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When union go into business

Prepared by Herbert Jauch for The Villager newspaper

The recent controversy around the NUNW's investment arm "Labour Investment Holdings" (LIH) has once again highlighted how tricky it can get when trade unions venture into business. The LIH case showed what happens when trade unionists enter the board rooms on behalf of workers and soon end up serving their own interests. Despite the occasional radical rhetoric, most unionist serving on company boards or investment arms seem to have little consideration for the constituency they are meant to serve, namely Namibian workers. Is this really surprising?

Union investment companies are a controversial issue within many labour movements around the world. Some have gone into business ventures in full force while others decided to rather concentrate on the core functions of unions: improving the living and working conditions of their members through collective bargaining and shop floor struggle. The investment controversy centres firstly around the question of ideology: Should unions run businesses in capitalist economies which are built on the exploitation of workers? Will union investments destroy the idea of working class solidarity and collective action? Once a union decides to go into investments, it faces several practical issues: How much time and energy should unions spend on investments? Do unions have the capacity to deal with investment decisions? How can unions avoid corruption and individual enrichment? How can union investments become transparent and accountable to union members?

As Ravi Naidoo, the former director of the COSATU research unit NALEDI pointed out: "Investment issues pose a difficult challenge to the union movement: how does a union movement committed to socialism, invest in a capitalist economy and remain true to a socialist project?" A leading unionist of South Africa's National Union of Mineworkers summed up the dominant view within unions: "You can't invest in a capitalist economy in a comradely manner".

In Namibia, trade unions established their business arms and joined company boards without much debate about the ideological contradictions. Little attention was paid to the very basic dilemma: Union investments are meant to earn good returns which are supposed to benefit union members. Good returns are achieved if investments are made in profitable companies. In a capitalist economy in the age of "globalisation", profitability is often achieved by winning a "competitive advantage" through downsizing and sub-contracting. Such practices have a detrimental effect on workers who often lose their benefits, job security or their jobs all together. Unions in Namibia and elsewhere are fighting against these practices and any labour movement will be seriously compromised if its investment companies benefit from downsizing and sub-contracting. Unions would undermine their own struggles if they allow their investment companies to be involved in practices that contradict the workers' interests.

There are many examples world-wide that show the possible contradictions between union struggles and union investments. In South Africa, for example, 10 black empowerment groups, including the NUM investment company, invested N$ 2,5 billion in the mining giant JCI. In 1997, JCI retrenched thousands of mineworkers to improve its financial performance. This resulted in a situation where mineworkers through their union's investments indirectly invested in their own retrenchments!

Any union contemplating investments first needs to thoroughly and openly discuss the implications with its members. Otherwise, the investments will be seen as a secret operation of the leadership and there will always be suspicion that union leaders might enrich themselves while workers do not benefit. Unions need to clearly spell out what they want to achieve with investments. In other words, the reasons for going into investments should determine the investment choices. For example, if unions want to provide bursaries for their members and families, then their investment should provide cash in the short-term. On the other hand, if unions want to use investments to gain some control over large parts of the economy, they will have to enter debt-financed deals which will not provide any short-term pay-outs. South African and Namibian unions often seem to be unsure about the reason for going into investments and then end up with the dilemmas as experienced by LIH.

There will always be contradictions when unions go into business and unions should ideally stay out of it. In cases where union members openly debated the issue and decided to engage in union investments, they need to ensure that (at the very least) the companies in which unions invest must strictly abide by union principles and should never be allowed to engage in activities that will undermine the union's aims. This means that the union will have to set strict social investment criteria such as job creation, good labour relations and employment conditions, training opportunities for all workers, equal opportunities for women, high health and safety standards, active steps to overcome discrimination etc. These criteria must override the search for profits as the first aim. In other words, union investment companies should not operate on the "business is business" principle. This seems to be the only way to at least limit conflicts of interests between unions and their investment companies. Unless there is workers' control over unions and their investment arms, investment decisions will continue to be determined by the self-interest of those serving on company boards.

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