Article

Organised Labour, Globalisation and Economic Reform: union investment companies in South Africa[1]

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Introduction

Globalisation and neo-liberal market reforms have compelled many developing countries' labour unions to redefine the mechanisms by which they are linked to, or excluded from, the state. The realignment is more painful in those countries that have not only recently made transitions from authoritarian rule to democracy, but also where the ruling party implementing these market reforms is or was labour's ally in government. South Africa is one of such countries where the ruling party, the African National Congress (ANC), has been in a ruling alliance with the 1.8 million-member Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP) since 1994. Since 1996, the ANC has embraced globalisation and market reforms in the midst of South Africa's political transformation from apartheid to multi-racial democracy. This retreat from social welfare democracy to neo-liberal macroeconomic policies that has caused a serious 'loyalty dilemma' for labour vis-à-vis its role in the governing alliance and the aspirations of its membership.

Labour's response, especially that of the COSATU, the largest labour federation, has consisted mainly of a two-track strategy. The first involves a measured opposition to neo-liberal economic reform and globalisation while remaining an official ally of the governing party. This strategy, which also entails some form of rapprochement between labour and capital, is often referred to as 'strategic unionism' or 'democratic corporatism' (Webster 1998). Despite its insistence on a 'socialist South Africa', organised labour has also embarked on wealth creation or 'labour capitalism' as COSATU and its affiliates, especially, have established

about 20 union investment companies and over 60 other large-scale for-profit businesses. These businesses were established to provide independent sources of revenue for the unions and, allegedly, to enable workers to share in the economic opportunities that have opened up for previously disadvantaged individuals in the country. Labour capitalism as a response to global economic reform has created an interesting paradox for South Africa's labour unions: they are now both labour and capital, workers and owners of large companies, employees and employers. Both responses by the labour leadership are strategies not only to contain the impact of globalisation and neo-liberal economic reforms, but also to enable it to remain relevant to the politics of transformation in the country.

While students of labour politics in South Africa have written copiously on 'strategic unionism' and 'democratic corporatism' (see Adler and Webster 1998, Adam 1998, Adler 2000) few have focused on 'labour capitalism' as labour's response to changed economic and political spaces in which it operates. The academic silence over this issue is unfortunate because we may be ignoring one of the most fundamental transformations that could change permanently the nature of labour unionism and black politics in South Africa. Labour capitalism has emerged behind the backs of union membership, and students of labour politics may soon wake up to discover that the larger and more radical transformation has taken place, as Marx would have it, 'behind our backs'.[2] This essay is therefore a modest and preliminary attempt to bridge this research gap.

The remainder of the paper will first briefly review forms of organised labour's response to globalisation and economic reform, especially in those developing countries where the governing parties that adopted neo-liberal reforms are or were labour's allies. The next section situates union investment companies in a global context, with a view to exploring the extent to which 'labour capitalism' has become an acceptable activity in the labour union movement. This is followed by a discussion of the nature and size of these businesses, as well as documentation and analysis of the fields of accumulation favoured by South Africa's union investment companies and other union businesses. Next is an evaluation of the arguments for and against union investment companies. The paper then focuses specifically on the capacity of union investments to meet the economic and political objectives of their proponents. The section also assesses the consequences of labour's apparent reconciliation with capital for the labour union movement and democratic governance in South Africa. There is a brief summary and some conclusions at the end.

Organised labour, economic reform and political transformation

Studies of labour politics in the 1980s and 1990s have focused on whether or not labour acquiesced, supported, or opposed political and economic reforms that had uncertain and unpleasant consequences for workers (Murillo 2000, Burgess 1999). These neo-liberal reforms have included fiscal and wage austerity, trade liberalisation, price deregulation, labour market flexibility, privatisation of state-owned enterprises, industrial restructuring, and welfare reform. Workers have been faced with declining incomes, unemployment, decreased job security, and cuts in social services (Lambert 1998, Yanta 2000). Labour's responses to the 'loyalty dilemma' created by the adoption of neo-liberal economic reforms and embrace of globalisation by its current or former allies have varied in three different ways (Valenzuela 1992).

In some countries labour complained bitterly about the reforms but failed to organise serious protest or take steps to extricate themselves from their alliance partners (see Collier and Samstad 1995 on Mexico, Antunes 2000 on Brazil). Other labour unions have come close to breaking their ties with the governing party, especially in Venezuela, but ultimately retreated to their traditional strategy of negotiating behind closed doors (Ellner 1993:153-62). Similarly, the Argentine teachers' union unsuccessfully resisted the decentralisation of schools. Although their militancy accounted for more than a third of the total strikes in the two years before the government of President Carlos Menem, the government finally implemented the reform with no union input (Murillo 2000: 136). Only in Spain did a previously state-dependent and aristocratic organised labour abandon their historic ties with the party in response to its market reforms (Fishman 1990:39-45). Despite their opposition to the unpleasant reforms, the unions had nowhere else to go; hence, they stuck with their allies-turned-market reformers. Besides, the reforms were made more credible because the political leadership claimed that it was the exogenous shock rather than ideology that had induced them to implement market-oriented reforms (Collier and Samstad 1995, Cukierman and Tommasi 1998).

Academic discussions of similar responses by organised labour in South Africa to the ANC government's Growth, Employment and Redistribution (GEAR) and other macroeconomic reforms (such as privatisation, 'flexibilisation' of labour, and retrenchment of government's social welfare policies and programmes) have so far focused mainly on how 'strategic unionism', ie, a social partnership or 'democratic corporatism' has developed

among labour, the state and capital (Pretorius 1996, Habib 1997, Lambert 1998). The three parties have been provided with opportunities in the National Economic Development and Labour Council (NEDLAC), Business Trust and the Millennium Labour Council to better appreciate each other's positions, despite occasional tensions (see Barchiesi 1999). Consequently labour, especially COSATU, appears to have shifted from 'using its power to impose its will – regardless of resistance – to using it to secure voluntary consent from other actors in the industrial relations system and beyond' (Webster 1998:59-60). The essays in Adler (2000) demonstrate that these changes have implications ranging from the factory floor to the national and societal level. Others have, however, highlighted tensions in the triple alliance, pointing out labour's social marginalisation and its consequent opposition to the government's neo-liberal economic policy and proposed amendments to labour laws. Unlike their Spanish counterparts, COSATU has been unwilling to abandon the alliance, even though the government has successfully implemented several policies the union opposes, and even as the ANC has increasingly ignored the union federation and SACP in most policy matters since the late 1990s. Instead, the federation has behaved like its counterparts in Mexico, Argentina, and Venezuela that were constrained by their state-dependence and high level of labour aristocracy to remain in the governing alliance, despite the threat that has been posed to labour (Satgar and Jardin 1999).

What has not been discussed sufficiently in the literature, however, is labour capitalism as labour unions' response to globalisation, and economic reforms that potentially have serious implications for state-labour and capital-labour relations, as well as for the trade union movement itself. As noted earlier, labour capitalism in South Africa entails the paradoxical embrace of capitalist accumulation, not only in the form of traditional 'business unionism', but also the establishment of multi-million rand union investment corporations, some of them listed and speculating on the stock exchange and with overseas interests. Generally, neo-liberal economic reform and globalisation have had severe consequences for union finances, membership and their capacity to mediate at the level of national politics. In many countries, as the market ideology began to permeate and undermine the old alliance, several labour unions began to establish these non-traditional business ventures not only to provide additional independent income to replace lost revenue from retrenched members, but also to provide employment opportunities for retrenched workers.

In South Africa, labour capitalism is also framed as part of the overall goal of 'black economic empowerment', a process by which previously disadvantaged individuals and groups participate in the mainstream economy, not just as labour reserve for the white minority who still dominate the economy. In fact, the government believes that labour unions, more than any other segments of black civil society, happen to be in a better position to play a leading role in the development of 'black empowerment' due to the huge financial assets they have in retirement funds and membership dues. White corporate South Africa has also welcomed labour's embrace of wealth accumulation and has in many cases financed the acquisition of stakes and establishment of new businesses by the union investment companies. Union leaders have consequently been aided and supported by the state and business/capital to embrace labour capitalism as one of the strategies to create a black capitalist class. The only discussions on the subject have consisted mainly of the spirited exchanges in several South African print and electronic media and labour journals, often by the union bosses-turned-business executives defending their actions and new-found wealth and their critical colleagues (see Copelyn 1997, Golding 1997, Naidoo 1997a, 1997b, Dexter 1997, *Mail & Guardian*, January 24, 1997).

Two contending perspectives are discernible from this debate. On one hand are those who see union investment companies, including worker retirement funds in big business, as a new strategy to further the aims of socialism, ie for workers to control the means of production by buying them. Their critics, however, see it as a sell-out by former unionists who are looking for a new route to become upwardly mobile. Some also suggest that union investment companies would generate independent sources of income for unions that would enable them to proceed to a socialist path (Lipman and Harris 1997:69-71). These arguments seem to suggest that labour's embrace of capitalism is an autonomously generated response to globalisation and domestic economic reforms. Labour may not have been a passive partner in the unfolding concertation regime, but the convergence of the interests of the state, business/capital and labour for the development of labour capitalism in South Africa should not be ignored.

Union-owned businesses in global perspective

Although there has been a long tradition of worker-owned, self-managed enterprises in many countries, including Spain, the United States, Israel, Canada, Australia, Scandinavia, Portugal, and China (Quarter 1995, Ellerman 1990, and Howard 2000), the establishment of union-owned

businesses has increased with the spate of economic reforms and the impact of globalisation since the 1990s. These independent enterprises operate for profit and, presumably, pay dividends to, or accumulate earnings for, their worker-owners out of this profit, in addition to the wages paid for their labour. More importantly, its proponents hope that union-owned businesses would create 'a culture of *collective entrepreneurship* [that] would ... contrast with the individualistic notion of entrepreneurship now prevailing' (Waterman 2000:38, original emphasis).

Whether or not 'business unionism' of the 1980s was successful still divides students of labour politics. While some argue that it was appropriate for the times, others argue that it failed woefully. Stephen Faulkner, for instance, claims that 'business unionism demobilised, and de-politicised workers, precisely at a time when only their mobilisation could have protected working class living standards' (Faulkner 1999:21). Yet, some others suggest that it helped organised labour to be better prepared for further erosion of its long-cherished accomplishments by the forces of globalisation in the 1990s. The lessons learned from these experiences and their strategic responses to them, perhaps account for the recent increases in union membership in Europe and the United States, and the apparent revitalisation of labour union movement as well (Rothstein 1997:469-92).

Even South Africa is not unfamiliar with unions investing for the economic upliftment of a previously disadvantaged racial group. With strong financial and political backing from the state, Afrikaner nationalists used white workers' money after the 1910 unification, as well as during and after the depression in the 1930s, to create Sanlam and Rembrandt (now called Richemont) insurance conglomerates and several other businesses. Within two decades, they were able to elbow their way into an economy dominated at the time by English capital. Sanlam and its sister companies empowered Afrikaners through a widespread and intricate web of ownership and a shared vision of the *volk* threatened by English capital and the demographic superiority of the African population (see O'Meara 1982). Sanlam remains a multi-billion rand mutual company owned by its policy-holders and invests mainly in South Africa, while the Rupert and Hertzog families have used a pyramid structure that today invests mainly overseas to retain control of Rembrandt and have amassed vast personal wealth. In the 1930s, the Afrikaner nationalist strategy worked at an economic level, even though it may have weakened the power and influence of white trade unions. However, time was on their side in that this was a period when share

prices on the Johannesburg Stock Exchange (JSE) were at an all time low. Interest rates were also rock bottom and the economy was emerging from a period of depression into a period of sustained and vibrant growth (*Mail & Guardian*, January 24, 1997).

Obviously, the mainly black labour unions that have adopted labour capitalism in the post-apartheid era would be following in the footsteps of Afrikaner nationalists of the twentieth century. It should also be noted that those unions whose members have suffered the most from the impact of globalisation and neo-liberal economic reforms have tended to be in the forefront of the union investment movement.[3] The paradox and contradictions of labour capitalism pose a serious dilemma to the union organisations: how to negotiate the imperatives and mine fields of this aspect of unions' response to declining economic and political fortunes without losing sight of the threats that union investment companies pose to workers.

The fields of accumulation of union investment companies in South Africa

Size of Union Investment Companies: From 1995, when the first union investment company was established, to 2000, the companies have grown in number (see **table 1**). Some have become quite large and wealthy with overseas interests, and have invested in or bought out the current or former employers of their parent unions. Some are listed or speculate on the JSE; while others have created entirely new business ventures that cater to the needs of workers and the black community, or that seek accumulation in high-yield sectors of the economy. Rather than attempting to discuss all of these companies, the investment activities and experiences of six of them, namely the Mineworkers Investment Company (MIC), Sarhwu Investment Holdings (SIH), COSATU's investment company, *Kopano ke Matla* (Sesotho for 'unity is strength'), the Saccawu Investment Company (SIC), Union Alliance Holdings (UAH), and Workers Investment Corporation (WIC) will be discussed as representative samples.

The Origins of Union Investment Companies: The origin and growth of these companies have followed a certain pattern. The trail was blazed by one of the country's most radical and militant unions, the National Union of Mineworkers (NUM) when it established the Mineworkers' Investment Company (MIC) in 1995 with a one-off R3 million loan capital from the independent Mineworkers' Investment Trust (MIT) which controls the

investment company. Similarly, the militantly socialist SACTWU in 1993 established the Sactwu Investment Group (SIG) with capital of R2 million of union money. The Sarhwu Investment Company was also started in March 1997 with a R700,000 loan from the then South African Railway and Harbour Workers Union.[4]

Most of the companies also borrowed additional initial capital from white-owned merchant banks and insurance companies through a special purpose vehicle (SPV).[5] For example, the Afrikaner-owned Sanlam insurance conglomerate, provided the initial SPV for the take-off of Sarhwu Investment Company in 1997. Sanlam owns 15 per cent of the company's 'N' shares, SARHWU Enablement Trust's owns 63.7 per cent, while Sarhwu Executive Trust and the company's employees own the remaining 21.3 per cent (*Sarhwu Investment Holdings Limited Company Profile*, nd:6). Some like the Workers' Investment Corporation brought only their 'intellectual capital' and 'black empowerment' credentials and were allocated stakes in shares sold by corporate South Africa to empowerment consortia and companies (Interview with head of legal affairs, Workers' Investment Company, June 21, 2001).

Mission Statements of Union Investment Companies: Several union investment executives claim that their investments are driven by a desire to integrate previously disadvantaged people into the economic mainstream. They seek to use labour to transform and develop the economy, facilitating the transfer of skills to disadvantaged people, and investing in sectors of the economy that will create jobs. According to Paul Nkuna, chairman of MIC:

> The MIC's objective is to ensure that there is a redistribution of wealth, a transfer of managerial skills to the previously disadvantaged, and support to assist small businesses to play a meaningful role in our economy... The MIC challenge is to build on the wealth that it has created over the last four years. This will add value to its existing assets and develop new initiatives while releasing more funding to finance an expanding programmeme of social benefits. MIC has quietly got on with its challenge to generate wealth' [*iMpilo eNhle Better Life* 2, April 2000:6].

WIC's investment philosophy 'is aimed at the economic upliftment of member workers by enabling their participation, as shareholders, in high-yield, high-growth investments in the strategic arenas of financial services, information technology and tourism/leisure' (WIC Profile, nd:5). Sarhwu Investment Holdings Limited similarly 'seeks to be a leading union investment company focusing on: creating shareholder wealth; enabling

-labour to play a pivotal role in the restructuring and development of the economy; and investing for social transformation' (*Company Profile*:4).

'Social responsibility' investing has also become one of the mantras of union investments. COSATU and some of its affiliate-unions, for instance, claim that their companies invest only in 'socially responsible' companies and ventures. According to Kopano ke Matla's chief executive officer,

> The underlying mandate I have is to identify investment areas that can give value to our members. If you take housing and health care, they are not only critical for our members but for the communities that our members live in as well. So whatever we do will be in line with the government's social development programme. [ka 'Nkosi 1997]

Investment Portfolios:[6] The 20 union investment companies and most of the 60 other business ventures range from those investments owned outright by the unions, to joint ventures with either other black empowerment companies or with local and foreign white capital and business consortia of every description. **Table 2** provides a sampling of the investment portfolio and the sector of the economy favoured by the union investment executives.

Investment Strategy: Solo investments have been the most pervasive form of union investments so far. MIC owns 10 per cent of Primedia Ltd, a group that is engaged, through its subsidiary companies, in the entertainment, broadcasting, outdoor advertising, direct, specialist and strategic marketing and publishing fields. This makes the union-owned company part-owner of Primedia's assets that include publishing (specialist magazines such as *Drive Magazine* and *SA Gardening*); broadcasting (talk and music radio, namely 94.7 Highveld Stereo, 702 Talk Radio, 567 Cape Talk); cinemas (Ster-Kinekor and mobile movies); home entertainment (home videos and TV games – Sony Playstation); outdoor advertising (advertising on buses, taxis and trains – through Commutanet); and marketing (distribution of samples and leaflets to houses). The Primedia Group is also active in electronic media (it runs the popular website called iafrica.com) and owns a stake in the Kaizer Chiefs Football (Soccer) Club, one of South Africa's most popular and successful clubs with over six million supporters.

MIC has also expanded into new investment terrains. For instance, in 1996, it started SA Teemane (Pty) Ltd, with the help of international partners, as the first black-owned diamond company in the world that employed more than 25 people in 2001 and polishes nearly R100 million worth of diamonds each year for export to other countries. Teemane (Pty)

Limited also has a symbolic and emotive value since raw diamonds are mined in the country but are usually sent overseas to be polished and made into jewelry (*iMpile eNhle Better Life* 2, April 2000:8).

MIC has also ventured into commodities trading. For instance, in conjunction with the Women's Development Banking Investment Holdings and two individual black investors, MIC in 2000 bought a 51 per cent ownership of Metalcor SA. The company is a local subsidiary of the multinational Metalcor AG, that trades in commodities locally and internationally (*iMpile eNhle Better Life* 3, August 2000:8). In the same year, MIC bought a 25 per cent share in Tracker Network Holdings, the biggest stolen vehicle recovery company in South Africa. MIC is also a shareholder in the new Graceland Resort in Secunda (Mpumalanga) and a casino, Caesars Gauteng, in Kempton Park, in partnership with Global Resorts SA.

By mid-2001, MIC had become a huge conglomerate of businesses. Its most prized investments were in the real estate sector, catering and food services, beverages, a freight handling company, sporting pools betting, and lottery and gaming machines. It also runs a chain of retail stores selling its own clothing brands and supplies of boots, hard hats and overalls to the mining companies for mineworkers, a gold mining company, and shares in the radio and telecommunications sector as well.

Another investment strategy adopted by union investment companies is alliance with white-owned businesses and local and foreign capital – something unheard of a decade ago – and with 'black empowerment companies'. A leader in this strategy is none other than COSATU whose investment company, Kopano ke Matla was incorporated in March 1997 as a wholly owned trust with COSATU as the sole beneficiary. Within nine months of its registration, the company had investments in 'strategic' areas such as financial services, food, health, manufacturing, housing and construction, tourism, media and communications, and information technology (Ryan 1999:5). In July 2000, Kopano bought 25 per cent of the advertising agency Saatchi & Saatchi and, along with another black empowerment company, Rofara Investment Holdings (which bought 26 per cent of the company back in 1993), now control 51 per cent of the company's shareholdings (*Business Day,* July 27, 2000).

The South African Transport Workers Union's (SATAWU) Sarhwu Investment Holdings is of particular interest for two reasons. First, it is typical of latecomer union investment companies whose aggressive charge

into the world of business has raised fears of recklessness among union investment managers. Secondly, it has attracted criticism for allegedly using undue influence to position itself to bid for privatised assets in the vast transport sector previously controlled by the state, even as its parent union, SATAWU, routinely organised marches on the streets against privatisation. As table 2 shows, its investments as at the end of 2000 included interests in the materials handling sector, advertising (especially a stake in a company specialising in selling space in railway stations and coaches), and stakes in the scrap metal processing sector. SIH also owns shares in the health care sector, a cleaning services company (especially stakes in a company contracted to clean railway stations, airports and ports), and belongs to a consortium that bought Sun Air, a regional commuter airline since liquidated. Table 2 also shows that the militantly socialist SACTWU has expanded its business 'empire' to include stakes in investment finance companies, cellular telephone networks, media and electronics industry, auto rental, and in the rapidly expanding private security/armed response industry.

Among the Food and Allied Workers' Union's (FAWU) high stakes investments are shares in a lucrative fishing company. The SACCAWU national provident fund, as well as FAWU, both have significant assets in South African Breweries. A few less prominent, but increasingly aggressive, union investment companies have also appeared, including the Nehawu Investment Company, the investment trust of the fractious NUMSA, and the Communication Workers Union Investment Company. The Communications Workers Investment Company owns a 25 per cent stake in Telsafe, 5.4 per cent in the Union Alliance Holdings (founded by four unions in 1997), 10 per cent in Kaya FM radio station, and stakes in X-Tel telecommunications company. Until the stock market crash in October 1998 when many 'black empowerment' companies lost up to 75 per cent of their value, many of these union investment companies were planning to list on the JSE.

In 1997, four trade unions and black economic empowerment flagship company, New Africa Investments Limited (through its subsidiary, Metropolitan Insurance Company), formed the Union Alliance Holdings (UAH), with the aim of bringing the R50-billion in retirement funds controlled by the 500,000 members of those unions into its ambit by 2000. The four unions, namely the Nehawu, NUMSA, CWU, and SATAWU, each holds 14 per cent of the shares in UAH, while the Transformation and

Development Trust holds a further 14 per cent. By the end of 2000, 15 labour unions, UAH, the DEC Trust, and the South African National Civics Organisation (SANCO) created the Union Alliance Financial Services (UAFS). This gives UAFS about 2.3 million workers who became shareholders in Prodigy Asset Management Company. UAH also has a major stake in the Union Alliance Media, the media group listed on the JSE in 1999.

Union Alliance Media Ltd owns stakes in media-related businesses (including television, radio, advertising, marketing, publishing, and information technology). Its closed-circuit television channel, Q4, which shows advertising channels to queues at participating shops and post offices, in 2000 secured a deal with ABSA bank group to roll out TV sets at 600 bank branches in South Africa. The channel also operates in Zimbabwe, Botswana and Ghana. In June 2001, its affiliate, Union Alliance Media (UAM) launched a new monthly magazine, *Siyavaya*, which will be distributed to taxi passengers (an estimated audience of 14 million people who use taxis each day) throughout South Africa. UAM, which controls a 22.5 per cent stake in Nextcom Holdings, losing bidder for the country's third cellular phone license, already owns Gauteng's youth station Yfm and controls 75 per cent of the successful Yarona FM in Botswana, 60 per cent of Malawi's Capital FM and won a new license to establish a youth radio station in Malawi (see *Sunday Times Business Times*, July 1, 2001).

Union investments and the trade union movement

What do these investments and companies mean for the labour movement in South Africa? As noted earlier, the proliferation of union investment companies has sparked a furious debate about the future of the country's labour movement. The managers of these investments are accused of introducing elitism and a bourgeois life style that is now allegedly sweeping through organised labour. According to Koch and Day, for instance: 'These days one-time militants wake up in the morning, fasten their brightly coloured ties into the Windsor knot and don double-breasted suits before traveling into the headquarters of the country's most powerful corporations in a bid to buy out the bosses they used to bash in those boardrooms' (*Mail & Guardian*, January 27, 1997). This contrasts with some union leaders during apartheid who were fond of attending meetings in sandals, faded jeans and limp T-shirt, a dress code that some rank-and-file members believed caused company executives not to take unions

seriously in those days. Some refer to these executives today as 'cowboy capitalists' (Young 1997) who, along with their 'growing band of silk-and-suit socialists', are allegedly responsible for 'the obsession with creating investment companies that now characterises trade union organisation' (*Mail & Guardian*, January 27, 1997). They are also accused of introducing corporate and commercial values that could inflict lasting damage on the union movement. According to critics,

> Unionism is not about making money. It is about social issues, about using worker solidarity at plant, industry and national level to improve living and working conditions. This has no commercial rationale. Yet involvement in investment companies inserts commercial values which tend to squeeze out union values. (Koch and Day in *Mail & Guardian*, January 27, 1997)

They also pointed to the secrecy of the 'deals' cut between the union investment companies and their 'empowerment partners' 'across mahogany tables' (*Mail & Guardian*, January 27, 1997).

Union investment managers have also been attacked for investing in high-risk pyramid schemes with ordinary people's hard-earned savings. In contrast to the economic conditions that prevailed in other countries, and also for Afrikaner nationalists in the 1930s, black labour unions began 'buying shares of companies whose stock market prices are so over-inflated compared to historical norms. To do so, they are borrowing at the highest real interest rates in modern history. According to Turok they are buying into the system when the economy is stagnant, with no prospects for dramatic expansion' (*Mail & Guardian*, October 3, 1997). Moreover, critics are incensed about the sudden enrichment of a new but small bourgeoisie instead of empowering the poor. There is, potentially, conflict of interests arising from labour's ownership of capital which, in turn, is its employer and supposed exploiter. Hence, critics allege that this form of 'labour capitalism' commercialises the ethics of a movement that once relied on solidarity and collective action.[7] Ironically, COSATU, whose own investments run into millions of rand, is among the most vocal critics of, and has periodically sought to rein in 'renegade' union investment companies (*Business Times*, September 24, 2000).

Some sympathetic observers, however, suggest that behind the attacks on union investment company executives is a display of 'the politics of envy'. Some trade unionists are dismayed at the swish offices of the union investment companies in affluent suburbs of Johannesburg, the BMWs,

and the zealous embrace of the market by yesterday's socialist ideologues who now head these companies. At the opposite end of town, COSATU's Braamfontein headquarters lies in the heart of a run-down old Johannesburg city centre that has experienced unparalleled flight by both white and black corporations and wealthy people. Interestingly, the former secretary general of COSATU and current premier of Gauteng Province, Mbhazima Sam Shilowa (whose wife and partner, Wendy Luhabe, is the founder of the Bridging the Gap Foundation and co-founder of the R1.2 billion rand, JSE-listed Women Investment Portfolio Holdings) defends union investment executives, saying that 'Former trade unionists don't have to be poor. Socialism is not about poverty' (*Financial Mail*, August 4, 2000).

While it is true that union investment companies are 'notoriously secretive', others have conceded that these criticisms arise from the political culture within which labour has historically conceived of capitalism and wealth accumulation in South Africa. 'The business environment is almost foreign and is sometimes regarded with suspicion by unions. For a trade union to get involved in investment companies has its own dangers. We are quite cautious how we balance that with the traditional role of unions' (*Mail & Guardian*, November 21, 1997). Some of the attacks may therefore be rooted in fear and the natural tendency to be cautious about change.

Union leaders and investment company managers, however, justify their investments as a strategy to 'strengthen the rights and obligations of working people as they build a ladder to a better life for themselves and their families' (Golding 1997:98). According to Golding, one of the pioneer union investment managers,

> we [should] participate in the broad economic empowerment process, instead of only criticising. The ... democratic victory for the ANC ... [is] an opportunity that could, if properly handled, contribute to the broad process of economic transformation taking place in the country. To scoff at these democratic moments ... [is] to miss just how significant the political change really ... [is], and the determination of the ANC government to advance the plight of the majority of people. (Golding 1997:87)

This redefinition of labour-capital relations is also evident in COSATU's justification of the obvious contradiction between its professed ideology of socialism and the lucrative business deals managed by its business arm, Kopano ke Matla. According to the head of Kopano,

> The driving objective within COSATU is *the ultimate seizure of economic power from a few powerhouses to the majority*. This we share in common. But what Kopano does differently is to use a different avenue to ensure that there is significantly more capital circulating in the underprivileged areas of our country. (ka'Nkosi 1999, emphasis mine)

In addition, the most obvious factor forcing unions either to embrace or to reconcile with capitalism is the drying up of their traditional sources of funding from communist parties around the world and Scandinavian countries. Communist and socialist parties in these countries have themselves resorted to 'labour capitalism' as a survival strategy after the collapse of the former Soviet Union and its Eastern European allies (see Howard 2000). Also, most unions in South Africa are losing membership as a result of the massive lay-offs (nearly 500,000 between 1994 and 1999), especially in the mining and manufacturing sectors. The problem will certainly get worse when the government eventually completes its privatisation programme in 2004. The financial dependency of the labour unions was manifested at the COSATU annual congress in Midrand in September 2000.

The federation has ceaselessly attacked the investment companies, especially for their lack of strategy consistent with the labour ethos, and even set up an Investment Council in 1999 to coordinate and recommend ways of reining in the 'cowboy capitalists'. In the run-up to the congress, the federation put out a statement that it had banned union investment companies buying into out-sourced or privatised business entities since such firms were inimical to the interests of workers (see *Business Times*, September 24, 2000). At the 2000 congress, COSATU president, Willie Madisha, in his opening speech specifically instructed the congress to focus on union investment companies as they had become 'a law unto themselves', while some delegates lamented how these capitalist endeavours had struck at the federation's integrity. The fact that the congress was, indeed, funded by the union investment companies probably explains why delegates never got the opportunity to discuss this item. Hence, a delegate dismissed Madisha and other critics as paying 'just lip service to our long-expired socialist intentions. There is no room for them now as the leadership (is) polarised from the rank and file' (quoted in *Business Day*, September 27, 2000).

Of course, given the history of these companies, it is not surprising that some 'vested interests' within the unions have become adamantly opposed to any attempts to change the fields of accumulation and investment strategies of the investment companies. The materialism of the union movement is exemplified by the statement of one official of COSATU's investment company. According to him, *'What I really like to see is a day when blue-collar workers are able to take their families for a holiday'* (Interview with author, emphasis mine). The more practical proponents of union investment like SACTWU president, Amon Ntuli, concede that 'it's been a sensitive decision, but we cannot sit all the time and be beggars... The government and employers themselves cannot deliver. Trade unions have found what is to be done' (*Mail & Guardian*, May 23, 1997). Other unionists see their investments as complementary to the traditional areas of trade union activity, only this time, they are 'building new and different institutions which can help working class people with solutions to problems they have in capitalist societies and which are essentially outside that competence' (Copelyn 1997:76). It is clear from these contending perspectives that a new kind of labour union movement is emerging in South Africa as a result of the impact of globalisation and economic reform embraced by the ANC government along with political liberalisation.

Labour capitalism and the future of organised labour

Given the lacklustre performance of 'business unionism' in other countries, and in view of its contestation in South Africa, to what extent has business unionism benefitted the rank-and-file members of unions? Has the proliferation of union investment affected the role of unions in the new labour relations environment in South Africa? This section of the paper speculates on 'whether union investment companies will provide a few members with gold cuff links and push them into the cocktail circuits of the *waBenzi* or bring real benefits to a working class fast losing its jobs...' (*Mail & Guardian*, November 21, 2001).

(a) Successful Empowerment:

In terms of real benefits to the rank-and-file and provision of alternatives to the social welfare retrenchments following the adoption of GEAR, some union investment companies have, indeed, tried to spread their profits to the members. For example, HCI (jointly controlled by the investment arms of both SACTWU and NUM) made an R8 million contribution to the SACTWU education fund in 1997 (out of its total market worth of R1.9 billion) that now pays half the tertiary education costs of 2,500 members'

children. The SATAWU Investment Fund – worth R400 million in 1997 — similarly has an ambitious goal of setting up business development programmes with about R40, 000 each for its members who lose their jobs. In 2000, SATAWU was a 120,000-strong union, with about 50,000 of them employed by TRANSNET, the state-owned transport conglomerate whose proposed full privatisation by 2004 ultimately would lead to the retrenchment of over 20,000 members of the union. Considering that these companies were not expected to make any profit until after 2000, it is not clear how the company will accomplish its goals.

The Mineworkers Investment Company has since its inception in 1995 allocated R18 million and committed R70 million to the Mineworkers Investment Trust for allocation to NUM members, payable up to 2004. With large numbers of retrenchments in the industry – up to 150,000 by 2001 – the union in 1998 created the Mineworkers Development Agency (MDA) to assist workers who lost their jobs to start their own business. The services are also open to all people living in mining communities.[8] There are now seven such centers located in Umtata (Eastern Cape), Kokstad (KwaZulu-Natal), Mhala (Northern Province), Welkom (Free State), Klerksdorp, Bathlarus and Morokweng all in North West Province, and in Maseru (Lesotho). To date, MDA has allocated about R2 million to the Elijah Barayi Memorial Training Center for this purpose, while the Kokstad Development Center in the Eastern Cape was built with R1.7 million in conjunction with Anglogold Mining Company. One of Mineworkers' Investment Trust's best-known programmes is the Miners Recycling Service (MRS) that employs and trains workers to sort, cut and process scrap metal – a market worth an estimated R8 billion per year – to feed steel and stainless steel mills. The trust has so far also allocated R5 million to promotion of rural economic development and job creation. It bought a majority share in Rural Technology Company (RUTEC), a leading micro-economic development consultancy, whose systems, machines and training courses have reportedly created self-employment for about 150,000 people. In addition former miners who have been helped by MDA to become successful bricklayers, chicken farmers and bakers in the rural areas of South Africa and as far away as Lesotho, more than 500 rural people – the majority of whom are women – have already trained, or signed up for training, in basic and advanced sewing, bread baking, brick making, sunflower oil production and small business management (see *The Sunday Independent*, June 6, 1999:2). The trust has also so far committed about R8 million for a union-run J B Marks Bursary Trust that provides financial

assistance for the education of members' children (see *BusinessMap* 2001:56).

MIC has a good reputation for repatriating the dividends from its investments to the Mineworkers Investment Trust (into which union members are appointed as trustees). It is also noted for being an 'active' shareholder, in the sense that it consistently does the following: (a) ensures equity participation by securing a 'direct and meaningful' holding in its investment; (b) exerting influence through board representation, either directly through executive directors or indirectly through non-executive directors; and (c) developing employment equity in companies where it has invested – with a dedicated full-time senior manager with specific responsibility to oversee employment equity in major investments. 'As a result, the Mineworkers Investment Company is viewed as one of the more successful empowerment models, not only in the breadth of the base of its beneficiaries, but also in its contribution to social values within its investments, combined with strategic input' (*BusinessMap* 2001:56). Consequently, in 2000, MDA was awarded 'The Best Established Business Development Service Organisation' by the Micro Enterprise Alliance and a group of independent judges.

The Sadtu Investment Company (Sihold) has since its inception in 1999 put its emphasis on providing members with competitive financial services like loan consolidation and group insurance schemes (*Mail & Guardian*, October 20, 2000). Similarly, the investment arm of the South African Municipal Workers Union (SAMWU) in 2001 launched a savings and credit cooperative which it claimed would guarantee better interest rates for its members than those offered by most banks. This was the first formal expression by organised labour in South Africa to consolidate their collective strength in a financial cooperative.

Another union investment company that has tried to benefit workers directly is Sactwu Investment Group (SIG). It has initiated housing programmes designed to give members the opportunity to own their own homes, health projects focusing on HIV/AIDS awareness programmes, and social programmes dealing with the abuse of women and children in their communities. In line with its philosophy of job creation for its members, SIG's most ambitious project is the Beier Wool Factory which it acquired in 1999 when the company was on the threshold of closure. All of its staff was retrenched but SIG managed to re-open the factory and consequently re-employed 100 of the jobless workers. In 2000, SIG increased the

education bursary award members' children receive from R100 up to R6,000 per annum. It also started a project to ensure that all shop stewards had access to computers at work to enable them to communicate electronically (*Mail & Guardian*, October 20, 2000).

(b) Questionable role of labour capitalism

A closer examination of the fields of accumulation favoured by the union investment companies (see table 2), however, shows ownership of the media, information technology, entertainment, leisure, and financial sector assets as the most-favoured field of capital accumulation. Although many proponents insist that their investments are driven by the principles of 'social responsibility' and workplace transformation, their choice of investments has more to do with high earnings potential than with other goals of furthering workers' interests. NUM's investment company, MIC, for instance, started out with the objective of developing mine stores for its members but ended up giving far more attention to faster growing sectors such as finance and information. Indeed, the financial sector is the only one that is really expanding in the South African economy, absorbing 20 per cent of GDP, projected to reach 30 per cent by 2010. These high growth sectors starkly contrast with the stagnation of manufacturing, agriculture, and mining where most unionised blacks work.

On one hand, the parent unions want the investment companies to invest in the productive sector of the economy rather than in speculative and financial investments. On the other hand, they also expect the companies to turn a profit as quickly as possible to satisfy pressures from their rank and file for quick financial returns from their investments. The pressure 'to make money' forced the management of WIC in 2000 to liquidate one of its investments and pay out the proceeds as 'dividends' to members. Although workers were happy with the 'dividend', they actually lost money because the investment was liquidated below the acquisition price (Interview with the head of the legal affairs department of WIC, June 22, 2001). How do you justify not making money by pushing investments into manufacturing instead of IT? (Vlok 1999:25). Paradoxically, these favoured fields of accumulation tend to be sectors of the economy where very few blacks have the requisite qualification or experience to seek employment. Due to the skills scarcity among blacks, especially at these professional management levels, many of the union investment companies (as well as other 'black empowerment' companies) are still run by white professionals who rarely come in contact with the supposed black worker 'owners' of the

companies. In fact, some of them have allegedly become gatekeepers against the entry or advancement of blacks into management cadres, thus making these sectors and professions notoriously lily white.

Another important concern about the economic empowerment potential of these companies for workers is the ease with which supposedly socially responsible companies have begun to replicate South Africa's closed corporate culture in which industrial giants incestuously buy into one another's company, creating a formidable tangle of cross-holdings. These holding companies exist in a maze of share ownership and cross-directorships, which in turn has produced a myriad of confounding subsidiaries with interests in every facet of the economy. Union investment companies have also joined the bandwagon of joint ventures and consortia that contribute to South Africa's closed secretive business culture. In 1997, for example, SIG and MIC were part of a group that bought out the insurance giant Hoskens and turned it into the Hoskens Consolidated Investments (HCI), at a discount. Although it is listed in the insurance sector on the JSE, HCI is a high technology group focusing on growth opportunities, such as banks and financial services and information technology. Their investments in HCI made MIC and SIG the first listed company to be controlled by union investment vehicles.

By December 2000, HCI was rated the among the ten best performing companies on the JSE, and it had the highest growth rate and the best price equity (P/E) ratio of all black-owned companies on the stock exchange. It had stakes in financial advisory and investment companies; a radio broadcasting consortium;[9] and in an integrated transport and motor retail group listed on the Johannesburg Stock Exchange. By late 1999, through its stakes in Super Group, it had become South Africa's biggest armed response and monitoring group with a client base of over 50,000. The result is that, quite often, the same faces have continued to show up time and time again in many of the deals brokered between black business people (including union business executives) and local and foreign white capital and mediated by the state. The unquestioning embrace of this closed corporate culture by union business executives is creating the perception that only the most powerful groups and highly connected individuals are benefiting from labour's apparent reconciliation with capital.

The public image of the unions has also been hurt by the fact that few of the stakes owned by union investment companies are dedicated to job creation for retrenched workers and the unemployed masses. This is a

worrisome development because the old dichotomy of a poor black and a wealthy white nation that held all the anti-apartheid forces together is increasingly under serious strain with the emergence of a black bourgeoisie, including union members. Although the proportion of this class to the total bourgeoisie in the country is still very small, income differences within the black community are now larger than between whites and blacks, or within any of the non-African communities (Statistic South Africa 1998).

Union investment companies have had tremendous impact on the trade union movement, as well as on the mediating role of labour in the policy arena. They have also provided alternative and critical sources of income for their cash-strapped parent unions and the union federations. However, they have injected the potential for fracture of the unions, thereby undermining labour's political voice due to the 'creeping neo-patrimonialism' engendered by black business tendency to rely on state-mediated wealth accumulation (see Iheduru 2001). Not only is this likely to encourage disunity in the labour union movement, neo-patrimonial allocation of access to the state is unlikely to lead to nurture capitalism.

Like many black empowerment companies, many union investment companies have come to rely increasingly on state-mediated contracts and deals with big business desirous of cashing in on empowerment projects as the avenue for wealth accumulation (*Finance Week*, January 15, 1999). A culture of patronage in black economic empowerment could lead to an explosion of intra- and inter-union competition for state largesse in the future as more and more workers in previously non-unionised sectors of the economy organise and establish their own investment companies. The 1995 Labour Relations Act which simplified union registration procedure, for instance, has been instrumental in the unionisation of previously unorganised government, agricultural and domestic service sectors which together employ more than half of all formal sector workers. These latecomers will certainly want to take advantage of the patronage system, a situation that could lead to a number of consequences. First, their investment companies may be forced to engage in unorthodox, unethical, and extreme measures to remain 'competitive' in a market that is getting saturated. Secondly, state-mediated contracts and 'empowerment deals' with big business could turn South African politics into a classic case of patron-client state-society relations that destroyed many post-colonial African states but woefully failed to develop a 'nurture capitalism' agenda (see Berman and Leys (eds) 1994).

Then, there is the troubling likelihood of the collapse of some union investments, or the companies retrenching their own workers when they come under severe market pressures. The UAH and its subsidiaries – Prodigy and Union Alliance Media – have had serious cash flow problems since 2000 and are currently undergoing restructuring. The poor performance of WIC since its inception has already been noted. Union investments in other parts of the world have faced similar fates before.[10] The challenge for managers is to be very prudent with members' retirement funds as they often represent the only savings of blue-collar workers. Sadly, such prudent business management may often mean abandoning the ethos of social responsibility and investing in ventures that may actually yield good returns for workers but fail to create jobs or transform the workplace. The promotion of black economic empowerment through corporate investments came under severe threat when black-owned New Age Breweries, National Sorghum Breweries and black economic empowerment flagship-company, JCI Holdings, all collapsed in 1998. Many unions, churches and other civic and grassroots organisations were heavily invested in these companies (Iheduru 1998:58, Nevin 1998:8-12). Several union investments also took a heavy beating with the stock market crash in South Africa in 1998 (*Business Times*, September 27, 1998). These and other similar investment disasters are reminders of the dangers of ill-informed speculation by inexperienced union investment managers who might be tempted to beat the system or out-manoeuver their competitors prematurely. A long string of failures could engender a popular backlash against capitalist accumulation, feeding obviously into the remaining anti-business coalitions in COSATU and other social forces on the ideological left.

Finally, although scholars have for a long time debated whether or not capitalism needs a democratic society to flourish, the evidence suggests that more open societies tend to have the requisite property rights regimes, institutions and the enabling environment to foster 'nurture capitalism'. Strong labour unions, ironically, happen to be one of the social forces and associational groups that are essential for democratic consolidation. A concertation regime involving acquisition of a reasonable material stake in the economy organised labour (as owners of capital) could be an antidote to the capacity of the property-less classes to disrupt the social order on which labour capitalism is based. It gives the actors the ability and the incentive to foster cross-class compromises. Indeed, class compromises between labour and capital, managed by the state through national labour

administrations have proved crucial in the consolidation of recent transitions to democracy (Buchanan 1995, Encarnción 1998:387-419). One concern is that state-business support for labour capitalism could weaken the political role of organised labour in the country's democratic process. After all, there appears to be a consensus among liberal politicians and captains of industry that South Africa cannot afford militant unions much longer. Hence, the recent introduction of far-reaching amendments to labour relations regimes. Silencing 'militant unionism' and denying a voice to organised labour in national politics will not be in the interest of business overall. As the *Weekly Mail & Guardian* put it in 1994,

> For the choice is a stark one: either the state in its wisdom decides what is in the best interests of working people and the business community, or wages and working conditions are set in a free test of their organised strength. *Strikes and lockouts are not necessarily symptoms of economic malaise – they are integral to a free society....* the real stakes in the 'new South Africa' [are] that if independent centres of power, such as unions, are weakened, they will cease to be effective counter-balances to the central state. (Editorial, July 22, 1994)

Labour's embrace of capitalism through union investment companies should therefore not overshadow other forms of legitimate labour activism that are part and parcel of the idiom of democratic struggles. Prudent balancing of the imperative of a concertation regime involving wealth creation and democratic struggles will avoid potential demobilisation and depoliticisation of workers. A vibrant organised labour is also central to the minimisation of wide divisions in black political unity that, if allowed to develop, could undermine the emergence of capitalist development among the black majority.

Conclusion

This paper has argued that there has occurred a fundamental shift in the relations between the state, big business and capital and labour, especially in those countries where pro-labour parties have embraced globalisation and had the unenviable task of implementing neo-liberal economic policies opposed by labour. The uncertainty and identity crisis introduced by these reforms have given rise to a 'loyalty dilemma' as well as three types of responses from the labour union movement. In some countries they have complained bitterly about the reforms but neither organised serious protest nor took steps to extricate themselves from the alliance. Others have come close to breaking their ties with the governing party but ultimately retreated

to their traditional strategy of negotiating behind closed doors. Yet another strategy has been to abandon their historic ties with the party in response to its market reforms.

In South Africa, labour's response to this 'loyalty dilemma', especially that of COSATU, has consisted mainly of a two-track strategy of measured militancy and opposition to the neo-liberal GEAR policies and embrace of wealth creation or 'labour capitalism'. COSATU's responses help the federation not only to contain the impact of these reforms, but also to enable it to remain relevant to the politics of transformation in South Africa. Labour has also acquiesced to a social partnership or a *concertation* regime with the state and capital that guarantees financial and political benefits, perhaps to labour far in excess of its actual political power.

Although most students of labour politics in South Africa have focused on the 'co-determination' aspects of this concertation regime and the militant reaction of sections of organised labour to GEAR, little attention has been given to the establishment of union investment companies as part of labour's response to economic reforms and globalisation. Today, there are about 20 union investment companies (two of which are currently listed on the Johannesburg Stock Exchange) and over 60 other investments. The state and business/capital have equally supported labour's embrace of wealth-creation (and apparent reconciliation with capital) by providing the venture capital and technical management and partnerships and business contracts. Labour capitalism or 'comrade capitalism' has thus resulted in an interesting paradox in which labour is the exploiter and the exploited, employer and employed, and owns both labour and capital.

This radical shift in union politics is driven by both internal and external logics. First, in the post-apartheid period, international financial support for the unions has dried up; while privatisation of state-owned companies and industrial restructuring have resulted in mass retrenchment of workers, thus reducing union membership and union dues. Secondly, the forces of globalisation have begun to expose South African companies to international competition, forcing domestic capital to restructure its operations. They are under pressure to increase productivity, which makes 'down-sizing' an ever-present threat to recalcitrant unions. While clinging to their ideological or policy rhetoric (often peppered with socialist dogma), South Africa's labour union leaders, like their counterparts world-wide, have begun to adapt and adopt innovative industrial relations solutions, despite recent or threatened cases of labour strikes. Beyond the question of the legitimacy

and appropriateness of union investment companies, however, the paper also explored the consequences of wealth accumulation for labour's role in democratic governance. Although union investment companies are still nibbling at massive black poverty rates, the cross-class compromises growing out of concertation and a wealth creation regime in which organised labour has substantial material stakes in the economy is a boon to democracy in South Africa. Further research should, however, explore conditions of employment in the black economic empowerment companies being set up by the unions. There is also the need to explore the sustainability of some of these companies, especially whether or not they could lead the development of a nurture capitalism agenda among black South Africans.

Notes

1. Research for this article was done while the author was a Fulbright-Hays Faculty Research Fellow at Rhodes University, Grahamstown, Africa Institute of South Africa, Pretoria, and at the Rand Afrikaans University, Johannesburg in 2000-2001. Their institutional support is gratefully appreciated.
2. I am grateful to one of the anonymous reviewers for making this point much clearer.
3. SACTWU, for example, has felt the brunt of globalisation and domestic industrial restructuring the most as the clothing industry out-sources and contracts out in an effort to slash costs. It also has the largest proportion of the women-dominated COSATU affiliates, and has been among the most vocal calling for a review of government macro-economic reform policies. In fact, many clothing workers, especially in KwaZulu-Natal, now work for labour brokers affiliated to the Confederation of Employers of South Africa (COFESA), which markets its ability to bypass unions and bargaining council wage rates. NUMSA, the most militant and most radical of all COSATU affiliates, saw its membership decline from nearly 300,000 in 1996 to about 200,000 in 2000. It also lost key leaders to both the public and private sector. Even where membership has increased, such increase has been due to fears of threatened job lay-offs. For instance, NEHAWU is one of the fastest-growing and the second-biggest union in COSATU, growing from just over 100,000 before 1994 to nearly 250,000 in 2000. It is poised to grow further given its attraction of civil servants who face imminent retrenchments. See *Financial Mail*, April 4, 2000:50-52 and June 2, 2000:42-43.
4. In 2000, the South African Railway and Harbour Workers Union (SARHWU) became part of the larger 120,000 strong South African Transport and Allied Workers Union (SATAWU) along with the former Transport and General Workers Union. Despite this change, the company still retains its original name, Sarhwu Investment Holdings Limited.

5. The SPV is a financing arrangement through which white-owned merchant banks and insurance companies create an investment in which the union investment company has ordinary shares and the financier has preference shares. This provides the union investment company with capital to invest. Once its investments make a profit, the financier gets paid first because it has preference shares. Whatever is left goes to the union investment company. On the other hand, should the share value fall, the financier would acquire the debtors' shares and possibly take over the business. This has already happened to many 'black empowerment' companies that were created through SPVs, following the stock market crash of 1998 which reduced the shares of these companies from 45 per cent to 80 per cent.
6. Because union investments in South Africa lack coordination and order, and are thus a moving target, any analysis of the subject can hardly claim to be exhaustive and possibly become ancient history in a relatively short time. This section is therefore a modest attempt to identify the different components and strategies of union investment companies as part of the country's budding black capitalist class.
7. One of the earliest scathing attacks on union investments in South Africa is contained in an unsigned article in the *South African Labour Bulletin* 20(3), March 1996.
8. MDA's roots actually lie in the Development Unit set up by NUM after the massive 1987 mineworkers' strike during which many of its members lost their jobs.
9. The consortium was made up of Primedia (with 35 per cent of the consortium's stakes), MIC (22.5 per cent), SIG (22.5 per cent), and Siphumelele, a black empowerment company (20 per cent).
10. Waterman (2000:39-40) documents how union-owned business around the world have often resulted in the same problems encountered in the corporate world, namely the creation of a 'petit-bourgeois' mentality among workers and diverting them from their proper role in the class struggle'; forbidding strikes within these companies; and elimination and routinisation of jobs, introducing 'just-in-time' schedules and speed-ups, all of which have increased worker stress and have resulted in the radical downsizing of some businesses. He also notes the increasing use of temporary workers who do not enjoy the benefits of union membership and an increasing centralisation of management.

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Table 1: Some Union Investment Companies in South Africa (December 2000)				
Investment Company			Parent Union	
Name of Union Investment	Date Founded	Market Value(R)	Name of Union	Size of Membership
Community Growth Funds	1992	R817.1m	COSATU & NACTU affiliates (Jointly)	2.3 million
Mineworkers Investment Co	1995	R1.0bn	NUM ◦	290,070
Saccawu Investment Holdings	1996	N.A.	SACCAWU ◦	103,296
Nehawu Investment Company	1996	N.A.	NEHAWU ◦	234,607
Union Alliance Holdings	1997	R11.1bn	3 NACTU and 9 COSATU members*	3.0 million
Kopano ke Matla	1997	R131m	COSATU Federation of 19 unions	1.8 million
Fawu Investment Company	1997	N.A.	FAWU ◦	119,302
Sarhwu Investment Holdings	1998/98	R500m	SA Transport & Allied Workers Union	103,218
Sadtu Investment Holdings	1998	N.A.	SA Democratic Teachers Union	220,000
Samwu Investment Co	N.A.	N.A.	SA Municipal Workers Union	119,792
Communication Workers Investment Company	N.A.	N.A.	CWU ◦	35,008
◦ National Union of Mineworkers (NUM), South African Commercial & Catering Allied Workers Union (SACCAWU), National Educational, Health & Allied Workers Union (NEHAWU), Food and Allied Workers Union (FAWU), Communication Workers Union (CWU)				
* Nehawu 14%; Numsa 14%; CWU 14%; Sarhwu 14%; Transformation Development Trust 14%				

Source for Table 1 & Table 2: Union and company profiles; *Financial Mail, Business Times, Finance Week, Enterprise* (all various issues)

Table 2: Fields of Accumulation of Union Investment Companies

Union Investment Co	Investment Portfolio		Economic Sectors Parent Union Organised
	Some Positions (as at 1999)*	Sector of the Economy	
Mineworkers Investment Co.	100% NUM Property Ltd.; 60% of Royal Foods Services; 15% of Rebhold (about R33m); 5% of NAIL/Johnnic Holdings; East Rand proprietary Mines; "Huge" stake in TAB Betting; Marange Gaming Investments; R740m stake in Global capital; 4% of Midi TV in May 1998; 27% of Mathomo; Highveld Stereo/Africa-on-Air; MIC's own clothing brands & supplies of boots, hard hats & to mining companies; 31.75% in Hosken Consolidated Invest.	Real Estate Food & Catering Food, beverage, freight; Mining; Mining; Lottery; sporting pools; Casino company; Financial services; Media/entertainment; 95-store retail chain; Media/entertainment; Clothing & supplies; Banking, insurance, investment & financial services	Mining, energy, construction, building materials manufacturing, and civil engineering
Sactwu Investment Group	11.6% of Real Africa Investments (through the National Empowerment Consortium); "Small stake" in MTN; Stake in Highveld Radio Corp./ Africa-on-Air radio broadcasting consortium (through a stake in Francolin Investments Ltd.); Stake in Super Group 31.75% in Hosken Consolidated Invest.	Multi-sectoral conglomerate; Cellular/telecoms Media and electronic industry Integrated transport, auto retail; Armed Response/Security services; Banking, insurance, investment & financial services; information technology	Garment manufacturing, textile production, wool/ mohair processing & trade leather & footwear, knitting, tanning, wool-puling & fell-mongering, canvas & rope-working, laundry, dyeing & dry-cleaning, farming, retail, commercial & distributive trade of textile, clothing & leather.

Union Investment Co.	Investment Portfolio		Economic Sectors Parent Union Organised
	Some Positions (as at 1999)*	Sector of the Economy	
Sarhwu Investment Holdings	50% of Bond Industries 51% of Safrican; 10% of Off-the-Wall/Screenworld; 25% of Xiscaka 3.5% of JCI Holdings (through the National Empowerment Consortium); "a large stake" in Netcare; 39% of Rent-a-Bakkie; 51% "a cleaning company" with major contracts: railways, airports, seaports; Stakes in Sun Air ; R36m stake in ITI Technology Holdings (acquired March 1998); R30m stake in Avis SA (acquired Jan 98) R24m stake in Roadcorp Ltd	Materials handling; Insurance; Advertising Agency (railway stations) Scrap metal processing; Mining 32-Hospital group (largest in SA); Transportation; Office cleaning; Airline/Transportation Information Technology; Transportation; Transportation	Docks and harbors, other business units of Transnet (state-owned transport monopoly & conglomerate), aviation, airports, passenger transport, goods transport, cleaning and security.
Kopano ke Matla (COSATU)	Core Investments Stake in Airports Co. of SA (through 10% shareholding in empowerment Group 10); 29% (R142m) in Netcare Ltd.; 40% of Tshepo Development Company; R21m stake in ITI Technology Holdings; Vuyo Hampers (joint venture Park Food); R93m stake in Aventura Co.; Kopano Brickworks (Pty.) Ltd. 40% stake in NBC Consultants	Mostly in "strategic" areas: financial services, manufacturing, media, communication. Transport/Aviation 32-hospital group/health Housing/Real estate development Information Technology; Food hamper/supplies Leisure/resort/recreation & tourism Building & construction Consultancy	COSATU's 19 affiliated unions run the entire gamut of both the public and private sectors.
* Value or distribution of portfolio or assets may have changed. Figures are for illustrative purposes only.			