



# **Numsa Special National Congress**

**December 2013**

**Discussion Document 4**

**Positioning NUMSA as a shield and spear of  
struggling workers**

## Table of Contents

<b>Table of Contents .....</b>	<b>2</b>
<b>1. Introduction.....</b>	<b>3</b>
<b>1.1. The world of capitalist production has changed.....</b>	<b>3</b>
<b>1.2. Contracting and outsourcing.....</b>	<b>3</b>
<b>1.3. Understand the value chain .....</b>	<b>3</b>
<b>1.4. Workers outside our scope want to join us .....</b>	<b>3</b>
<b>2. How unions have responded to the changes and challenges? .....</b>	<b>4</b>
<b>2.1 The case of IG Metall (Germany).....</b>	<b>4</b>
2.1.1 Reasons why IGM is in the process of re-organising its membership base? .....	4
2.1.2 What have been the consequences for workers and challenges for union organising at IG Metall?	5
2.1.3 What strategies has IG Metall undertaken? .....	5
2.1.4 Experiences and first successes for IGM? .....	6
<b>2.2 Scope of IF Metall - Sweden.....</b>	<b>6</b>
<b>2.3 UNITE - United Kingdom .....</b>	<b>7</b>
<b>3. Options for positioning Numsa as a shield and spear.....</b>	<b>7</b>
<b>4. Options for positioning Numsa as a shield and spear.....</b>	<b>7</b>
<b>4.1 “One Industry, One Union”: Reject “core” and “non core” .....</b>	<b>7</b>
<b>4.2 Sectoral Union: Organise along value chains .....</b>	<b>8</b>
<b>4.3 Hybrid Union: acknowledge regional differences.....</b>	<b>9</b>
<b>Appendix: Value chains in the metals industries.....</b>	<b>10</b>
<b>The iron and steel value chain .....</b>	<b>10</b>
<b>The aluminium value-chain.....</b>	<b>11</b>

## **1. Introduction**

### **1.1. The world of capitalist production has changed.**

- In the past two decades the changing nature of work has had a significant impact on collective bargaining.
- Global trends have shown that there are fewer large companies which manufacture and assemble products and provide all their own services under one roof.
- Instead there is a value chain of separate companies manufacturing components and providing services to the final assembly plant.
- For example, in the auto industry, as a result of changes in both global and domestic value chains, power has shifted significantly from the components sector to Original Equipment Manufacturers (OEMs).
- As a result, workers in the components industries have witnessed reduced power to win and maintain decent working conditions as Original Equipment Manufacturers (OEMs) have continued to squeeze margins.
- Furthermore in today's economy, the increased outsourcing of key functions such as logistics and transportation by many major companies has increasingly made it difficult for unions to bargain effectively.

### **1.2. Contracting and outsourcing.**

- Global companies have embarked on strategies that allow for a greater percent of production and manufacturing to be provided by contract manufacturers and through outsourcing, thereby cutting off workers who were traditionally represented by existing unions.
- The situation is complicated by mergers and acquisitions, changing ownership patterns, plant closures, movement into services, over-capacity, relocation of production, high rate of precarious employment and redundancies.
- It has increasingly become the norm to find workers from different companies working in one production line or assembly. As a result of these vast changes in the field of production, the principle of one industry one union has become difficult to adhere to.

### **1.3. Understand the value chain**

- In light of the changing nature of major industries and the increased casualisation of work, workers' only hope of getting more value for their labour is to collectively push back against the upper levels of the value chain and demand a redistribution of the value that is created by the collective value chain.
- It is therefore critical for the union to analyse value chains. Such an analysis will enable us to organise in the value chains so that we have the power to disrupt them.

### **1.4. Workers outside our scope want to join us**

- In addition to the challenge of the changing nature of the structure of industries and the continued blurring of industry classifications, the union is confronted with the challenge of how to respond to workers who want to become members of NUMSA but however fall outside the union's scope.
- Some Cosatu affiliates have experienced severe difficulty in servicing and supporting their members. This has resulted in the growth of unions such as Association of Mining and Construction Union (AMCU) and the National Transport Movement (NTM), which are breakaways from NUM and SATAWU. Some of the workers have approached Numsa for support.

- Although we understand COSATU's policy of one industry, one union, it is hard to turn away workers whose only alternative is to join a non-Cosatu union or to remain with no union to support them at all.

## 2. How unions have responded to the changes and challenges?

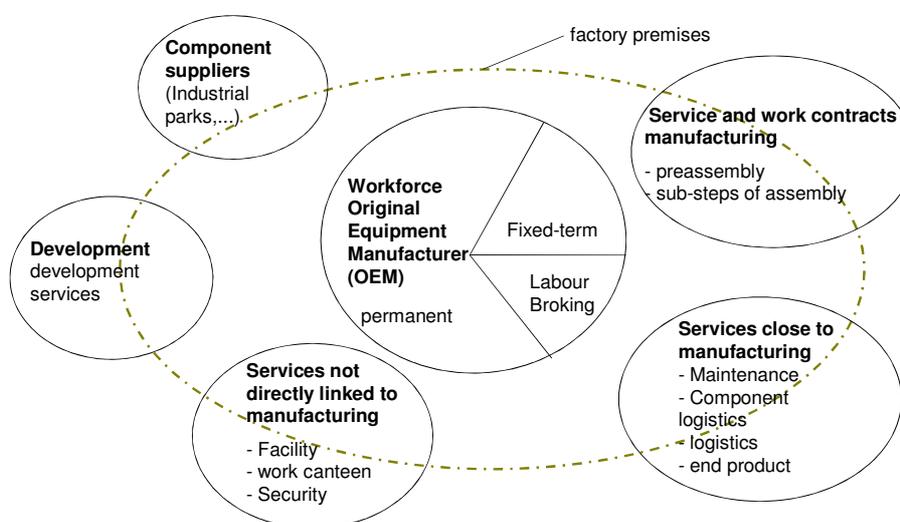
- In the last 20 years most unions have sought to deal with these challenges through mergers.
- NUMSA is not the only union to consider changing its organisational scope. For example our sister union in Germany, the IG Metall (IGM), has recently initiated a similar discussion process.
- Some experiences can also be drawn by considering the broad scope of our sister unions in Sweden and the United Kingdom.

### 2.1 The case of IG Metall (Germany)

#### 2.1.1 Reasons why IGM is in the process of re-organising its membership base?

- IGM has undertaken a process of re-organising its membership base as a result of developments and changes in the metal sector.
- About 30 years ago product development, assembly, sales and marketing of a product were integrated into single enterprises.
- Today huge parts of the value chain consist of many different component suppliers and service companies.
- This development is part of the concept of lean production, which aims at tighter value chains with greater flexibility and cost reduction through outsourcing.
- Some of these outsourced jobs are defined as services, which form integral parts of the value chain (see figure 1).
- IG Metall is confronted with outsourcing in all big and medium-sized industrial plants. Similar to labour broking, employees of outsourced companies often work directly in the plant of the client, the Original Equipment Manufacturer (OEM).
- IG Metall has managed to regulate labour broking in collective bargaining agreements, but employers try to undermine these agreements through making increasing use of outsourcing and contracts in work and services.

Figure 1: Structure of the value chain in the automotive industry



- Lower qualified jobs are affected most by outsourcing, e.g. in work canteens and cleaning services. However outsourcing is also prevalent in high qualified jobs like engineering, research and information technology.
- Big companies worldwide are these days specializing in offering these industry-orientated services, ranging from information technology to high-value development services, from maintenance and repair and logistics to in-plant assembly.
- Near to big industrial enterprises, industrial parks are developing, which offer their services on the OEM's factory premises. This development is further accelerated through far reaching processes of transformation in technology, operations and material.
- As development, assembly, sales and marketing of products is no longer done by one company and is increasingly outsourced to component suppliers and sub-contractors, the conventional definition of what constitutes an industry or a sector doesn't correspond with reality any more.

### **2.1.2 What have been the consequences for workers and challenges for union organising at IG Metall?**

- Capital's intention is to reduce one-fifth or up to one-third of its core employees in the manufacturing sector through labour broking, outsourcing and contracts for work and services.
- This leads to a division of workers into core and non-core workers who often work on the same premises or very near to each other.
- As a result of this drive to increase outsourcing, working conditions of non-core workers have been on a downward slope and collective bargaining agreements are being undermined through low-cost suppliers. One effect of outsourcing is that workers earn up to 60% less than what they were earning before as employees in the metal and engineering industry.
- Therefore the power of unions and work councils is reduced to core areas and there are more and more outsourced workers without union representation.
- The expansion of work in the non-core areas also puts pressure on the working conditions of core workers. Therefore collective bargaining agreements and working conditions for workers in the core areas will also continue to decrease if unions are not successful in developing a collective bargaining strategy for core workers and non-core workers jointly.
- There is an increasing danger that workers in the core and the non-core areas regard each other as rivals and don't perceive conflicts about distribution with the employer as joint struggles for better working conditions. This negatively affects worker solidarity.
- The membership of IG Metall, based on a decreasing number of workers in the core, will decline if the IGM doesn't start to prevent or regulate outsourcing and organise non-core workers.

### **2.1.3 What strategies has IG Metall undertaken?**

- IG Metall wants to avoid a situation, where at the end of the day, there are only few core workers left responsible for sticking the logo on the car and everything else is outsourced in low-paid, non-unionised sectors. So the union started studying the value chains and suggesting that the union that is at present responsible for the end product of a value chain should also recruit all workers belonging to the same value chain. For example, if new sectors are developing out of the automotive sector, these new sectors or outsourced companies should be organised by IG Metall.
- IG Metall therefore needs to determine "who belong to our value chains" and is in the process of developing a better understanding of how industrial manufacturing and services are interlinked and connected, with the intention of re-organising its membership scope by saying "every worker that is part of the value chain belongs to us."

- It is necessary to regulate the whole value chain. Firstly, it plans to push OEMs to agree to minimum standards as binding pre-conditions for contracts with service providers. Secondly, IG Metall aims to regulate industry-orientated services through collective bargaining agreements with the aim of linking or leading these to the central collective bargaining agreement in the sector. An alternative, because of the differing conditions, could be to aim at a new central bargaining agreement for industry-orientated services.
- The union needs to develop a strategy to prevent or complicate outsourcing in the future. IG Metall rejects in principle all outsourcing which affects the core competencies of an enterprise, which operates on the basis of sham contracts or which leads to decreasing working conditions. In cases of outsourcing, IG Metall needs to ensure that collective bargaining agreements exist to secure equal working conditions at the workplace and to secure co-determination and cooperation between works councils in outsourced companies and in OEMs.
- It is necessary to start union projects aimed at recruiting in new and less unionised sectors in the non-core areas. By organising labour broker staff, the IGM has shown that it's possible to recruit in non-unionised sectors and that these can be regulated through collective bargaining agreements to guarantee fair working conditions and better wages.
- The driving force of organising are work council members and shop stewards in the core areas in OEMs. They are able to speak to workers in the non-core areas, activate and organise them and expose their working conditions. Together they will be able to increase pressure on employers and to enforce better working conditions.
- A coordinated approach is necessary, including research, identification of essential companies for recruitment, concept development and implementation.

#### **2.1.4 Experiences and first successes for IGM?**

- IG Metall managed to organise two logistic service providers and to achieve bargaining agreements. In Schnellecker, a company which provides services to Volkswagen and is located in Zwickau in the province of Sachsen, IG Metall organises now 80 percent of the 1.200 employees.
- It needs to be pointed out that so far Schnellecke had been organised by ver.di, a union, which organises in the public and private service sector. The takeover by IG Metall has increased conflicts between the two unions, who belong to same federation.
- In addition, IG Metall admits that despite these two regional organising successes, there is no coherent strategy yet.

#### **2.2 Scope of IF Metall - Sweden**

- IF Metall is the second largest affiliate of the Swedish Trade Union Confederation. It was formed in a 2006 as a merger between the Swedish Industrial Union and Swedish Metal Workers Union.
- Unlike in Germany where the focus has been on organising along value chain, our sister union in Sweden has extended its scope. IF Metall has 400 000 members and organise in the following sectors:

Metal	Mining	Chemicals
Pharmaceuticals	Automotove	Component
Plastics	Glass	Clothing

### 2.3 UNITE - United Kingdom

- UNITE is Britain's biggest union with 1.42 million members. The union was established in 2007 through mergers in which smaller and more specialised unions came together to combine their resources and increase their bargaining power and collective strength.
- An important feature of UNITE is that the union has a community membership initiative. It welcomes into its ranks those not in employment into the union, and it builds on the strength of organising which is changing the face of the trade union movement.
- UNITE organises in 23 sectors:

1. Aerospace and shipbuilding	2. Chemicals, Pharmaceuticals	3. Civil Air Transportation	4. Community and Youth Work
5. Construction	6. Docks, rail, ferries and waterways	7. Education sector (research, technical staff, IT staff, administrative, estate, maintenance staff)	8. Electrical Engineering & Electronics
9. Food, Drink and Tobacco	10. Finance, Legal, Banking and Insurance	11. Graphical Paper and Media	12. Energy and Utilities
13. Health Sector	14. IT & Communication	15. Local Authorities	16. Manufacturing
17. Metals	18. Defence, Prisons and Royal Mint	19. Motor component	20. Passenger Transport
21. Road Transport Commercial	22. Rural and Agricultural sector	23. Servicing and General	

### 3. Options for positioning Numsa as a shield and spear

#### 4. Options for positioning Numsa as a shield and spear

Here are 3 options for Numsa. You don't have to choose between one option and another option. Please consider them all and choose which ones you think Numsa should pursue. You may choose them all if you think they are all correct options

##### 4.1 "One Industry, One Union": Reject "core" and "non core"

- We should work within (and re-affirm) Cosatu's principle of "one union, one industry" and reject the employer's principle of "core and non-core" business.
- Most companies now outsource areas which they consider non-core, like the canteen, cleaning and security, machine maintenance, warehousing and transport.
- We should organise all workers "core and non-core", white collar and blue collar, into Numsa.
- This could include the following areas:
  - Canteen
  - Cleaning
  - Security
  - Machine maintenance
  - Warehousing
  - Transport
  - Shop staff in garages.

- Many of those jobs used to be occupied by Numsa members. Their work is part of the value chain of the companies where they work.
- They only ever left our industries because of an outsourcing system which we have always rejected and resisted.
- This approach allows for the phasing out of outsourcing and the creation of one strong union in a workplace and worker unity.
- It adheres to the “one industry, one union” principle of the federation’s resolutions.
- It would be mean that we could launch a total onslaught and invest our maximum focus on the attainment of greater representation in the sectors in which we are currently organized and address our weaknesses that see us not having majority representation in certain sectors.
- The question of the continued unity of the federation will also resonate with this scenario, as the union will not be seen to be giving ammunition to attack by those who are currently, for one reason or the other, attempting to weaken or divide the union.

#### **4.2 Sectoral Union: Organise along value chains**

- Persuade Cosatu to move away from an industrial approach to organising and towards a “value chain” approach.
- Cosatu’s 6<sup>th</sup> Congress already opened the pathway to this form of organisation when it resolved (even though it was never carried out) to create groups of unions called ‘cartels’, including a ‘Manufacturing’ cartel. The job of the cartels was to “take responsibility for defining sector policy, take responsibility for collective bargaining and set parameters for all other union work of national competence.”
- We already have members who fall into this category: petrol station attendants do not have a “trade” and are not “metalworkers”, but are “general workers” within the value chain of the motor industry.
- We already made a beginning to such an approach with the proposed amendment from the 2012 Congress on petrochemicals to include refineries, drivers of tankers and pipeline employees.
- In auto we should look at motor-ferry drivers and workers who manufacture seat covers and even industrial clothing.
- Mining of gold, platinum and iron ore, for example, are also clearly part of the metal industry value chain. It may be that our 2012 decision to add jewellery and the refining of base and precious metals and related work including extractive processes will inevitably lead us into mining.
- Value chains for Numsa could be:
  - Petrochemicals
  - Oil Pipe Lines
  - Petrol and Diesel Depots
  - Building and Construction
  - Energy and RNWs
  - Upholstery
  - Scaffolding
  - Nuclear
  - Hydro
  - Production, sale, and fitment of glass components including windscreens and fitment centres
  - Car valet and wash bay establishments which are not attached filling
  - PMG (Precious Metal Group ) beneficiation
- This approach would face challenges: firstly, we may struggle to meet the required membership threshold of the new bargaining councils; secondly there will be resistance

from other unions whose membership is affected; lastly such an agenda may have the unintended consequence of sowing disunity within the federation and Alliance.

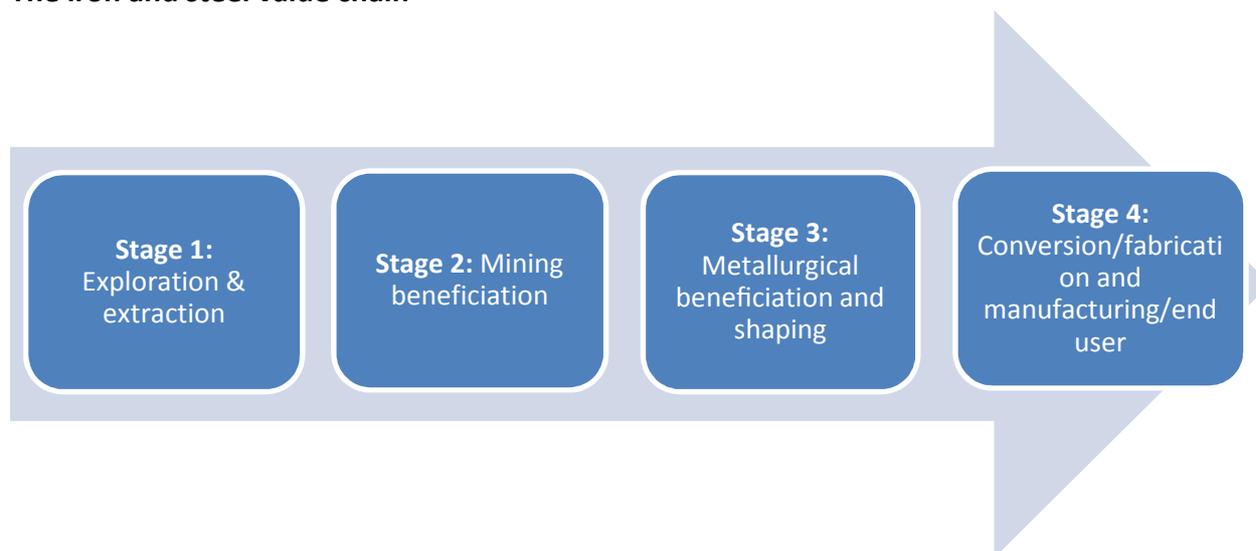
- However, it is clear that members of other unions are voting with their feet and coming to our offices for answers. These workers need representation and if we do not accept them we will cast them into the wilderness of non-unionism or, worse still, opportunistic organisations which will spring up.

#### **4.3 Hybrid Union: acknowledge regional differences**

- Development in South Africa has been uneven; some provinces develop faster than others with huge investment in the manufacturing industry which employs a large number of workers. In these provinces population growth has also increased significantly. Many people are employed and labour is better organized.
- However we also have provinces in this country where development is very slow and no industrial development is taking place. In these provinces, like the Northern Cape, which are big and vast you have high levels of unemployment and many people depend on subsistence farming and the informal economy.
- The underdeveloped provinces pose serious challenges for unions; a union like NUMSA will never be strong as a sector/industrial union; its relevance in those provinces becomes questionable.
- Unions should also begin accepting this reality if they want to be relevant and adapt to the ever changing situation.
- It is therefore important to begin a discussion about how to keep NUMSA relevant in these provinces. One proposal is that the union can be an industrial or sectoral union in provinces like Gauteng, Mpumalanga, North West, and a semi-general or general union in provinces like Northern Cape.
- Hybrid unions are becoming common especially in the USA. Such unions have been shown to operate effectively and provide proper service to members. The majority of these unions operate in the South and are coordinated by NGOs.

## Appendix: Value chains in the metals industries

### The iron and steel value chain



#### **Stage 1: Exploration and extraction**

The process of exploring for and then extracting iron ore (drilling, blasting, loading, hauling) is typically open pit mining performed by mining companies.

#### **Stage 2: Mining beneficiation**

Although some iron ore miners sell their iron ore directly to steel producers, referred to as directly shipped ore (DSO), most iron ore in South Africa is beneficiated through capital intensive dense medium separation or jigging by miners at the mine site, in order to convert the mined ore into a saleable product and/or to increase its value in use (VIU) to local and international steel producers.

#### **Stage 3: Metallurgical beneficiation and shaping**

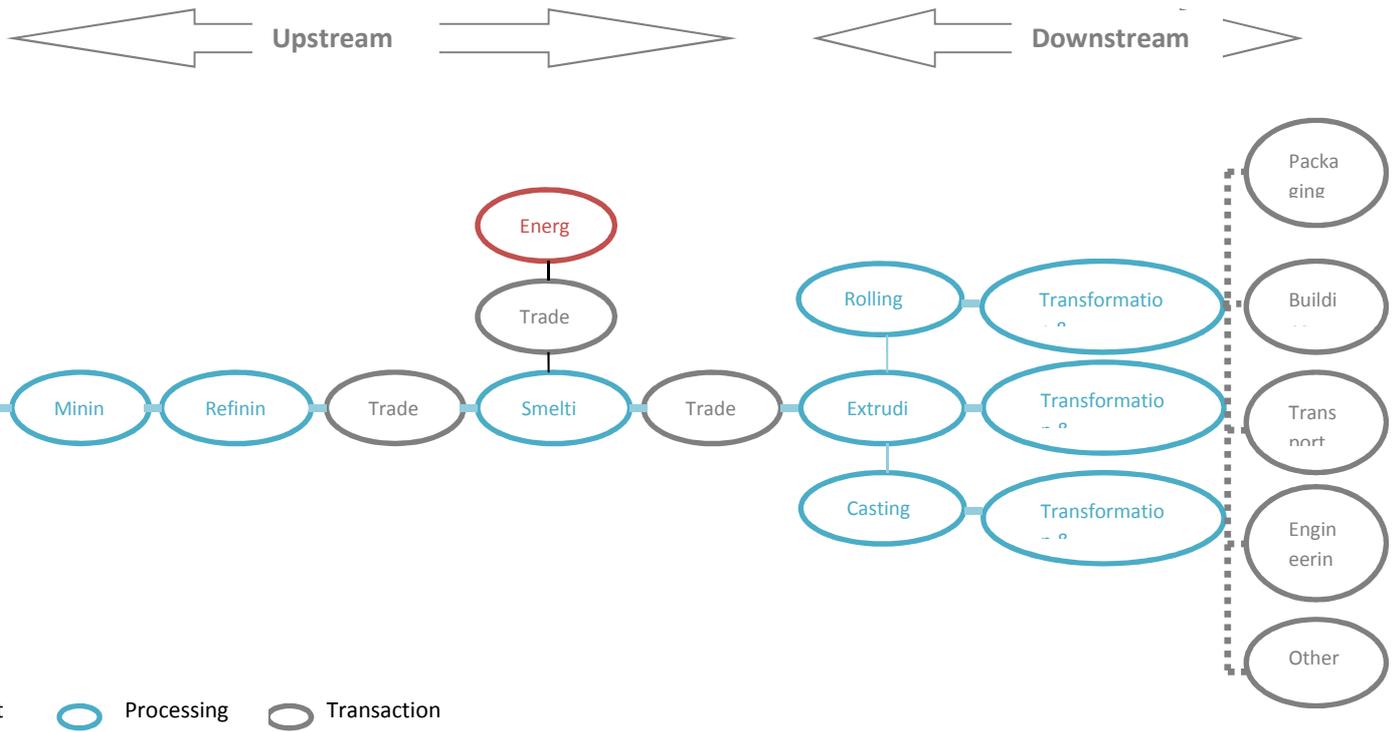
This process is performed by the steel manufacturing industry and typically involves smelting to convert iron ore into pig-iron (in South Africa primarily via the blast furnace route) and then refining (eg using a basic oxygen furnace) and shaping it in rolling mills into steel products (eg HRC - hot rolled coil). Other input materials in steel manufacturing are scrap, manganese and coking coal. The most expensive component in this process is coking coal (mainly imported into South Africa), which is used to produce coke, needed both as the chemical reductant and as the source of energy in the process. An alternate steelmaking technology also used in South Africa is the electric arc furnace (EAF) route. Although this process uses small quantities of iron ore, most of the iron is obtained from smelting scrap metal using significant quantities of electricity as the energy source.

#### **Stage 4: Conversion/fabrication and manufacturing/end user industries**

This final step in the value chain encompasses two groups of players:

- converters/fabricators that convert standard steel products into intermediate products (eg wire and tube); and
- manufacturers/end users that consume both standard steel products and intermediate products from converters. The largest end user industries in South Africa are building and construction (40%), automotive (11%), machinery (9%) and mining (7%).

## The aluminium value-chain



The aluminium value chain includes mining, refining, and smelting in its upstream market, and rolling, extruding, casting, and transformation and distribution in the downstream market. The figure above depicts the inputs, processing and transactions that form part of the aluminium value chain.