Union investment companies

business unionism or union business?

Philip Dexter responds to articles written on union investment companies in SA Labour Bulletin vol 24 no 4.

The articles on trade union investment companies in the *Bulletin* vol 23 no 4 of August 1999 are a welcome sign that the debate on these initiatives is still alive. This is crucial since most unions have set up these companies as an experiment and are monitoring them closely to decide on the future of these companies. The political debate about the desirability of these companies also needs to continue.

Unfortunately the articles presented fall a little short of the mark in that they provide little empirical information that can help unionists make an informed judgement regarding these companies. As a result of this shortcoming and the tendency to assume that unions that set up investment companies are 'going into business' and are therefore becoming capitalist in orientation, the debate is a little superficial.

Context

The fact that unions have taken a decision to set up companies that will attempt to capture and create wealth is not a decision that can be understood outside our political history and context. Stephen Faulkner's cautionary tale is one that has aspects that unions should heed. But we need to move from a premise that seeks to understand whether the setting up of trade union investment companies is a turn to capitalism, or whether it is a unique response to an inevitable period of accumulation, arising out of our transition from apartheid to democracy, that will end at some point.

It is clear that in South Africa the transition to democracy has brought with it the restructuring of the economy and limited transformation of capital. In this process there are assets, resources and economic opportunities that are literally 'up for grabs'. In short, opportunities for relatively rapid accumulation exist. The issue then becomes, who accumulates what? Many strategic unionists believe that if unions are to let this moment pass and leave accumulation up to black business, to a 'patriotic' bourgeoisie (can there be such a thing in this era of globalisation?), it would be to the detriment of workers. Workers would be passing the chance to influence patterns of accumulation.

A response that says unions should not adapt strategically to such a moment is short-sighted. Surely unions should not become capitalist, even reluctantly. In this respect, none of the notions that motivated the turn to 'business unionism' in Europe have been factors that have driven the decision for unions to set up companies, except perhaps for the motivation for additional services over and above what unions ordinarily supply. In that sense, capturing assets on behalf of a collective is hardly a capitalist practice. It should rather be seen as a form of communal or social ownership. Surely this is a legitimate activity for unions and any other groups of people that have been discriminated against under apartheid.

Key issues

What unions have done is to create a mechanism to accumulate on behalf of their collective membership. History has many forms of such social or communal organisation, such as co-operatives, mutual societies, trusts and associations. The key issues for unions are:

- to ensure that such companies align their strategic objectives with the union and its membership and keep this alignment;
- to ensure that good corporate governance exists in such companies to avoid the union and its membership being taken advantage of;
- to measure the performance of these companies and see exactly what they have achieved.

In other words, such investment companies need not be stereotypical of capitalist enterprises. This depends on:

- the types of investment;
- the effect such investments have on the lives of workers, both in the union and in the companies they invest in;
- the overall strategy of the unions to transform society together with other forces, such as a working class party and a national liberation movement.

In other words, investments are not the key weapon of the union, but one option amongst many to be involved in the economy, in society, and leading transformation rather than responding to the initiative of capital.

Information

It is crucial for unionists to have information to assess the performance and development of these companies, since it is in conditions of secrecy and the keeping of workers in ignorance that excesses can occur.

The financial reports of the trade union investment companies need to be considered. For instance, the fact that the two companies listed as case studies in the article by Etienne Vlok (*SA Labour Bulletin* vol 23 no 4, August 1999) have not paid anything to the unions or their members in the form of dividends is an important signal, whatever the time frame that they have been operating in. Yet on its own it tells us nothing.

What is needed is information regarding the capital employed to start the companies up, the return on this capital, the dividends paid (if any), and the disbursements to directors in the form of fees, salaries, commissions, restraints and other such payments.

Information is also required as to the types of investments made by the companies, the performance of these investments, including what they have done in terms of job creation, skills transfer etc. This will enable an assessment to be made as to whether these companies are achieving the strategic objectives set out in COSATU's policy on investments. There is often a tension that develops between the strategic objectives of labour as a group and the individual unions that companies purport to represent, as well as between the individuals that stand to benefit from the activities of the trade union investment company. Both these contradictions can be managed if there is transparency and if the union membership and leadership are involved in shaping the policy and performance of the trade union investment company.

Answering criticism

This in essence answers the key criticisms and cautions raised by Faulkner. He is right to argue that secrecy around business activities promotes corruption and fraud. He is also right to argue that unions cannot pay their directors huge packages and argue against those of business. But it cannot be true that to set up a company owned by the unions demobilises workers. This would only be true if the union stopped organising and waited for the company to make profits as a means to improving the lives of it's members. In the South African example the trade union investment companies are separate from the union and there is a clear division of powers and responsibilities. Such a demobilisation cannot therefore take place.

Unions must use the creative methods of organising and mobilising that Faulkner points out have been successful in other countries. But this does not mean that workers must allow all assets and wealth to be owned by the bourgeoisie and managed by their stooges. Surely contesting power in society means engaging at all levels, including ownership and management. If so, it seems clear that, as unpalatable as it may seem to our notions of pure socialist organisation and transformation, unions will have to venture into uncharted or dangerous waters. How they navigate this course will determine what the outcomes are.The debates surely need to move now from generalities, such as in the case studies of NUMSA and SARHWU, to detailed analysis supported by empirical evidence.Then we will be able to decide whether we have succeeded or failed, and where we need to correct our strategies and tactics. ★

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