

# Forward with the capitalist workers struggle?

Report by LIV TORRES\*

**T**he Zenzeleni clothing factory in Durban started as a collective ownership plan, where the SA Clothing and Textile Workers Union (SACTWU) owns and controls the company. Now, due to economic problems, it is considering individual ownership by selling shares to individual workers. Increased internationalisation and extensive changes in the structure of industry and ownership have created a need to explore new solutions to economic problems. Zenzeleni is one of many South African companies experimenting with new forms of ownership. The paradox is that unions are taking on a strategy usually promoted by business.

The rights of capital to control and profit is controversial. Opponents wanted to change the structure of ownership, rather than separate control and profits from ownership. The dream of socialists was to bring productive assets under some sort of public control. Nationalisation was the buzz-word. Then came co-ops. Collective ownership is supposed to nurture an improved working environment and collective values. Economic profitability was perceived as a side-effect of workers empowerment.

Then capital itself increasingly started to focus on the ownership structure, with the aim of economic adjustment and improved company performance. They perceived individual ownership as a means to increase workers efficiency by giving them risks and gains in the company. Individual ownership was an alternative pay-system where labour costs more closely would reflect the external market.

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Zenzeleni started in 1989 after mass retrenchments at the Frame Group. Frame provided raw cash as part of the retrenchment agreement. This went, along with contributions from the international trade union movement and SACTWU, into a trust which provided start-up capital. The new co-op was not only to create jobs for retrenched workers. Workers, through a union-run company, would also learn business skills and exercise control over their job situation.

Zenzeleni started with around 300 workers, initially concentrating on T-shirts for the anti-apartheid market. Soon, big contracts for workwear for large mining companies dominated production and today constitutes about 90% of production.

Zenzeleni is run through a board of trustees elected from the union's national executive committee. The trustees appoint a board of directors and a general manager to run the factory. Six elected shopstewards represent workers and two shopstewards represent workers on the board.

Given past failures of similar co-ops, Zenzeleni is not organised as a typical co-op with collective decision-making and work structuring. On the contrary, production is organised – like a typical clothing company – around piece-work. Here each worker's performance is measured according to the number of pieces produced a day and participation in running the company is relatively low.

Zenzeleni struggled to survive and traded at a loss for a long time. The markets for political T-shirts and industrial clothing declined. Falling orders caused shutdowns during 1993. Zenzeleni – like other local companies – felt the pressure from highly competitive East Asian companies.

Furthermore, internal factors made it hard to increase efficiency. The company was overstaffed. Creating jobs was more important than assessing the project's economic viability. Zenzeleni workers came from the textile sector and did not know the clothing sector with its delicate handling of fine fabrics. Training and development has been lacking because of a shortage of money. To make things worse, the project was undercapitalised. Today, only about 150 of the original 300 workers are still employed, a more suitable number.

During the hard times, Zenzeleni started discussing unusual means to reduce losses. The possibilities open to Zenzeleni to increase productivity were few. Attention was turned to ownership and distribution of profits and control. Both the socialist 'collectivistic' and the capitalist 'individualistic' approaches had problems. Where workers lacked knowledge of business administration or the market, collective ownership and decision-making had been unsuccessful, resulting in unhealthy decisions on investments, prices and wages. The individualistic approach, on the other hand, undermined labour and unions by strategies to co-opt workers on the basis of economic incentives.

Zenzeleni is now discussing combining increased individual participation together with collective union ownership. The co-op is discussing selling shares to individual workers, hence giving them economic incentives for performance. Workers are expected to be more efficient if they gain high pay-outs per share as the economics of the company improves.

Plans are being discussed to establish a new trust. Workers will be recruited as



Photo: Rafi Mavet

Zenzeleni shopfloor: little participation

shareholders after a training programme on co-operatives, information on how Zenzeleni works, and so on. As soon as a minimum of one third of the employees has joined, the existing shareholder (SACTWU) will sell 50 of the 100 issued shares to the new trust, thereby enabling the new trust to become a 50% shareholder in Zenzeleni. The share capital, about R300 000, is to be drawn from the workers, who will contribute approximately R1 000 each to the trust from their wages. After a few years, each worker is expected to get double that back. When leaving the company, workers must also leave the trust.

The trust will be administered by a committee of trustees, including at least two salaried and two weekly paid Zenzeleni employees. All trustees will be elected by the general membership.

### **Economic democracy**

Collective ownership is supposed to nurture collectivistic values and empowerment through collective decision-making. Yet, the prevailing culture at Zenzeleni is, as in any other clothing company, about management having the space to manage, dismiss and discipline workers.

International research shows that individual share-ownership may increase

productivity per worker, but this depends on the degree to which workers feel they have decision-making power and control through their ownership. In other words, organisation of work and the degree of participation and control – not ownership as such – affects productivity.

Does democratisation of working life flow automatically from formal decision-making rights? No, a democratic culture is needed, as well as a close relationship between day-to-day management and the interests of workers. The degree to which workers turn their formal rights into real power depends upon the organisation of work and the role of the union in the workplace.

Both individual share-holding ownership and collective ownership plans may fail in terms of economic performance if workers don't have the corresponding decision-making rights. Formal rights tend to be limited in the former case. In the latter, the basis of decision-making – education, information and expertise in managing a firm in a market economy – is often lacking. The solution may well rest in a fine balance between the two, where management has the space to manage and workers have the real capacity to take decisions and give direction.

### Unions role

What role is there for unions in a worker-owned or union-owned company? Unions within a worker/union-owned company may be viewed as the legitimate opposition in the workplace; pushing for real democratisation and functioning as the democratic opposition within an economic democracy – like an oppositional political party in a political democracy. Otherwise the union as owner is reduced to private manager and democracy easily reduced to an authoritarian system in which the ruling groups claim to represent the 'will of the

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workers'. There must be a role for the union or union-like structure as an independent power-base for oppositional views.

Furthermore, adequate expertise in company administration among workers is essential to enable workers to transform formal decision-making rights into real influence and control. The union's tasks could include developing workers' competence and serving as centres for information and expertise on shopfloor activities and organisation of work.

Whether Zenzeleni will survive in the face of its economic problems, still has to be seen. Combined with increased productivity per worker and profits per sold clothing item, losses are decreasing and have now turned towards gains.

Individual ownership tends to fail in increasing productivity if the company is running with losses in the initial phases. Therefore, Zenzeleni has postponed the implementation of the plans until the company can show a solid profit. However, recent improvements in economic performance are not due to collective or union ownership, but due to good management and cost cuts. To create a feeling of collective ownership which nurtures economic efficiency, there should be changed work organisation as well as real participation by workers in decision-making bodies, restructuring and training. Here lies the challenge for Zenzeleni and the continuous creativity of workers and management. ☆



Photo: Rafs Mayet