

# **CONCEPT PAPER: TRADE UNION INVESTMENT AND MEMBERSHIP SCHEMES IN BOTSWANA**

**BOTSWANA FEDERATION OF TRADE UNIONS (BFTU)**

**Supported by:**



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## **CHAPTER ONE: BACKGROUND AND INTRODUCTION TO THE STUDY**

Trade union investment has for a long time been a hotly debated subject in the labour movement corridors around the world. Much of the debate centres on trade union ideology and mandate of promoting workers' welfare through collective bargaining and shop/factory floor struggle (Jauch, 1998). At the heart of the existence trade unions is to ensure that members: work decent hours, earn better pay rates, enjoy job security, get fair treatment, and efficient bargaining. Moreover, unions have taken up the responsibility of reskilling and retooling workers especially during periods of retrenchments. Similarly, to improve the welfare of their constituency, trade unions have introduced several membership schemes such as funeral and credit schemes, bursaries and housing provision (Rubushe, 2009).

Despite these efforts of improving the welfare of both workers and their families, trade unions across the world today face a plethora of challenges that impede on their ability to effectively represent workers. In most cases, financial sustainability has proved to be a major deterrent to trade unions representing the welfare of their members. Structural reforms such as privatization of state-owned enterprises, rising unemployment, streamlining and rationalization of the public servants have been detrimental to the financial sustainability of trade unions (Naidoo, 1997b). This outcome has resulted in trade unions seeking alternative ways of augmenting revenues generated through the declining subscription fees.

Some of the income generation alternatives have seen trade unions directly engaging in profitable business investments and membership schemes. Botswana has also seen the emergence of this phenomenon of trade union investments and membership schemes. A major research question thus arises in relation to the motivation behind trade union investments in Botswana. The thrust of the present study is to find out the type of trade union investments in Botswana. Additionally, the study will highlight what has been driving force behind the success or failure of trade union investments and lastly, economic sectors in which trade unions have business interests.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 THEORETICAL REVIEW: IDEOLOGICAL DISCUSSION**

There exist two opposing theoretical strands of trade unions' involvement in investment activities and membership schemes. On the one hand, antagonists of trade unions' participation in investment activities posit that, by engaging in investment activities, trade unions would be abandoning their socialist orientation stance thus acting in cahoots with capitalism (Rubushe, 2009). They base their opposition to trade union investment on the theoretical framework of the works of Gramsci (1975a), who advance that, by participating and engaging in business activities, trade unions are susceptible to accepting compromises from the capitalist system. Gramsci (1975a) argues that this will render union leadership ineffective in mediating on behalf of workers and promoting the unions' socialist perspective which dictates that the means of production, distribution, and exchange ought to be owned by the community as a whole (Rubushe, 2009). Moreover, the success of a capitalist system is based on the exploitation of workers. This normally happens through the downsizing and outsourcing of labour. This creates a paradox in the sense that, on the one hand, trade unions are against retrenchments, while on the other hand, they have invested in companies that are retrenching as a cost-cutting measure. A classic example is that of the National Union of Mineworkers (NUM) holding company which invested R2.5 billion in the mining company JCI. However, in 1997, JCI had to retrench

thousands of mineworkers to improve its profitability (Jauch, 1998). This forms some of the conflicts that obtains when unions play a dual role of fighting for workers' rights and at the same time being business investors.

On the other hand, proponents of trade union participation in business predicate their arguments on the advent of globalisation and the adoption of neo-liberal market reforms or the structural adjustment programmes (Iheduru C, 2001). Some of the reforms include fiscal and wage austerity, labour market flexibility, privatisation of state-owned-entities. These have had adverse effects on the activities and operations of most trade unions. Some of the neo-liberal market reforms have resulted in the decline of the incomes of workers, decreased job security, unemployment, and streamlining and rationalisation of the public servants, who make the bulk of trade union membership. This outturn has had the effect of dampening the revenues of trade unions from subscription fees. As a result, trade union activities have been encumbered by the decline in their traditional source of revenue-membership subscription fees. Consequently, unions have had to come up with alternative non-traditional source of revenue to fund their activities. Embarking on wealth creation by trade unions is referred to as "labour capitalism" (Iheduru C, 2001).

Botswana has been no exception to the globalisation and neo-liberal economic policy reform. Lately, talk around the privatisation of state-owned-enterprises and reducing the quantity of the public service to contain the public wage bill has

been rampant (International Monetary Fund, 2018). Implementation of these structural reforms will likely see retrenchment of employees of parastatals and other government departments and this will deteriorate trade unions' revenues. This glooming backdrop further provides the impetus for trade unions to engage in business activities as a way of generating and diversifying their income resources.

## **2.2 EMPIRICAL REVIEW**

Naidoo (1997b) argues in favour of trade union investments. He, however, cautions the trade unions not to base their investment decisions on a "business is business" approach, but rather, their investments should be guided by a clear strategy based on union principles of socialism. To shrug off cut-throat competition from well established capitalist firms, Naidoo (1997b) proposed a litany of measures that unions may undertake, some of which include: adopting a unified approach and pooling of resources to limit the financing of investments through borrowing; development of a clear strategy to thwart competition from organized capital, and experimenting with different forms of management.

Rubushe (2009) found out that there is a clear absence of space for ordinary members to directly influence the workings of union investment companies. It is also established that, in their current form, the schemes operate more as a perpetuation of the capitalist logic than offering an alternative system.

The intrigue becomes even more pronounced because the investment schemes under review, in their current form, have been observed to be acting in a manner that is perpetuating the capitalist ethos instead of posing a challenge to it. Central to these ethos, according to observations, is the accumulation of wealth by business entities with no observable desire or plan to distribute the wealth equitably.

According to Jauch (2013), the experience of Namibian trade unions' investments shows that union members are not reaping the benefits of union investment. This is occasioned by the fact that most unions have not invested in activities that provide social needs of workers such as affordable housing for union members; creches for union members' children; bursaries for union members to upskill and retool in times of retrenchments; and financial institutions which offer members low-interest rates. Instead, most Namibian unions have directed most of their funds in profit-driven activities. For example, in 2013, the Namibia Public Workers Union (NaPWU) invested N\$8m in a luxurious bed and breakfast hotel. In as much as this investment was meant to enhance the financial sustainability of NaPWU, it bears no direct benefits for the union members (Jauch, 2013).

### **2.3 REGIONAL OVERVIEW OF TRADE UNION INVESTMENTS**

Many trade unions in the Southern African region are engaging in business activities to augment revenue generated through membership fees. Both the South African and Namibian trade unions provide pre-eminent cases of trade

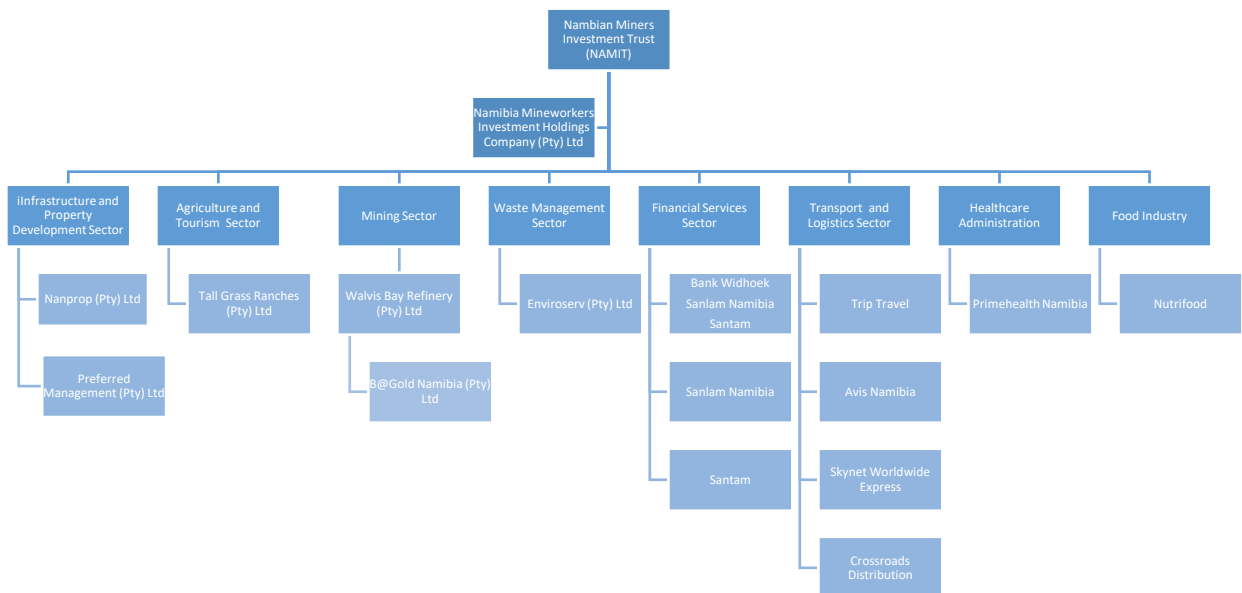


unions engaging in business investments. Unions in these two countries own stakes in a web of businesses cutting across a range of sectors. Section 2.3.1 and 2.3.2 briefly peeks through the two selected investments looking at the experiences of trade unions in both South Africa and Namibia.

### 2.3.1 MINEWORKERS UNION OF NAMIBIA

Mineworkers Union of Namibia (MUN) holds a 100 per cent stake in Namibia Mineworkers Investment Holdings Company (Pty) Ltd (Nam-Mic) through the Namibian Miners Investment Trust. Through the trust, MUN holds a portfolio of investments that cut across eight sectors. Figure 2.3.1a illustrates the network of both sectors and companies that MUN has an interest.

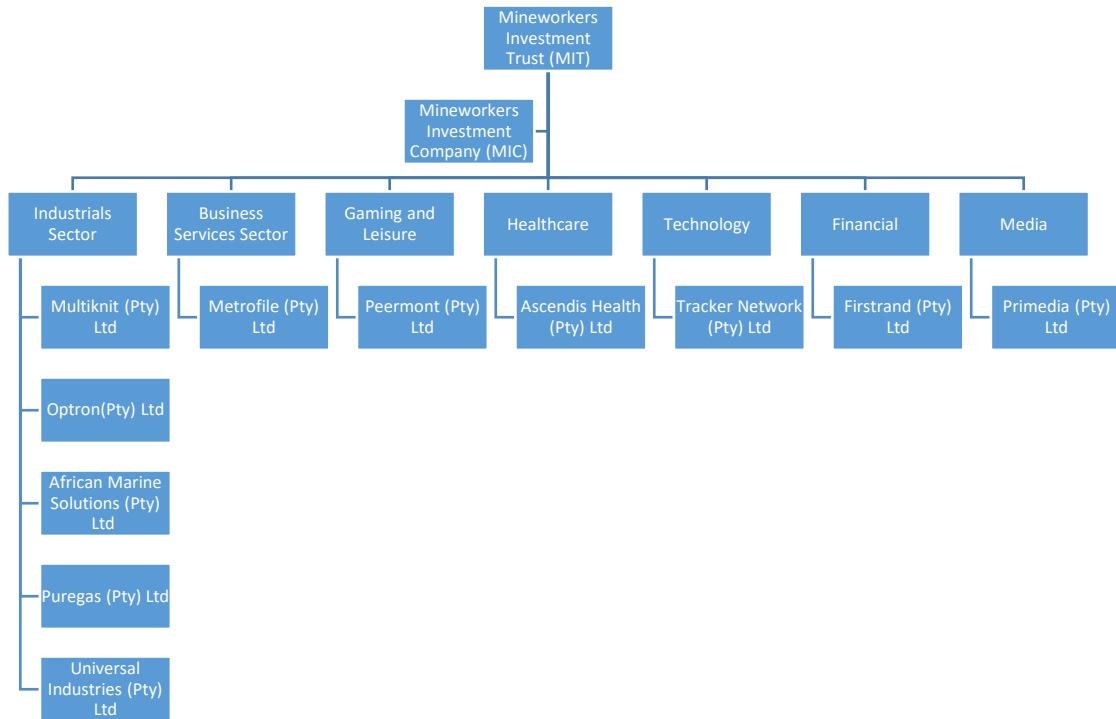
**Figure 2.3.1a**



### 2.3.2 NATIONAL UNION OF MINEWORKERS (NUM) OF SOUTH AFRICA

The National Union of Mineworkers (NUM) is another union that boasts of several investments across different sectors in the region. NUM holds a portfolio of investments across industrials; business services; gaming and leisure; healthcare; technology; financial, and media. Figure 2.3.2b presents a network of sectors and companies that NUM holds a stake in. The governance structure for NUM's entities is similar to that the Mineworkers Union of Namibia. NUM controls its investments through its Mineworkers Investment Trust (MIT).

**Figure 2.3.2b**



From the above illustrations, it is evident that trade unions have engaged in businesses ranging from a varied portfolio. Moreover, what is common in the two cases of the Mineworkers Union of Namibia and the National Union of

Mineworkers Union is the organizational governance structure of ownership of the investments. The success of the business operations of the two unions is underpinned by a solid governance structure which has seen both the National Union of Mineworkers and the Mineworkers Union of Namibia owning and controlling their investments through trusts. The dividends derived from these companies are paid to union members through the established trusts.

## **CHAPTER FOUR: METHODOLOGY OF THE STUDY**

This chapter outlines the techniques and methods used to collect, process, and analyse the data. The study relies on qualitative data of cross-sectional nature collected through questionnaire, interviews and documentary material. The advantage of qualitative data is that it accords the researcher a superior understanding of the research objective of the study by revealing patterns and themes inherent in the data. A sample of five trade unions with investments and membership schemes were drawn for the study, and these include Botswana Public Employees Union (BOPEU), Botswana Teachers Union (BTU), Botswana Sectors of Educators Trade Union (BOSETU), and Botswana Mine Workers Union (BMWU) and Footballers Union of Botswana (FUB). Three of the trade unions constitute what is known as national unions whereas BMWU is a sectoral trade union. Footballers Union of Botswana (FUB) was included in the sample, however, it was expunged later, after learning that they have neither business investments nor membership schemes. Interviews and questionnaires were conducted with chief executive officers and directors of the commercial divisions of trade unions.

### **4.1 LIMITATIONS OF THE STUDY**

Initially we had selected five trade unions to form part of the sample of the research, being: Botswana Teachers Union (BTU), Botswana Sectors of Educators Trade Union (BOSETU), Botswana Public Employees Union (BOPEU), Botswana Mine Workers Union (BMWU), and Footballers Union of Botswana (FUB). All these unions

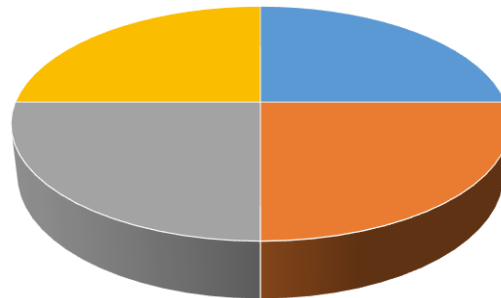
were selected based on the presumption that they had businesses. However, it emerged during the data collection stage that Footballers Union of Botswana (FUB) did not hold any business investments as they were still seeking approval from the world football governing body. Worryingly, both BOSETU and BMWU could not provide feedback on the questionnaire sent to their commercial wings or division. Therefore, the present study is based on data collected from two trade unions, being, BOPEU and BTU. Though it would have been ideal to have had as many trade unions taking part in the study, as it would have increased the variability of the findings, the results obtaining from the study are still robust and can be used to inform future potential areas of trade union investments and membership schemes.

Although it would have been beneficial to include in the sample trade unions that are not in business for purposes of appreciating their operational challenges, the researchers were constrained by the limited budget allocated to the concept paper. It is important to note that the exercise of collecting primary data through both questionnaires and interviews, is expensive.

## **CHAPTER FIVE: RESULTS, ANALYSIS AND INTERPRETATIONS OF THE STUDY**

Chapter five is based on data gleaned from two Public Sector Trade Unions that were included in the study and these are: BOPEU and BTU. It has emerged from the research study that these two trade unions hold investments across a number of portfolios and or sectors of the economy. For instance BOPEU have invested in loan schemes that offer members loans charged at sub-market interest rates, airtime schemes that accords members the opportunity to purchase cell phones and airtime, and insurance products. BOPEU holds a 100 per cent stake in Babereki Investments which is a controlling company of all the investments held by BOPEU. On the other hand, BTU also have investments across a range of portfolios: financial services, insurance brokerage, property management, and telecommunications. Collectively, the two trade unions have invested across four economic activities, with exception to the Property Management sector which BOPEU have not yet invested in.

**FIGURE 5A: TRADE UNION INVESTMENTS ACROSS ECONOMIC SECTORS**



- Financial services (loan schemes)
- Property management
- Telecommunications (Airtime and phone schemes)
- Insurance products and brokerage brokerage

### **5.1: MEMBERSHIP BENEFITS AND INVOLVEMENT UNION MEMBERS**

What is of particular importance is the fact that most, if not all, of the above-mentioned trade union investments and membership schemes are directly related to both BTU and BOPEU principles, membership needs and interests. For instance, BOPEU members are able to benefit from subsidized life insurance schemes and sub-market interest rates levied on loans. Other than benefiting from through subsidized services, what could be of concern to BOPEU is rather the extent of members' involvement in their investments. It appears that members' involvement is limited to the status of just being customers. Quite differently, BTU members' involvement is comparably extensive as their input is taken into consideration when developing products and services and enhancing service delivery.

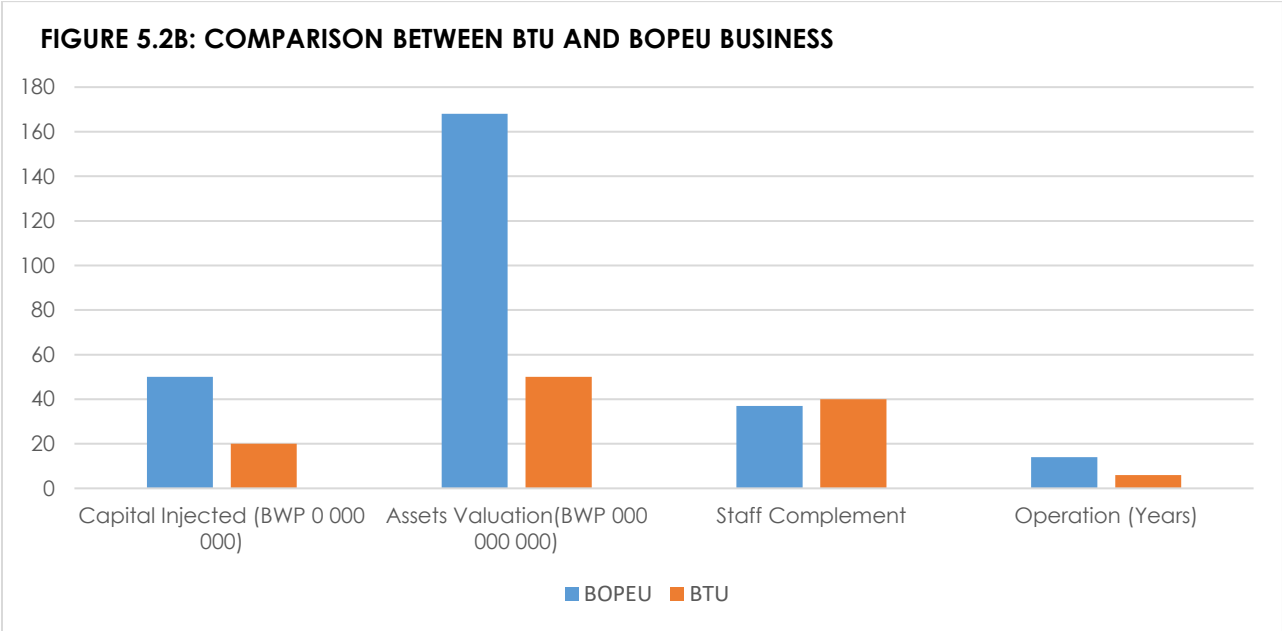
## **5.2 OWNERSHIP STRUCTURE OF BTU AND BOPEU BUSINESSES**

Babereki Investments (BI) is 100 per cent owned by BOPEU. The company was set up in 2005 which translates to 14 years of existence. Shareholders equity capital of BWP 500, 000 was injected into the company. And 14 years later the total valuation of the company assets have phenomenally grown to reach BWP 168,915 386. Moreover, Babereki Investment boasts of a staff complement of 37 employees. And to a large extent, the success of Babereki Investment can both be attributed to having a competent and qualified management and staff and also the strategy in place. To enable BOPEU to undertake its responsibility of bargaining on behalf of members, representing and capacitating members through education and training, Babereki Investments regularly pays dividends to BOPEU in the form of management fees. Management fees is a way of augmenting BOPEU's membership subscription dues.

On the other hand, More Power Investments is a controlling company for all of BTU investments. Though BTU have other strategic partners, More Power Investments is 100 per cent wholly owned by BTU. The company has been operating since 2013 and its assets are currently valued at more than BWP 50, 000,000.00. It has a slightly higher staff complement of 40 employees. And similarly, to a large extent, having a competent and productive management and staff have greatly contributed to the profitability of the business since its inception in 2013. Because of attractive products and services offered by More Power



Investments, BTU has realised an increase in their membership which translates to increased subscription fees for the union. Therefore, BTU has financially benefitted indirectly from More Power Investments. Apart from increased subscription fees, More Power Investments pays BTU dividends to supplement membership subscription fees to enable the union to undertake its worker bargaining and representation responsibilities. For comparative purposes, refer to **Figure 5.2B**.



**5.3 CORPORATE GOVERNANCE STRUCTURE OF BTU AND BOPEU BUSINESSES**

Corporate governance entails the system by which an organization is controlled. This system involves a set of rules, practices, processes and policies by which a company is controlled and directed. The Board of directors are the custodians of corporate governance (Institute of Directors: Southern Africa, 2016). To a large

extent, the success of most trade union investments in Botswana can be attributed to having a robust corporate governance structure. For instance, all of BOPEU's companies have a legally constituted board of directors that is duly elected by shareholders. Moreover, to discourage interference and meddling on the day-to-day management of BOPEU companies by the union leadership, Babereki Investments (BI) have a constitution and guidelines that prevents such an undesirable occurrence. Likewise, More Power Investments have a clear and defined relationship between itself and BTU so as to avoid trade union leadership interference. And moreover, More Power Investments boasts of a competent board of directors which is inclusive of an independent professional who plays an advisory role.

#### **5.4 HUMAN RESOURCE AND STRATEGY PLANNING**

Both Babereki Investments and More Power Investments have greatly attributed their success to having a quality, competent, and productive human resource. For instance, in one of the interviews with Babereki Investments human resources directors, they indicated that they only employ workers with a tertiary education qualification. Additionally, both companies regularly trains its staff so as to enhance efficiency of service delivery to its members. In August this year, Babereki Investments trained all of its staff on strategic planning and development. More Power Investments have also cited strategic partnerships with other entities as a key ingredient behind the success of their business.

## **5.5 CHALLENGES FACED BY TRADE UNION INVESTMENTS AND MEMBERSHIP SCHEMES**

Lack of or the inability to raise capital by trade union investment companies has been cited as a major challenge that inhibits the expansion of trade union companies. For instance, Babereki Investments would like to expand their portfolio into the lucrative real estate property market but are faced with the challenge of raising the necessary capital. Moreover, the cumbersome regulatory framework around setting up an indigenous bank is impeding Babereki Investments from venturing into the banking sector. On the other hand, More Power Investments would like to further diversify its product and services offering but there are challenges such as: small market, uncertain political landscape of Botswana, and some members who holds dual membership of competing unions.

## **CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS**

The present study recommends an increased involvement of trade union members in the running and operation of trade union investments. This will enhance the members' sense of ownership of trade union businesses and also increase checks and balances that will curb wilful looting of trade union resources by some unscrupulous trade union political leaders.

It is evident that having a good corporate structure played a crucial role in the success of BTU and BOPEU businesses. Both More Power Investments and Babereki Investments have competent boards of directors duly elected by shareholders. Additionally, both companies have defined clear guidelines and principles that guides against trade union leadership interference in the running of both companies.

The present study further recommends that trade union leadership should engage with the relevant banking industry regulators (Bank of Botswana) to encourage the regulator to relax some of the stringent capital requirements and compliance procedures relating to setting up of an indigenous trade union bank. However, in the meantime, trade unions may consider buying a stake or share in existing commercial banks either through private equity or public shares. For instance, the National Union of Mineworkers of South Africa has a stake in FirstRand (Pty) Ltd. FirstRand owns First National Bank.

It has emerged also that having a competent, quality and productive staff and management cannot be discounted as an important factor that drives the success of trade union investments. It is vitally important for trade union companies to regularly train staff and management so to increase service delivery and innovate and diversify product and service offerings that appeal to members.

Trade unions investments in Botswana seems to be concentrated only on four economic sectors i.e. financial services, telecommunications, insurance, and property management. Even so, with all these investments, they are lodged in the lower streams which have low value. Both the Mineworkers of Namibia and the National Union of Mineworkers of South Africa holds high-value upper stream investments across eight and seven economic sectors, respectively. Under these sectors, both unions controls a web or network of companies. The present study recommends local trade unions to extensively diversify their investments into sectors with high-value and in the upper-stream such as: Pension fund administration, hospitality and leisure, media and communications, healthcare, transport and logistics, food and catering etc. These are industries that have a high growth potential and are not yet saturated.

Lastly, the present study recommends trade unions to establish trusts. A trust is a legal arrangement by which control over a property or company is transferred to an organization (trustees) for the benefit of someone else or the founder entity (trade union). The study advises trade unions to set up trusts which then can

control all of the business investments owned by trade unions. This is the model that has been adopted by both Mineworkers Union of Namibia and the National Union of Mineworkers of South Africa. The overarching advantage of a trust lies in its flexibility as it relates to law. It is easier for trade union businesses to pay dividends to a trust account owned by a trade union without necessarily raising the eyebrows of regulators. Thereafter, trade unions can access these dividends and undertake their bargaining and representation responsibilities.

#### **6.1: RECOMMENDED MODEL FOR BFTU**

For purposes of setting up business investments, the present study advises BFTU to set up a contributory umbrella trust fund. The fund will represent an investment vehicle through which BFTU affiliates may undertake their investments. In terms of the governance structure, the contributory umbrella fund must have a board of trustees, preferably selected from or constituted by the BFTU affiliates, who are essentially shareholders of the umbrella trust fund.

Since trade unions are not supposed to directly engage in business, the contributory umbrella trust fund would undertake such on behalf of BFTU affiliates. The fund will represent an investment vehicle for the federation. To capitalize the fund, a certain portion/percentage in affiliation fees should be set aside to fund the contributory umbrella trust. The umbrella fund offers many permutations by which BFTU and its affiliates may engage in business.

Firstly, the umbrella fund may leverage on the 50, 000 plus BFTU affiliates membership to access capital funding from the financial markets. This funding

may be utilised by the umbrella fund to pursue profitable business opportunities such as buying stakes in well-established entities or setting up businesses.

Another, alternative, is whereby the umbrella fund capitalise affiliate unions under BFTU to kick-start their businesses. This could happen through loan advances to affiliate unions by the umbrella. Affiliate unions will in turn pay back loans to the umbrella fund with interest, therefore, generating additional revenue for the umbrella fund. Investing in BFTU affiliates will go a long way in augmenting the revenues of trade unions in Botswana and moreover help them to fully pay their affiliation fees to BFTU. Furthermore, when setting the contributory umbrella fund, the paper advises BFTU to consult and seek the advice of legal practitioners who are legally conversant with issues of setting up of investment trust funds.

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