Workers as Owners?
Policy Considerations for Trade Union Investments

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Society's conception of workers leaves no room for viewing employees as owners or shareholders. This is understandable in light of the socialist leanings in most trade unions across the globe. Traditional labour movement struggles place primacy on overhauling capitalist system, with workers' interests pitted against those of shareholders and management. But this perceived conflict is not always straightforward in practice, especially given the changing character of ownership, including the fact that through pension funds workers are the owners of capital, which in turn is invested in money markets around the world.

Several trade unions in the world have adopted flexible strategies, which aim at reforming capitalism through co-management strategies or workers' investment in different sectors. The most prominent examples are the German and Nordic trade union movements that operate within social democratic political economy frameworks. Germany's legislated co-determination system epitomises this approach in trade union and private sector relations. In some contexts, this can be a spur towards professionalising trade unions as well as offering them an annuity for financial sustainability.

South Africa's post-apartheid industrial relations system is predicated on this model. It has, however, not achieved the same success as its counterparts in Western and Northern Europe. One of the contentious issues is governing employees' investments, especially through trade union investment companies. This challenge has caused internal conflict in unions and, in some cases, led to legal proceedings. Two Cosatu affiliates, the Food and Allied Workers Union (FAWU) and the Police and Prisons Civil Rights Union (Popcru), have been engaged in factional legal battles over investment arm corruption in past years.[1]

These cases are not outliers and trade unions leaders need to learn from international experiences and policy research in the area. There are two important publications that have examined South African case studies from different unions: Jenny Cargill's *Trick or Treat* and MISTRA's *Beyond Tenderpreneurship: Rethinking Black Business and Economic Empowerment*.[2] These publications highlight the minimal success and failures of trade union investments. The writers present the following four essential takeaways for trade union discussions on this matter:

[1] *Mkentane, L. 2019. Long-serving unionist Katishi Masemola fired for second time. 15 September 2019, Mail & Guardian.*

[2] *Cargill (2010) and MISTRA (2020).*

Firstly, the necessity of developing clear political economy guidelines when setting up trade union investment arms. These must be based on securing sufficient returns and supporting trade union policy positions regarding economy-wide structural transformation. Strategic union investments provide an opportunity to change investment patterns in South Africa's economy, with a primary emphasis on essential development indicators such as labour absorption, industrialisation and social infrastructure expansion.[3] In some cases, unions such as the Southern African Clothing and Textile Workers Union (SACTWU) have used investments to save jobs when there is a decline in certain sectors.

The second lesson relates to oversight and good governance within unions. The writers advise that separate legal entities be created for managing investment arm funds, with clear financial guidelines on how to report back to union leaders or members. An additional point made in both reports is the need for more worker control over these funds. Reporting must be transparent and external parties such as auditors must verify the authenticity of reports. Trade union elective and policy conferences can facilitate this oversight role, as they allow delegates to propose news measures for strengthening governance or investment decisions. Worker demands and socio-economic interests must inform the operations of these organisations.

Thirdly, it is important to develop a wider conception of worker returns that goes beyond monetary gains. A trade union investment entity can support several socio-economic purposes, benefiting both members and family dependents. The National Union of Mineworkers (NUM) has used returns from its investment company to set up a trust for different socio-economic programmes. These include, amongst others, establishing an education trust fund (for members and their children), setting up a research institute and developing a reskilling programme for retrenched employees.

Fourthly, trade union investments must be used to invest in pilot projects, which explore alternative technologies, social ownership, and different ways of organising production. This is already happening in some countries where unions are testing systemic political economy alternatives, using organisational funds.

Many of these pilot initiatives draw from the International Labour Organisation's (ILO) work on the social and solidarity economy.[4] Some interesting results have emerged across different regions in the world, pointing to practical measures for transforming important sectors such as agriculture and energy. Overall, the four lessons provide a basis for outlining how to manage worker investments in an economy. Trade unions must deliberate on these measures and engage in strategic unionism.

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[3] *Hassen, EK. 2020 Returns to Workers: Trade Union Investment Companies and ESOPS. In MISTRA (2020).*

[4] *ILO, 2019. Cooperative, Social and Solidarity Economy.*