contractors struggle to find clients and are now bidding for harvesting contracts.

The outsourcing process lies at the heart of these problems. Neither of Morkel's conditions are met in CF, which is characterised by a very uneven relationship between growers, especially corporates (Sappi, Mondi-BP, Global Forest Products, and Hans Merensky), and contractors. Clarke and Isaacs argue that in forestry: "Although contracting is in theory about a commercial relationship... in reality

there is such a power imbalance between the GPs [grower-processors] and the contractors, that it better resembles an employment relationship."

Contractors have been unable to organise effectively and get unfavourable contract terms, which have deteriorated over time. Their weak position in negotiations with growers means that they are unable to bargain inflation linked rates. As a result, while forestry contractors struggle to reach high production targets, profits have shrunk. The first forestry contractors were experienced foresters, previously employed by big companies, who knew how to run operations but often lacked business skills. In an industry characterised by low profit margins and high risk levels, many of the best foresters have left and, although some initiatives tried to address the problem of skills, they were insufficient.

Yet, growers have persisted in outsourcing operations as if there was a pool of competent contractors. The organisation of production in CF is more similar to industry than to agriculture – plantations are sometimes called 'factories under the sky'. To make a profit, costs and labour productivity must be closely monitored. When the sector was integrated forestry was 'subsidised' by downstream activities such as paper production. Growers have transferred the economic risks of running downstream activities to contractors without supporting them. While in mining, for instance, contractors are closely monitored, forestry contractors are left to do the work and only remunerated when timber is delivered to the mill.

It is not surprising that tension and frustration are rife in forestry. Interviews suggest that, because

those who suffer most are unable to defend their interests in any forum, a rise in 'crime' results from the outsourcing process.

EXTREME POVERTY IN 'FIRST ECONOMY'

While contractor's difficulties have prompted various responses, little is known about the plight of forestry workers. Contractors frequently told me, "Growers strangle us with their rates; it's a take it or leave it situation. So, of course, we survive by cutting labour costs and workers suffer."

Outsourcing has caused a significant casualisation of employment and a deterioration of living conditions. This can be attributed to the transfer of the responsibility to produce from growers to contractors and, in turn, from contractors to workers through task payment. Task work has always existed in forestry and employers justify this arguing that employers must be protected from the 'laziness' of workers. However, with outsourcing, the task has become non-negotiable: contractors bidding for tenders commit to making their workers more productive.

A striking finding is that workers do not understand the task system and feel that they are being cheated. It would be hard to blame them. Many workers get up at 3 or 4am, travel in uncomfortable conditions, then work hard, sometimes far harder than their bodies can take, come home exhausted, and then find out that, even if they work every Saturday to make up for the task they have not completed, they will only get a part of their wage. Women debarkers working for a large contractor told of how in the past two months, they had earned between R300 and R500. Rainfall had been scarce,

making the bark very hard to strip. Yet, contradicting the claim made by the contractor and his foremen, the task had not been adapted and had become impossible to achieve.

Instances of non-compliance with basic legal provisions abound. While contract workers are vulnerable to injuries because of the pressure to fulfil task requirements, they are poorly trained, often have to pay to renew protective equipment and find it difficult to get employers to acknowledge work injuries. This means that they cannot access medical care and many continue to work when injured to avoid losing their job. Moreover, living conditions on corporate-owned compounds are often bad, mainly due to overcrowding.

There are other social consequences associated with labour casualisation. Workers are not the only ones affected. Very few workers employed by contractors are able to earn enough to give to needy relatives. This is not surprising since many workers barely survive on their wages.

Forestry workers live in extreme poverty, but they are part of a production chain that is highly 'formal', including important exports. Outsourcing in forestry has become a means to save on production costs. In an industry that is still labour-intensive, these mainly entail wages and other 'labour costs'. It is far easier to lower rates paid to competing companies than to reduce wages directly. While corporate growers include acceptable working conditions in their tenders, they blame poor compliance on the contractors.

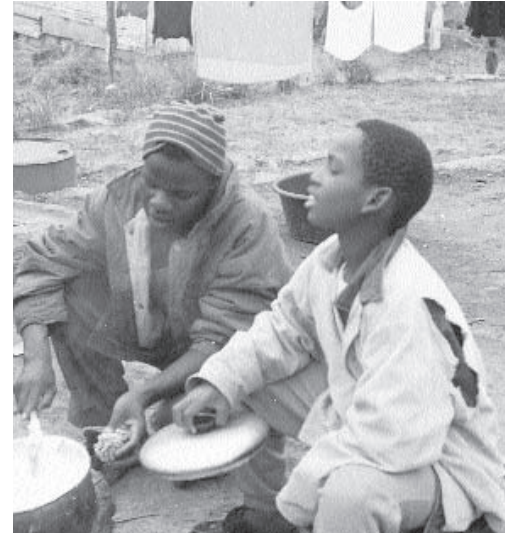
A UNION MUDDLE

Union mobilisation among forestry workers played a decisive role in growers moving to outsource

operations in the late '80s and early '90s. Yet, the current situation of plantation workers shows little union strength because of uncertainty around which union is responsible, and the difficulty of dealing with outsourcing.

In the mid-90s, Cosatu decided that agricultural and timber plantation workers should have their own union, which was subsequently created and called the South African Agricultural, Plantation and Allied Workers Union (Saapawu). Forestry workers, previously organised by the Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (Ceppawu), should have been transferred to the new union, but the process was piecemeal, depending on local union politics. Saapawu experienced difficulties which led to its merger with the Food and Allied Workers Union (Fawu) in 2004. Matters were further complicated by the privatisation of state plantations, where workers were organised by the National Education, Health and Allied Workers Union (Nehawu). Today three unions organise forestry workers, a situation which has led to conflict and which has weakened unions in negotiations with employers. Fawu is also struggling to organise forestry workers. It is urgent that Cosatu discuss and solve this problem which, ultimately, mostly harms helpless workers.

Internal disagreements have greatly limited union capacity to respond to casualisation resulting from outsourcing. While some retrenched workers went on to work for contractors, many left the industry and were replaced with women and migrant workers. Some of them have joined ineffective local unions, while most have simply never seen an organiser. The recent issue of a sectoral



Forestry workers in a compound near Nelspruit, Mpumalanga

determination confirms the dire state of organised labour in forestry post-outsourcing.

ROLE OF NEW DETERMINATION

On 17 March, the minister of labour issued Sectoral Determination 12, which covers all forestry workers (the full sectoral determination can be downloaded from www.labour.gov.za). The monthly minimum wage is set at R836, which, although lower than the agricultural one, is far superior to what most contract workers earn. Beside the fact that some employers offer wages below R836, most pay workers on the sole basis of production. The determination would have been incomplete if it had not taken a clear position on task-based payment. Minister Mdladlana decided that the monthly minimum wage would be compulsory. He used strong words to assert that: "The task-based payment is only allowed over and above the minimum. I cannot accept the argument of employers that a task rate system without a guaranteed

minimum rate of pay is a way of ensuring that 'lazy' workers deliver the output required by them."

This is good news for forestry workers. Not for all though, since there are pockets of workers employed by large companies who are getting a substantially better deal than contract workers. Trade unions will have to remind employers, who may use the sectoral determination to oppose wage hikes, that determinations are not meant to constitute an industry benchmark, but to raise the conditions of weaker workers to acceptable employment standards.

In forestry, the absence of a bargaining council, the insignificant rate of unionisation and the appalling conditions under which most workers are employed fully justifies this interventionist regulation. Ironically, even those workers employed by forestry companies may consider the determination to be a 'safety net' which they may need in the near future. Their employers are increasingly outsourcing their operations, with wage provisions for contract workers sometimes a mere half of what their own staff is paid.

However, the sectoral determination alone will not alter the plight of workers. South Africa already has protective labour legislation which explicitly prohibits most of what forestry workers experience. A determination is merely a way of ensuring that the Basic Conditions of Employment Act is effectively applied in a given sector. Yet, no Act can replace the protection workers are getting from a union. Without active union support, if only as a



Forestry worker in KwaZulu-Natal

whistleblower in cases of non-compliance, implementing the determination may prove impossible. Forestry workers, employed by vulnerable contractors with short-term contracts, are unlikely to obtain what they are entitled to without assistance.

Government has a crucial role to play in this regard. DWAF (Department Water Affairs & Forestry) can have growers, contractors and unions discuss changes needed to assist employers to abide by the sectoral determination without jeopardising their business. Indeed, if contractors feel that they are the only ones bearing the costs, they will not comply. The Department of Labour, on the other hand, should be associated with the process and ensure that inspectors are trained on the specific economic and social issues of forestry workers.

CONCLUSION

With BBBEE adding a 'social justice' edge, small and medium enterprise promotion is more than ever a policy prescription. Yet, 'small is not beautiful' when it comes to working conditions. Large companies often offer better conditions as a large number of workers can join to fight for their

rights. Outsourcing generates new smaller and less stable companies.

Unions must deal strategically with this new reality in order to force companies that outsource operations to be held accountable for the behaviour of contractors. This will not be easy because outsourcing is itself a strategy to escape responsibility for a labour force. In this context, the BBBEE Charter process

provides a unique opportunity for trade unions to prove that protecting workers' rights is good for fostering economic growth and reducing poverty.

I was once told that the current situation of forestry workers had to be put in perspective compared with the sometimes violent paternalism that prevailed before. Indeed, with contract work, exploitation is not attributable to an individual or corporate boss any more, but is imposed on the worker and becomes part of a race for survival. This erodes feelings of solidarity with fellow workers among the poorest members of the working class, who are unable to defend themselves in a complex employment environment. With more and more workers affected, casualisation is the paramount challenge for unions. However, it is not viewed accordingly.

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