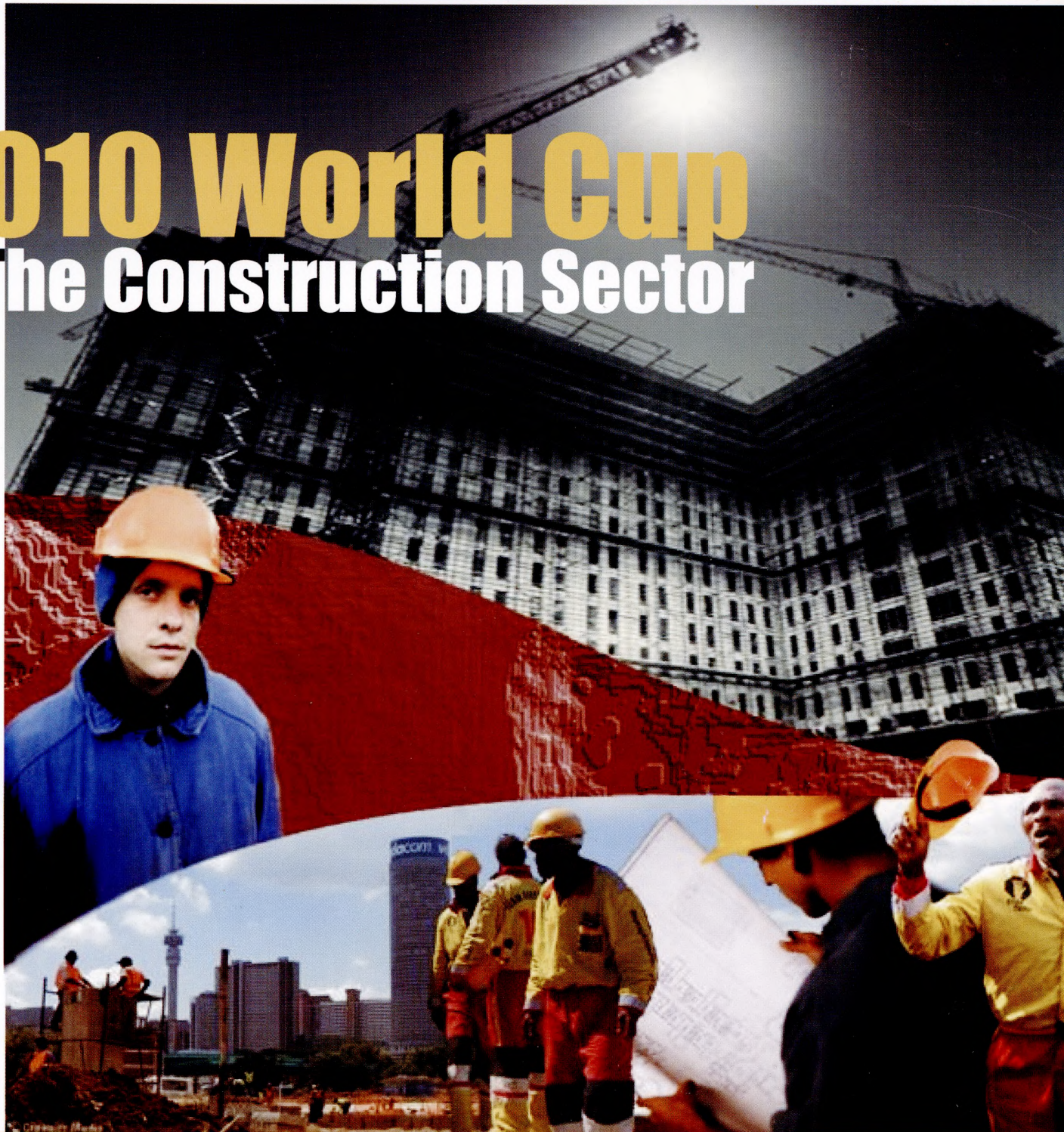




BUILDING AND WOOD WORKERS
INTERNATIONAL - BWI

2010 World Cup & The Construction Sector



Special Campaign Publication, August 2009

Campaign for Decent Work

What is BWI?

The BWI is the global union federation grouping of free and democratic unions, with members in the building, building materials, wood, forestry and allied sectors.

The BWI groups together around 318 trade unions representing around 12 million members in 130 countries. The headquarters is in Geneva, Switzerland. Regional and Project offices are located in Panama and Malaysia, South Africa, India, Australia, Burkina Faso, Bulgaria, Lebanon, Kenya, South Korea, Russia, Argentina, Peru and Brazil.

Our mission is to promote the development of trade unions in our sectors throughout the world, and to promote and enforce workers' rights in the context of sustainable development.

The President of the International is Klaus WieseHügel from the Building and Forest Workers Union in Germany. The Deputy President is Stefaan Vantourenhout from the Building and Wood Workers union in Belgium and the General Secretary is Anita Normark from Sweden.

PARTNER LOGOS

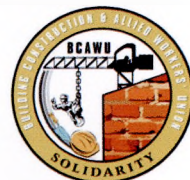


BWI • BHI • BTI • IBB • ICM

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Org. Suiça de Entre-ajuda Operária **OSEO**
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sask

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BWI



Dedication

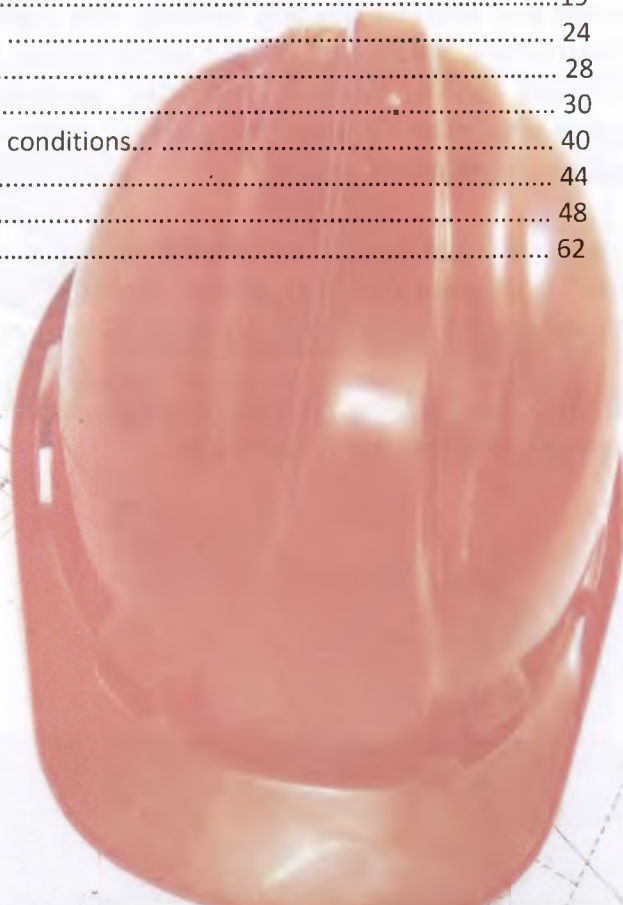
This booklet is dedicated to the construction workers of South Africa who died, were injured and endured ongoing hardship and super exploitation to build the transport infrastructure, stadia and related infrastructure to ensure that South Africa hosts a successful Soccer World Cup in 2010. Secondly, it is dedicated to those worker leaders who died fighting for workers' rights and decent work in the construction sector in South Africa.

In memory of the workers who died following injuries at the 2010 stadium construction sites: 'Dumisani Koyi (28), Peter Mokaba Stadium, 15 August 2008 and Sivuyele Ntlongotya (26), Green Point Stadium, 15 January 2009.

We also pay tribute to Saul Shabalala, General Secretary of SABAWO, who died in a tragic accident on 17 April 2009.

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Acknowledgements

This booklet is a product of a much lengthier process of discussion and debate around the Campaign for Decent Work Towards and Beyond 2010. Both international and national inputs influenced the understanding that the labour movement in the construction sector in South Africa would benefit from this booklet.

In 2006, the Africa and Middle East Regional Executive decided to embark on the Campaign for Decent Work, to be led by South African affiliates. The campaign was first launched in Nairobi Kenya, at the World Social Forum in January 2007. In South Africa, the national launch was on 27 October 2007.

We wholeheartedly thank our international allies, the Decent Work for Decent Life Alliance, the ITUC, Global Trade Unions, The Global Progressive Forum and Solidar for providing political support for the campaign.

We would like to thank The Building & Wood Workers International (BWI), especially the Africa and Middle East regional office, the head office in Geneva and its Swiss and Swedish affiliates, UNIA in Switzerland, the Swedish Building Workers Union (Byggnads), the Swedish Electricians' Union (SEF), the Swedish Forest and Wood Trade Union (Skogs & Träfacket), the Swedish Painters' Union (Målareförbundet), UNIONEN and the Swedish Union of Service and Communication Employees (SEKO). Politically, organisationally and financially, they have been at the centre of the resourcing campaign.

Thanks to the Swiss Labour Assistance (SLA) and the Trade Union Solidarity Centre of Finland (SASK) for their keen interest, enthusiasm and continuous support for the campaign.

A special thanks to Vasco Pedrina, BWI Vice President and Hansueli Scheidegger, Unia Construction coordinator, and to Joachim Merz (SLA), for their contributions in ensuring that the 2010 stadia inspection that took place with the support of the FIFA LOC in March 2009 was successful.

Thanks also to Ingemar Dahlkvist and Christer Wälivaara, for the support and excellent comparative work on the South Africa World Cup and the Euro Cup 2010 in Poland/Ukraine, which was funded by Byggnads, Målareförbundet and SEF; Michelle Taal from the Labour Research Service (LRS) for the company analysis; and finally the interns, Christian Forsman and Towe Jansson Wahnäs from Färnebo Folk High School in Göteborg, Sweden, for their excellent contribution on the 2010 strike barometer and general research assistance.

Thanks to Amandla, South Africa's left-wing magazine for permission to reprint two articles, "Namibia Bans Labour Hire" and "The 2010 BOOM – profits for some, poverty for others."

Finally, a big thank you to the South African trade unions BCAWU, NUM and SABAWO, for dedicating their time and energy to the fight for the rights of construction workers in South Africa during the preparations for the 2010 World Cup, and for their determination to present the plight of these workers in the international arena.pose

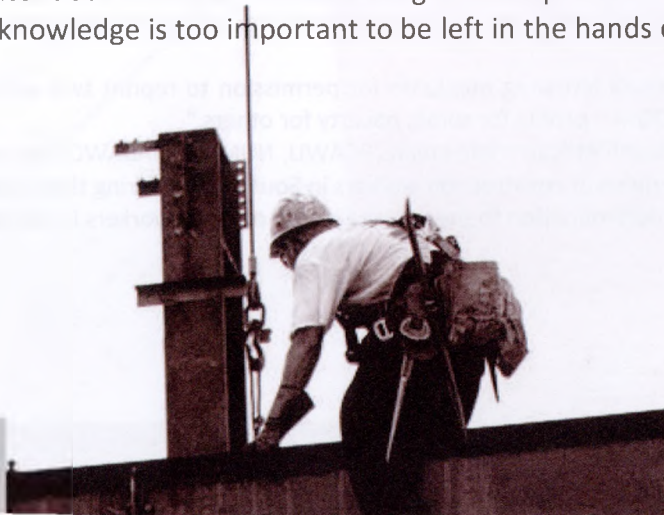
Purpose

This booklet is a resource for construction trade unions, shop stewards, workers and allied organisations engaged in the struggle to improve working conditions for those involved in FIFA World Cup 2010 construction projects, and those working in the construction sector. As with the first booklet, this booklet may be seen as a campaign tool for unionists as they fight for gains to set standards for South African workers in the sector. It will also set a benchmark for decent work for the Euro Cup in 2012, as well as for the time when Brazilian workers construct the stadia and infrastructure for the 2014 World Cup.

This booklet provides profile 'snapshots' of the major construction companies involved in 2010 World Cup construction projects. We also provide information on the minimum wages in the civil engineering sector, which are contrasted with the remuneration packages of executives in the industry. We take a look at how the campaign was forged and coordinated, and explore some of the key challenges and successes of the Campaign for Decent Work Towards and Beyond 2010. As the campaign also has an international character, we include feature articles looking at the campaign from an international perspective.

The information in this booklet is intended to arm those involved in the struggle for decent

work with information to be used in discussion, debate and action amongst workers. The booklet is also intended to contribute to building the independent knowledge of the working class. After all, "knowledge is too important to be left in the hands of the bosses."



Foreword



2009 marks a decisive period in the progress of the Campaign for Decent Work Towards and Beyond 2010. This year, the construction trade unions will be entering negotiations in the context of a new civil engineering agreement and sectoral determination to be negotiated and legislated as the 2010 World Cup stadia are completed in 2009. In general, this will be a landmark year, during and after which the campaign can measure the assistance provided to the unions through

capacity building, recruitment and organising, research, media, health and safety, and negotiating skills. It is in 2009 that the efforts of the campaign can be measured against the 2006 round of negotiations.

In South Africa, the Campaign for Decent Work has also provided the introduction to the issue of banning labour broking against the backdrop of the historic ruling by the Namibian Parliament banning labour broking in 2007. We will be hosting a construction summit this year to open up dialogue with government, employers and trade unions, to formally place policy options promoting decent work in the construction sector on the agenda.

But this booklet is not only about sharing information on the campaign, company profits, workers' wages and labour broking. In the final analysis, it is a call to action, to organise, recruit and build a strong trade union movement within the construction sector in South Africa and internationally. In this context, we will miss the contributions and presence of the late Saul Shabalala, the former general secretary of SABAWO and member of the 2010 steering committee, who passed away earlier this year.

Finally, I wish to thank all those who have contributed to this publication to advance the cause of decent work.

Amandla!

Crecentia Mofokeng

Regional Representative
Africa & the Middle East
Building and Wood Workers International

Partners in the Campaign for Decent Work

South African Unions involved in the campaign:

Building Construction and Allied Workers Union (BCAWU)
National Union of Mine Workers (NUM)
South African Building and Allied Organisation (SABAWO)

South African Federations involved in the campaign:

Confederation of South African Trade Unions (CONSAWU)
Congress of South African Trade Unions (COSATU)
National Council of Trade Unions (NACTU)

International Federations involved in the Campaign:

Building & Wood Workers International (BWI)
International Confederations of Trade Unions (ITUC)
Global Unions (GU)

Other unions:

UNIA (Swiss)

International organisations:

Solidar
Social Alert

South African organisations

Labour Research Service



Why a Campaign for Decent Work ?

With the current global crisis, investing in infrastructure has been framed as a way for governments to spend themselves out of a crisis. While many countries have only now included infrastructure investment as a stimulus package to carry countries through recessions, South Africa has been spending consistently since 2002. Indeed, the current expenditure rivals anything done by the apartheid government in the past. The South African government committed itself to spending some R372bn from 2006 to 2009 in its infrastructure development programme. It has also committed some R30bn or \$4bn for the 2010 World Cup. The infrastructure spend will continue, and public spending is set to increase further to R787bn over the next three years. This massive investment of public funds is going to be of direct benefit to the construction companies that will be contracted to build our water, electricity, housing, health, roads, buildings, stadia, rail and port infrastructure.

Construction workers, on the other hand, regardless of whether there is boom or bust, are experiencing poor working conditions through poverty wages, vulnerable employment through sub-contracting and labour broking and a lack of health and safety in the workplace.



IBB • ICM • BHI • BTI • BWI



Despite the huge public expenditure, construction workers' working conditions reflect a larger problem of increasing inequality and poverty in the context of massive profits and wealth accumulation in the construction sector and in the economy more generally.

A boom in profits

Large construction companies have been the greatest beneficiaries of the construction boom. Firms have not benefitted equally: the majority of smaller, emergent firms have been marginalised and have never won a major contract. A tiny minority of registered contractors -about 0,2% - tend to win the lucrative government tenders.

The table below shows that construction companies involved in the 2010 World Cup are part of the minority of construction companies that are taking the lion's share of most of South Africa's major construction projects. We have also added some of the indirect beneficiaries, such as construction materials producers.

| Company Name | PBT 2007 ZAR' millions | PBT 2008 ZAR' millions | % Increase |
|----------------------------------|---------------------------|---------------------------|------------|
| Aveng | 7953 | 3321 | -58% |
| Basil Read | 164 | 296 | 80% |
| Cashbuild | 192 | 245 | 28% |
| Group Five | 373 | 666 | 79% |
| Murray & Roberts | 1284 | 2558 | 99% |
| Pretoria Portland Cement Company | 2194 | 2266 | 3% |
| WBHO | 446 | 1081 | 142% |

An analysis of the construction sector company performance indicates an enormous *increase* in profit before tax (PBT) earnings. Despite the drop in profit by Aveng, taken over the long term, the graphs show a dramatic increase in profits since the World Cup bid was won by South Africa in 2004.

Average increases in construction company profits in R'million 2005-2008

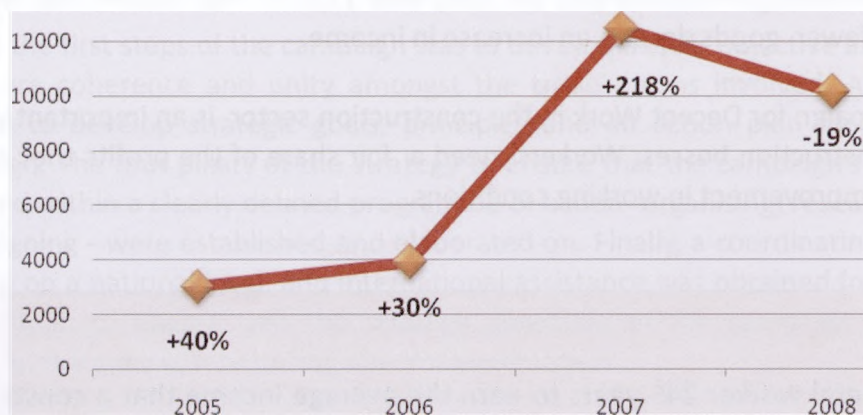


Figure by Labour Research Service

Poverty Wages

The South African construction sector is not only experiencing greater inequalities in incomes between the rich and poor. It is also experiencing inequalities between workers, even though they are doing the same work. This is because the South African construction sector is divided into a civil engineering sector and a building sector.

The current minimum wage of R14 per hour for a general worker within the civil engineering sector for a 43,2 hour week amounts to R604.80 per week or R2 618.78 per month. The current minimum wage for a skilled artisan in the civil engineering sector is R30.15 per hour or R1 302.48 per week or R5 639.74 per month.

Within the building sector, general workers can earn as little as R7.36 per hour (the minimum wage in the district of Kimberley). That amounts to R331.20 per week or R1 434.10 per month. Skilled artisans in the building sector could earn as little as R15.52 per hour or R687.40 per week or R3 024.07 per month – about half of the wages offered to skilled artisans in the civil engineering sector. Taking a conservative estimate of a living wage of

R3 000 per month means that by implication, the vast majority of construction workers receives an income well below a living wage. These are poverty wages.

Construction workers are not able to earn better wages. While they received a wage increase of 8 %, the average inflation rate for 2008 was 11,5 %. This meant that workers could afford to buy fewer goods despite an increase in income.

This is why the Campaign for Decent Work in the construction sector is an important vehicle to challenge the construction bosses. Workers need a fair share of the profits they create. They also need an improvement in working conditions.

Did you know?

It would take a general worker 245 years to earn the average income that a construction sector chief executive officer earns in one year!

Employment in the construction industry increased from 642 000 in March 2001 to 1 010 000 in March 2007, thereby increasing employment by 368 000 jobs.

70% of all construction workers earn below R2 500 per month or 326 CHF per month.

There are about 94 000 women employed in the construction sector. This amounts to 9.3% of the labour force.

A total of 22 000 workers are working on the World Cup stadia.

A Campaign Strategy

BWI and its affiliates have realised that the 2010 World Cup not only presents an opportunity for the sector to gain its respect, but also for trade unions to gain more members. Unions have developed a campaign strategy to realise this goal, founded on the use of all means necessary to achieve decent work in the construction sector.

One of the first steps of the campaign was to develop a clear objective and a set of demands to ensure coherence and unity amongst the trade unions involved. A strategic plan was devised to develop strategic goals, principles and an action plan for the success of the campaign. The four pillars of the strategy to ensure that the campaign's objective would be achieved within a clearly defined programme of action -organising, research, negotiating and campaigning - were established and elaborated on. Finally, a coordinating structure was put in place on a national level, and international assistance was obtained from the BWI Geneva head office, to ensure that the strategic objective of the campaign is fulfilled through planning, resourcing, monitoring and implementation.

Campaign Objective

The 2010 Soccer World Cup is used to facilitate growth of union density in the sector, through promoting decent work for non-standard workers in the construction industry.

The 2010 Soccer World Cup is used to facilitate growth of union density in the sector, through promoting decent work for non-standard workers in the construction industry.

Campaign Demands:

- *Promoting decent work*
- *Fighting for the right to work*
- *The right to organise*
- *The right to bargain*
- *The right to a living wage*
- *Zero accidents*
- *No to downward variation*
- *The right to quality jobs that promote dignity and not exploitation*
- *The right to improved basic conditions of work*
- *The right to health and safety awareness*

A clear plan for skills development



The pillars of a good campaign strategy

Organising workers is the central pillar that informs any campaign strategy within the trade union movement. In this regard, each union has to develop its own recruitment and organising drive, which is partly resourced by the campaign. The unions are held accountable through the reports they submit to the 2010 steering committee.

Research, which ensures a properly informed campaign, is another element of the strategy. The research for the campaign focuses on the profiles of the construction companies involved in the World Cup infrastructure projects, the construction workers' wages and conditions, the institutional arrangements for collective bargaining and the transformation thereof, vulnerable forms of employment in the construction sector and how to challenge this situation to ensure more stable employment conditions.

The research in turn supports the **negotiations** the trade unions undertake with both employer organisations and the Department of Labour to improve workers' conditions. Finally, campaigning ensures that the issues of workers, construction companies and the unions are profiled on both a national and international level.

On a national level, a steering committee consisting of two members of each trade union represented, BWI staff and the campaign coordinator **coordinate** the campaign.

2010 Steering Committee members

2007 to 2009

- Albert Masuku (ex-President) and Daniel Kgonyane (National Coordinator) - BCAWU
- Crosby Moni (ex-Deputy President) and Bhekani Ngcobo (Construction Coordinator) - NUM
- George Tyikana (National Coordinator) and Saul Shabalala (late General Secretary) –SABAWO



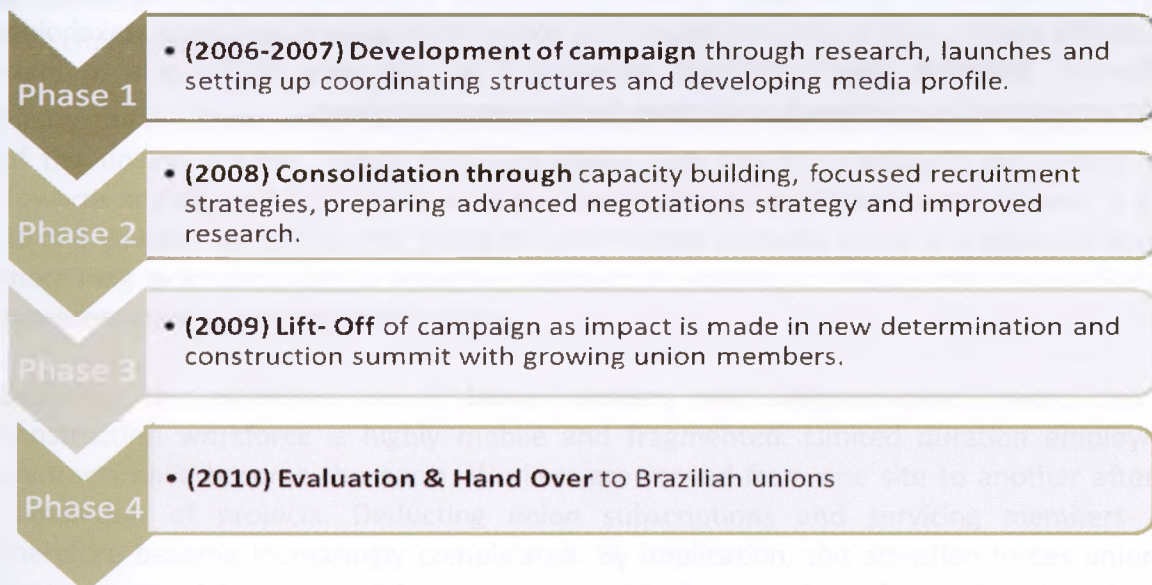
- Eddie Cottle (Campaign Coordinator) – Labour Research Service
- Crecentia Mofokeng (Regional -Representative) and Inviolata Chinyangarara (Regional Educator) (BWI)

2009 to present

- Strike Makutu (President) and Daniel Konyane (National Coordinator) - BCAWU
- Isaac Ntshangase (Construction Coordinator) - NUM
- George Tyikana (National Coordinator) SABAWO
- Crecentia Mofokeng (Regional Representative) and Katrina Mseme (Construction Project Coordinator) – BWI
- Eddie Cottle (Campaign Coordinator) – Labour Research Service

Campaign phases

The campaign plan was divided into four phases, marking the development and key defining moments of the campaign from 2006 to 2010, when the World Cup takes place in South Africa. The phases of the campaign are:



While the gains of Phases 1 and 2 have been summarised as a period of setting up and consolidation of the Campaign for Decent Work, it is Phase 3 (2009) that is most important.

This is the most decisive year for the campaign, as a new civil engineering agreement and sectoral determination is to be negotiated. It is also the year in which all of the 2010 stadia are to be completed. In 2009, the efforts of the campaign to ensure decent work will be exposed and their effects will be seen, as direct comparisons can be made with the 2006 round of negotiations. Unless there is a willing commitment from the private sector and the state to improve the conditions of construction workers, which is unlikely given the change in the international situation, we are in for a much bigger struggle between employers and employees than anything we've seen before in the South African construction sector.

With the world's attention on the 2010 World Cup and FIFA's controlling hand on time schedules for completion of the stadia and related work, it is likely that any kind of industrial action on the part of trade unions will be seen as unpatriotic.

The "lift off" phase of the campaign will be very challenging and energy consuming, as the tempo of struggle and contestation increases just prior to the 2010 World Cup. A number of high profile events, such as the joint inspection, construction summit and multi-stakeholder conference, therefore need additional resources if we are going to be able to make maximum gain and see successful outcomes for the negotiating year.

Challenges to Organising Workers in the Construction Sector

The “Campaign for Decent Work Towards and Beyond 2010” launched by the Building and Wood Workers International (BWI) and its South Africa construction sector affiliates aims to expand trade union density through using mega projects such as the 2010 World Cup.

The opportunity for South Africa to host the 2010 World Cup came at the most needed time, when the country was experiencing almost 46% unemployment, while the economy was promising and growing. The construction sector had been under-performing, contributing almost two percent to the GDP. Nearly 36% of workers were working under informal arrangements, with no possibility of obtaining good working conditions and social security. Since 2001 there has been a sharp turnaround; the construction sector is growing and has the potential for job creation and economic growth.

In addition, the global resurgence of growth in construction, with mega project development seen as a key stimulus for ailing economies, has resulted in countries competing fiercely to host international sporting events such as the Soccer World Cup and the Olympics. While acting as events to display national pride, they are also seen as areas of economic growth, both in the tourism sector and in terms of infrastructural development for stadia, transport systems and even housing. However, organising construction workers is increasingly difficult in the context of labour broking and subcontracting arrangements, and therefore unions face challenges on three fronts.

Firstly, the **low trade union density** in construction means that the existing bargaining power of the unions is weak. While the 2010 World Cup and the Campaign for Decent Work Towards and Beyond 2010 offers a unique opportunity to highlight the recruitment of about 10 000 workers as well as the plight of construction workers, there is a need for a much more long term campaign to organise construction workers to ensure that trade unions are representative of workers in this sector.

Secondly, the extensive use of **labour brokers and subcontractors** means that the construction workforce is highly mobile and fragmented. Limited duration employment contracts have become the norm. Workers are moved from one site to another after the completion of projects. Deducting union subscriptions and servicing members have therefore become increasingly complicated. By implication, this situation forces unions to continue organising in a traditional manner and to focus on formally employed workers, by

default excluding migrant and vulnerable workers in general.

Thirdly, the **labour legislation** hinders effective union representation of construction workers, as unions must have the majority of employees as members, while employers have no duty to bargain. Unions need to call for a reform of labour legislation, especially the notion of representivity and the employer's duty to bargain. Further, unions should ensure that labour broking agencies are banned, as this type of employment does not constitute dignified employment, but rather represents a pseudo slave exchange of un-free labour. Unions should also ensure that all workers, regardless of their national status, are covered and protected with the same rights in labour legislation.

Quotes from the nationwide strike of construction workers, 8 -14 July 2009

"Safcec reiterates that the effects of a protracted strike will have a severe impact on the 2010 FIFA World Cup as well as the other infrastructural projects under way in South Africa, including roads, airports, power stations and Gautrain."

-Safcec (employer body)

"It is a shame for these Safcec-led groups to believe what labour demands is unreasonable. The construction boom was not inflation driven, so to believe workers only deserve inflation driven increases is wrong."

- Sam Moleshiwa, President of the Black Construction Council, in a statement

"The workers just wanted the benefits of 2010 to be shared with everybody, not only the employers."

- Danny Jordan, CEO of FIFA LOC

"We are not fighting for bread, but we are fighting for crumbs."

- Lesiba Seshoka, National Union of Mineworkers spokesperson, one week after strike notice

"We will go there with an open mind. We are open to explore areas of settlement. The strike will go ahead until a settlement is reached - only then will we call it off."

- Narius Moloto, General Secretary Building, Construction and Allied Workers Union (BCAWU)

"We love the 2010 spectacle, but our workers won't be sacrificial lambs in the process of building the stadiums and ensuring that the World Cup comes to SA."

- Bhekani Ngcobo, National Union of Mineworkers

"Cosatu, and the construction workers, are as passionate about the 2010 World Cup as anyone, and will do everything possible to ensure its success. But we will not tolerate the stadiums being built by workers who are underpaid or working in dangerous or unhealthy conditions." Cosatu Statement on the construction strike

- SOURCE?

The construction strike saw some 70 000 construction workers embarking on industrial action, affecting a number of projects related to the 2010 FIFA World Cup. The unions demanded a 13% increase in wages, as well as other benefits, while Safcec offered a 10,4% raise.

Workers won their demand for a 12% increase in wages. This brings the minimum wage in the civil engineering sector from R2 618.78 to R2 933.04, or an increase of R314.26 per month.



Campaign Demands for 2009

As 2009 is the most decisive year of the campaign, the trade unions are engaged in negotiations with civil engineering employers represented by the South African Federation of Civil Engineering Contractors (SAFCEC). Trade unions are at the same time involved with the Department of Labour in a process to set minimum conditions of employment through the civil engineering sectoral determination processes. Part of the new challenge is to ensure that workers' conditions of employment in both the civil engineering and building sector are harmonised and equalised. This bringing together will also ensure that trade unions are in a better position to bargain on behalf of workers in the future. The following are demands developed by the BWI construction affiliated unions in South Africa. These unions are the Building and Construction Allied Workers Union (BCAWU), the National Union of Mineworkers (NUM) and the South African Building and Allied Workers (SABAWO). These BWI unions support and participate in the Decent Work campaign.

- A 20% across the board wage increase
- R4 500 minimum wage
- No loss of pay due to inclement weather
- 30 days annual bonus
- 30 days annual leave
- 4 weeks severance payment

- Six months fully paid maternity leave
- 40 hour working week without loss of pay
- Three days per occurrence family responsibility leave
- Three days per occurrence paternity leave
- Review of job grading (wage model and job requirements)
- A 20% joint retirement contribution, with a 70-30 contribution ratio for employer and employee respectively
- A 70-30 contribution ratio to the Metropolitan Funeral Cover. The scheme to extend to all employees
- R300.00 per week sleep out allowance
- Full pay when on lay-off
- Limited duration contracts to be converted to permanent contracts
- Training and development targets to be done at a national level
- Main contractors to be responsible for the remuneration and conditions of sub-contractors
- Duration of an agreement to be a period of 12 months instead of three years

Campaign for Decent Work strikes a blow for construction workers

Since the launch of the campaign on 27 October 2007, construction trade unions have been involved in 26 industrial strike actions, all aimed at improving workers' conditions. Progress has been made with regard to recruitment, while unions have advanced preparations to negotiate new agreements with employers. In addition, unions have received a firm commitment from FIFA that decent work will be established at 2010 construction sites, and that the international campaign instruments will be utilised.

The 2010 strike action by construction workers at the 2010 sites from Cape Town to Durban has resulted in improved conditions for workers in this sector across the country. In some cases, strike actions have inspired workers to use strikes as a bargaining tool for improved conditions. In other cases, trade unions have negotiated and won important battles, such as the enforcement of minimum wage standards by sub-contractors, and the election of health and safety representatives.

These hard won rights will help develop a benchmark for working conditions for South African construction workers long after the final 2010 World Cup match is played. They will also help set the stage for a continued battle for construction workers' rights as Brazilian workers begin building for World Cup 2014.

The following are some of the highlights of the Campaign for Decent Work so far:

- After two surprise wild cat actions at the Green Point Stadium in Cape Town in August 2007, workers received **free transport** from the railway station to the construction site. This action led to a wave of strike action across the country.
- After an 11-day strike in November 2007 which included 1 200 workers at the Moses Mabhida Stadium in Durban, workers received an additional **bonus payment** of R6 000 each. This demand set a nation-wide trend for future strikes.
- Unions managed to ensure that the subcontractors **complied** with the statutory minimum wages across the 2010 stadiums. Other demands workers achieved included the election of health and safety representatives.
- NUM and BCAWU raised a dispute with civil engineering employers regarding below inflation increases. They successfully negotiated a **3% across the board increase**, which became effective from October 2008.
- The **level of unionisation** on 2010 stadium construction sites has increased substantially since the beginning of the campaign in 2007. In one and a half years, South African construction trade unions recruited over **12 000 new members** out of a total workforce of 22 000.

- All three BWI affiliates are currently in the field carrying out **focused recruitment drives** in line with plans adopted at the Leadership Forum meetings. It is expected that in line with the objective of the campaign, levels of trade union density will have increased impressively by the end of the year.
- After a national 2010 **negotiators capacity building** workshop, the three South African construction trade unions ,NUM, BCAWU and SABAWO, agreed on common demands for the elaboration of a new sectoral determination for the civil engineering sector, and to negotiate them in common in 2009. The increased level of coordination amongst BWI affiliates shows the impact of the campaign.
- Currently, unions are engaging in provincial public hearings to intervene in the **civil engineering sectoral determination** processes to extend minimum conditions of employment to all workers, especially in those provinces where there are no legally prescribed minimum wages and conditions of work. This is the first time that unions have united and are working together to ensure a positive outcome.
- The **campaign has been widely publicised** in the media, with no less than five campaign articles published in daily newspapers, and a countless number of quotes in newspapers and on websites. The most recent article appeared in the Mail & Guardian. It featured the campaign research into the widening wage gap in the construction sector. The campaign launch was covered on national television news. Several interviews have also been conducted on South Africa's leading radio station, SAFM, and on a local Muslim radio station in Cape Town.
- Internationally, together with BWI, UNIA and SLA, the South African affiliates **successfully lobbied FIFA** in social dialogue on decent work at a meeting in Zurich in March this year. President Joseph Blatter committed FIFA to bringing the workers' issues before the government of South Africa and the FIFA Local Organising Committee. He also agreed to include trade unions in inspection visits to worksites, and promised to continue the social dialogue and trade union engagements even on other continents where major football events will be held. As an outcome of this recent effort, FIFA has agreed to provide all 20 000 construction workers with **free World Cup tickets**.

The BWI International Framework agreement (IFA) with Royal BAM of Netherlands was monitored in South Africa, as the company has a joint venture at Soccer City in

- Johannesburg and the Nelson Mandela stadium in Port Elizabeth. Union leaders from Dutch and Swedish BWI-affiliated unions made separate inspections to check the criteria of unionism, wages, health and safety and other working conditions. Such international engagement also reinforced the existing industrial relations mechanisms to enhance and implement true corporate social responsibility.
- The campaign has built union capacity in terms of leadership, OHS, skills training and development and the training of women and union organisers.
- We have been able to start a process of **networking** with StreetNet International, an NGO working on issues of forced removals, informal trader rights and inner city housing conditions. Otherwise, the extent to which we have forged alliances outside of organised labour is seriously limited.
- The campaign collaborates with sister unions in neighbouring countries that are also engaged in improving their infrastructure in preparation for the 2010 World Cup.

?



Strike



2010 Strike Barometer 2007-2009

| No | Duration | Where | Type of action | Demands | Union/Committee | Outcome |
|-----------|---|---------------|-----------------------|---|-----------------------------|---|
| 1 | <u>From 2007-08-27 to 2007-08-29</u> (2 days) | Green Point | Wildcat strike | Transport from the city centre to the construction site | Workers committee/NUM/BCAWU | Ongoing |
| 2 | <u>2007-09-12</u> (1 day) | Moses Mabhida | Legal strike | Better safety standards, no downward variation, project based increase of R9 which should be paid on each project worked on | NUM | Ongoing |
| 3 | <u>From 2007-09-19 to 2007-09-27</u> (8 days) | Green Point | Wildcat strike | Transport from the city centre to the construction site | Workers committee/NUM/BCAWU | Transport from the city centre to the construction site and compensation for past travel costs |
| 4 | <u>From 2007-09-25 to 2007-09-26</u> (2 days) | Gautrain | Wildcat strike | R8/hour increase across the board, 100% contribution by employers to the funeral cover, incentive bonus for completing task before time | NUM/BCAWU | Workers did not achieve their demands |
| 5 | <u>From 2007-11-07 to 2007-11-19</u> (11 days) | Moses Mabhida | Legal strike | R1 500/ monthly project bonus, no downward variation, election of a health and safety official | NUM | R6 000 project bonus (R2 000 in December and R4 000 in May 2008) and a full time safety official elected by the workers |

| | | | | | | |
|-----------|---|------------|----------------|--|-----------------------|--|
| 6 | <u>2007-11-21</u> (1 day) | Mbombela | Wildcat strike | Rates R12.11/hour (civil engineering rates) instead of R10/hour, R1 000 project bonus | NUM | Ongoing |
| 7 | From 2007-12-02 to 2007-12-07 (5 days) | Mbombela | Wildcat strike | Rates R12.11/hour (civil engineering rates) instead of R10/hour, | NUM | Ongoing |
| 8 | 2007-12-11 | Free State | Wildcat strike | R1 500 project bonus | Workers committee/NUM | Ongoing |
| 9 | 2008-01-17 | Free State | Wildcat strike | R1 500 project bonus | Workers committee/NUM | Ongoing |
| 10 | 2008-01-24 | Free State | Wildcat strike | R1 500 project bonus | Workers committee/NUM | Ongoing |
| 11 | From 2008-01-30 to 2008-02-05 (6 days) | Free State | Wildcat strike | R1 500 project bonus | Workers committee/NUM | Ongoing |
| 12 | <u>From 2008-02-11 to 2008-02-15</u> (5 days) | Mbombela | Legal strike | Rates R12.11/hour (civil engineering rates) instead of R10/hour, replacement of the human resource manager | NUM | Strike suspended |
| 13 | From 2008-03-06 to 2008-03-18 (11 days) | Free State | Wildcat strike | R1 500 project bonus | NUM | Workers did not achieve their demands |
| 14 | <u>From 2008-04-02 to 2008-04-16</u> (13 days) | Mbombela | Wildcat strike | Rates R12.11/hour (civil engineering rates) instead of R10/hour | NUM | Rates R12.11/hour (civil engineering rates) instead of R10/hour, bonus comprising of 128 hours of remuneration instead of the previous 110 hours |

| | | | | | | |
|-----------|--|--|----------------|---|-----------------------|---|
| 15 | 2008-04-17 (1 day) | Nelson Mandela | Wildcat strike | R6 000 project bonus | Workers committee/NUM | Strike suspended |
| 16 | From 2008-05-05 to 2008-05-08 (4 days) | Peter Mokaba | Wildcat strike | 8% increase in wages as per engineering rates from Lebone engineering backdated from September 2007 | BCAWU | 8% increase in wages as per engineering rates from Lebone engineering backdated from September 2007 |
| 17 | 2008-06-12 (2 hours) | Peter Mokaba | Wildcat strike | R1 500 project bonus | NUM | Strike suspended |
| 18 | <u>From 2008-06-20 to 2008-06-23</u> (3 days) | Mbombela | Wildcat strike | R1500 project bonus according to the last agreement. The company changed the project bonus to R500 because of demand for nightshift allowance | NUM | The new agreement entails the employer taking back the workers on the old conditions that awarded the workers R1500 bonus |
| 19 | <u>From 2008-06-23 to 2008-06-27</u> (5 days) | Peter Mokaba | Wildcat strike | R1 000 monthly project bonus, R8 hourly wage increase, payment of outstanding bonuses of R4 000 | NUM | Workers did not achieve their demands |
| 20 | 2008-07-11 | Soccer City | Negotiation | Transport allowance, project bonus | NUM | Signed an agreement on transport allowance and project bonuses |
| 21 | <u>2008-07-14</u> | Vereeniging-Brikor LTD 2010 Materials supplier | Legal strike | R2 500/month, transparent provident fund, annual bonus | BCAWU | Ongoing |
| 22 | <u>From 2008-07-22 to 2008-07-29</u> (7 days) | Peter Mokaba | Wildcat strike | R1 000 monthly project bonus | NUM | R3 000 bonuses in two parts (R1 000 in August and R2 000 in |

| | | | | | | |
|----|---|-----------------|----------------|---|-------------------|---|
| | | | | | | December) |
| 23 | From 2008-10-31 to 2008-11-04 (4 days) | Green Point | Wildcat strike | Project bonus | Workers committee | One week bonus for all workers |
| 24 | From 200-11-06 | Gautrain | Wildcat strike | Project bonus, annual bonus | NUM | Ongoing |
| 25 | From 2009-02-06 to 2009-02-17 (10 days) | Mbombela | Wildcat strike | Demobilisation payments | NUM | Workers did not achieve their demands. 400 workers dismissed |
| 26 | From 2009-07-08 to 2009-07-15 (7 days) | National Strike | Legal strike | Wage increase and improvement in working conditions | NUM/BCAWU | Workers won a 12% wage increase. Other issues left to task teams. |

By Christian Forsman, Intern at LRS 2008 and Towe Jansson Wahlräs, Intern at LRS 2009



The Trade Union Legacy of 2010

The Campaign for Decent Work will leave a legacy of trade union building and empowerment well beyond 2010. This is thanks to the political will and the capacity of the South African construction trade unions NUM, BCAWU and SABAWO to mobilise rather than shy away from strike action. The concrete actions of international workers' solidarity have also played their part. The campaign has been successful in securing support from various European construction trade unions, and from labour supporting NGOs.

The gains of the campaign so far are impressive. Overall, about 10 000 workers have been recruited as new trade union members, mostly, but not solely, on stadium sites. The proportion of unionised workers on World Cup construction sites has thus increased from an average of 10% to an average of at least 35%. On some 2010 sites, such as Soccer City and Moses Mabhida, this percentage is even higher, reaching beyond 50%. There have also been tangible material improvements for workers, with wage increases from subcontractors, bonus payments for workers and transport allowances. Trade union representation on site has also improved, for example with the election of trade unions health and safety representatives.

These gains have boosted both the political leverage and the negotiating capacity of construction trade unions. This is crucial given the challenges ahead of negotiating new Collective Bargaining Agreements (CBA) and influencing the new sectoral determination for civil engineering.

The exchanges between South African and Swiss trade unions in March 2008 and March 2009 were very inspiring for us as Swiss trade unionists. We are really impressed by the work of shop stewards on the construction sites. Swiss trade unions can learn a lot from this positive experience. Shop stewards are vital for day-to-day contact with workers, allowing problems to be assessed and addressed at an early stage (which is also in the employers' interests), and for trade union action to be planned and carried out. In Switzerland, the biggest trade union, Unia, is in a process of building up a network of shop stewards on sites, too.

What is striking in comparison to Switzerland, though, is the extreme social inequality in South Africa, which also finds its expression in the construction industry. Construction workers in South Africa would have to work for four lifetimes (or 245 years) to match the yearly income of a CEO of a big construction company. In Switzerland this ratio stands at less than 20 years – still a lot, but far less staggering than the South African ratio.

The campaign is taking place in a challenging and complicated environment, in which extraordinary profits for construction companies and FIFA are centre stage. The campaign breakthroughs show that challenging the "business as usual" approach of mega events like the World Cup is absolutely possible. It is not only the media hype around a sporting event like the World Cup, focussing global attention on South Africa, that gives the trade union campaign leverage. The genuine efforts by workers and trade unions to build up organising and mobilisation capacity, as well as international support for the campaign, make these important gains possible.

From a global perspective, with challenges for the global working class and trade union internationalism occurring in a context of deepening informalisation of working conditions, the gains of construction trade unions in South Africa are strengthening core labour standards worldwide. These gains also hold multinational companies responsible for their proclaimed social corporate responsibility in terms of Global Framework Agreements. Thus, the impact of the Campaign for Decent Work is felt well beyond the host country of South Africa.

Trade unions increasingly face criticism that their actions only benefit the already privileged labour aristocracy. The 2010 campaign certainly cannot be disqualified or criticised by alleging this. In fact, construction trade unions in South Africa are facing the difficult task of addressing a majority of informal and/or informalised workers. Labour broking is prospering, with the informal workforce making up more than half the workers on 2010 sites. But trade unions are proving that they are willing to confront ongoing informalisation, and that gains are definitely possible. Of course trade unions now face the challenge of maintaining the newly recruited members in the mid-term, but they are aware of these challenges and looking into new ways of dealing with them. Hopefully, the 2010 experiences will also pave the way for renewed trade union thinking and strategising.

The successful campaign in South Africa will not be enough to make a difference globally, with a turnaround in flexibilisation and the de-prioritising of workers' rights that are characteristic of capitalist globalisation. To have a global impact, new strategies and a new orientation towards a social movement unionism must be explored. In other words, alliances between traditional trade unions and new social movements are necessary. Trade union internationalism has to link up with other internationalisms, with global justice movements, in order to make a difference, to consolidate the gains made and widen the impact of trade union fights.

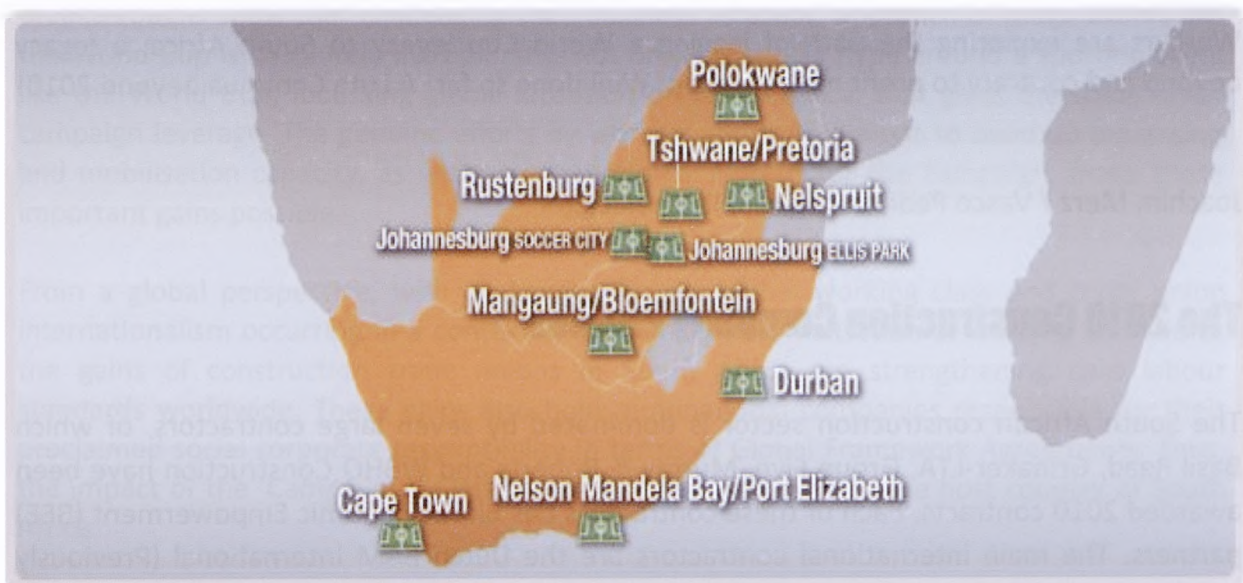
Workers are exploring the path of leaving a World Cup legacy to South Africa, a legacy beyond and contrary to profit maximisation. Well done so far! A Luta Continua beyond 2010!

Joachim Merz / Vasco Pedrina / Hansueli Scheidegger

The 2010 Construction Company Profiles

The South African construction sector is dominated by seven large contractors, of which Basil Read, Grinaker-LTA, Group Five, Murray & Roberts and WBHO Construction have been awarded 2010 contracts. Each of these contractors has Black Economic Empowerment (BEE) partners. The main international contractors are the Dutch BAM International (Previously Interbeton) and the French company, Bouygues .

The construction companies have been contracted by municipalities to upgrade five existing stadia and to build five new stadia. The new stadia are Green Point (Cape Town), Mbombela (Nelspruit), Moses Mabhida (Durban), Nelson Mandela Bay (Port Elizabeth) and Peter Mokaba (Polokwane). The stadia to be upgraded are Ellis Park (Johannesburg), Free State (Bloemfontein), Lotus Versfeld (Pretoria), Royal Bafokeng (Rustenburg) and Soccer City (Johannesburg). Other 2010 related projects include the Gautrain rapid rail link, airport upgrades, roads and infrastructure.



Graphic by fifa.com

Because of the time frame and size of the 2010 projects, the main form of contracting has been joint ventures between local companies or between local and international companies. The main contractors also coordinate a large pool of subcontracting companies that are tasked with completing work that the main contractor does not have the capacity to carry out by itself. For example, in a meeting between BWI and Grinaker/Bam joint venture at the Nelson Mandela stadium held on 5 March 2008, it was reported that the joint venture employs between 30 – 40 subcontractors.



BASIL READ

Basil Read

History:

Basil Read was founded in 1952 and is listed on the JSE stock exchange.

Geographic spread of projects:

Basil Read focuses its operations in South Africa and Southern Africa, but also operates in Europe, the Middle East and Australia.

Construction activities:

Building, civil engineering, structures, roads and mines.

Offices:

Head office in Johannesburg. Basil Read also has offices in Durban and Cape Town.

Profitability:

Profit before tax increased from R 164 000 000 (2007) to R 296 000 000 (2008) or 80 %.

Chief Executive Officer fees:

The yearly remuneration (including bonuses) of CEO Marius Heyns increased from R 6 961 000 (2007) to R 11 353 000 (2008) or 63 %.

Black Economic Empowerment:

35,8% of the company is owned by Amabubesi Investments.

Employment:

Basil Read has 4 968 employees.

2010 Projects:

Mbombela Stadium, Nelspruit



Grinaker-LTA

History:

Grinaker-LTA was formed in 2000, but the history of the two companies goes back to the late 1800's. The company is a subsidiary of Aveng Ltd.

Geographic spread of projects:

Grinaker focuses its operations in Southern Africa.

Construction activities:

Civil engineering, building, mining, roads and earthworks and mechanical and electrical projects.

Offices:

Boksburg

Profitability:

Aveng Ltd's profit before tax decreased from R 7 953 000 000 (2007) to R 3 321 000 000 (2008) or -58 %.

Chief Executive Officer fees:

The yearly remuneration (including bonuses) of Angus Band, CEO of Aveng, was R 8 550 000 in 2008.

Black Economic Empowerment:

Qakazana Investment Holdings (PTY) Ltd owns 25 % of the shares while Aveng owns the remaining 75 %.

Employment:

Grinaker-LTA has about 15 000 employees.

2010 Projects

Green Point Stadium, Cape Town
Nelson Mandela Stadium, Port Elizabeth
Soccer City, Johannesburg



Group Five

History:

The company was founded in 1974. It is listed on the JSE.

Geographic spread of projects:

Africa, Middle East and Europe.

Construction activities:

Building, engineering and infrastructure.

Offices:

Sandton

Profitability:

Company profit before tax increased from R 373 000 000 (2007) to R 666 000 000 (2008) or 79 %.

Chief Executive Officer fees:

The yearly remuneration (including bonuses) of CEO Mike Upton decreased from R 10 094 000 (2007) to R 5 579 000 (2008) or -45 %.

Black Economic Empowerment:

iLima Group and Mvelaphanda Group Ltd hold 21.6% of Group Five.

Employment:

Group Five has 13 453 employees.

2010 Projects:

Moses Mabhida Stadium, Durban



Murray & Roberts

History:

Murray & Roberts was established around 1903. It is listed on the JSE.

Geographic spread of projects:

Operates in Southern Africa, Middle East, Southeast Asia, Australasia and North America.

Construction activities:

Murray & Roberts focuses on construction, engineering and mining.

Offices:

Bedfordview, Johannesburg.

Profitability:

Profit before tax increased from R 1 284 000 000 (2007) to R 2 558 000 000 (2008) or 99 %.

Chief Executive Officer fees:

The yearly remuneration (including bonuses) of CEO Brian Bruce increased from R 9 000 000 (2007) to R 10 350 000 (2008) or 15 %.

Black Economic Empowerment:

The Letsema shareholding initiative holds 10 % of company shares.

Employment:

Murray & Roberts has 45 654 employees worldwide.

2010 Projects

Green Point, Cape Town
Gautrain, Johannesburg



WBHO Construction

History:

The origins of the group date back to 1970, when Wilson-Holmes (Pty) Ltd was formed by John Wilson and Brian Holmes. After consequent mergers, the name was changed to WBHO Construction in 1994.

Geographic spread of projects:

WBHO have had major construction projects in Southern Africa, Middle East and the Indian Ocean Islands.

Construction activities:

Building construction, civil engineering and roads and earthworks.

Offices:

In Sandton, Cape Town, Durban, Port Elizabeth and East London.

Profitability:

Profit before tax increased from R 446 000 000 (2007) to R 1 081 000 000 (2008) or 142 %.

Chief Executive Officer fees:

The yearly remuneration (including bonuses) of CEO Michael Wylie increased from R 4 709 000 (2007) to R 7 292 000 (2008) or 55 %.

Black Economic Empowerment:

Akani Investment Holdings own 15 % of the company's shares.

Employment:

WBHO has 11 779 employees, of which 5 894 are permanent.

2010 Projects:

Peter Mokaba Stadium, Polokwane
Green Point Stadium, Cape Town
Moses Mabhida Stadium, Durban



BAM International (previously Interbeton)

History:

Interbeton was established 1958 as part of the Dutch Royal BAM Group. January 2009 Interbeton changed its name to BAM International.

Geographic spread of projects:

Africa, the Arabian Gulf, Australia and Indonesia.

Construction activities:

Building, marine, industrial and civil engineering.

Offices:

Head office in Gouda, Netherlands.

Profitability:

Results before tax for the Royal BAM Group decreased from R 4 140 000 000 (2007) to R 3 050 000 000 (2008) or -26 %.

Black Economic Empowerment:

Not Applicable

Employment:

BAM International has about 3 000 employees.

2010 Projects:

Soccer City, Johannesburg
Nelson Mandela Stadium, Port Elizabeth



The challenger spirit

Bouygues

History

The Bouygues group was founded by Francis Bouygues in 1952. It has been run by Martin Bouygues, Chairman and CEO, since 1989. It is a French Company and has been listed on the Paris stock exchange since the 1970s.

Geographic spread of projects:

The group has operations in 80 countries spread over North and South America, Europe, the Middle East and Asia.

Construction activities:

Its business activities focus on three sectors: building, civil works and electrical contracting (Bouygues Construction), property development (Bouygues Immobilier) and roads (Colas).

Offices:

Paris

Profitability:

The company's net profit increased from R 13 306 000 000 (2007) to R 18 132 000 000 (2008) or 36 %.

Black Economic Empowerment:

Not Applicable

Employment:

Bouygues has 145 150 employees worldwide, of which 95 % are permanent.

2010 Projects

Mbombela Stadium, Nelspruit
Gautrain Project, Gauteng



Bombela Member Consortium

Shareholding in the Bombela Consortium:

- Bombardie (Canadian) 25%
- Bouygues (French) 25%
- Murray & Roberts (SA) 25%
- Loliwe Rail Contractors (BEE) 16.5%
- Loliwe Rail Express (BEE) 8.5%

BEE represents a 25% shareholding in Bombela Consortium.

The Loliwe Companies

Loliwe Rail Contractors is a new BEE Company. Its shareholders include the Black Management Forum Investment Company, Prop5 Corporation, and BEE Contractors including Blackstone, ZMK, Let Properties and others. Loliwe Rail Contractors has a collective turnover of over R 360 000 000.

Loliwe Rail Express is a new BEE company. Its shareholders include African Legend, BMFI, Prop5 Corporation and Powerhouse, which has a 20-year track record and has delivered in excess of R 1 bn of major projects in the last six years.

The other side of the fence – workers' labour conditions

Conditions of work in the construction sector are highly informal. The use of sub contracting is regulated for employers but not employees. The main contractor is not responsible and liable for workers in sub-contracting relationships, and the construction sector employs both skilled and unskilled workers.

The Labour Relations Act gives the trade unions the right to organise and to bargain collectively with employers, both at plant level and at sectoral level. However, the labour legislation hinders effective union representation of construction workers, as unions must have the majority of employees as members, and employers have no duty to bargain.

LRA Section 14: Trade union representatives

(1) In this section, "representative trade union" means a registered trade union, or two or more registered trade unions acting jointly, that have as members the majority of the employees employed by an employer in a workplace.

The Occupational Health and Safety Act governs issues around health and safety and Employment Equity governs issues of equal employment and treatment regardless of race and gender. Although legislation promotes equity in the workplace, women are still highly discriminated against. They occupy low-paying jobs, and experience poor working conditions. There is also poor occupational health and safety for casual and part time work.

The need for reform of the labour legislation is an ongoing challenge for trade unions in the construction sector, particularly the notion of representatively and the duty to bargain. For this reason, unions should ensure that labour broking agencies are banned, as this type of employment does not constitute dignified, fair and equal employment. Unions should also ensure that all workers, regardless of their national status, are protected by labour legislation and enjoy equal rights.

The South African government has encouraged the growth of Small and Medium Enterprises in the construction sector as part of its approach to bridging the gap between rich and poor. This approach includes encouraging local contractors to support public works programmes.

The result has been an increase in informal and unprotected work, whereby big contractors can afford to give contract -based employment, while small companies cannot do so. Engaging contractual or casual labour in order to do away with compulsory benefits to the workers has also become common practice, resulting in a loss of job security among construction workers. The extensive use of labour brokers and subcontractors means that the construction workforce is highly mobile and fragmented, so that on site organising and servicing of members is difficult. By implication, this situation forces unions to continue organising in a traditional manner, focusing on formally employed workers and by default excluding migrant and vulnerable workers.

Health and Safety

"The Building, Construction and Allied Workers Union (BCAWU) has fingered the Labour Department's failure to provide a sufficient number of health and safety inspectors as one of the reasons behind the growing number of accidents on constructions sites. ... the Department of Labour is not cooperative in terms of giving us statistics of cases that are under their investigation."

-City Press 09/08/2008

"The South African construction industry needs a 'shift in mindset' to become more health and safety conscious – and improve a situation where at least two workers die in site accidents every week."

-Phumudzo Maphaha, Manager of Construction Health and Safety within the National Department of Labour

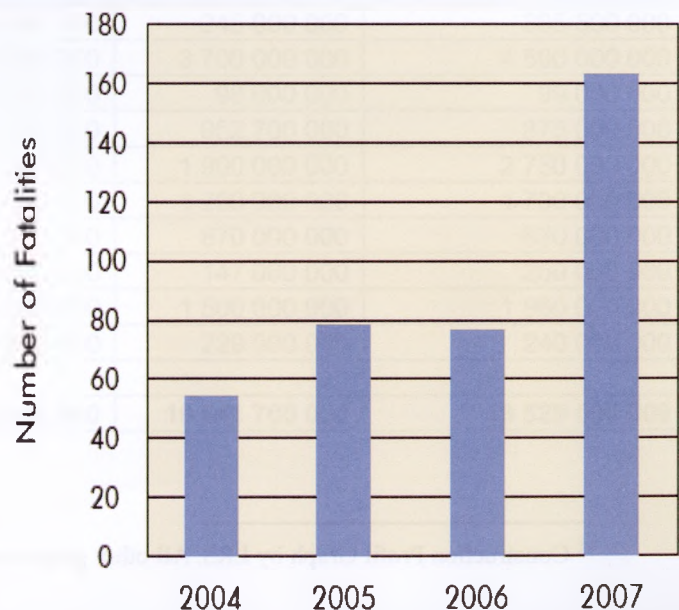
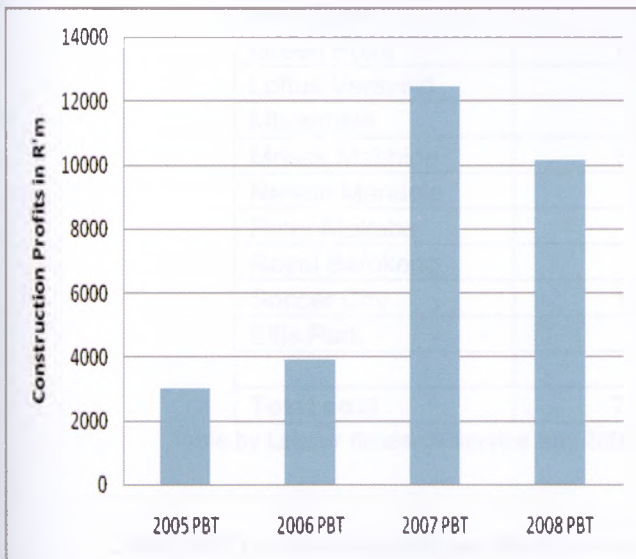
Global H&S performance within the construction sector:

- 60 000 fatal accidents per year – one every ten minutes.
- Among work- related fatal accidents, one in every six occurs on a construction site.
- In industrialized countries, 25% to 40% of work-related fatalities occur on construction sites despite the sector only accounting for between 6% and 10% of total employment.
- About 30% of construction workers suffer from back pains or other musculoskeletal disorders.

Globally, construction contributes a disproportionate number of fatalities and injuries relative to other industrial sectors. The fatality rate in the construction industry is a round 20 per 100 000 workers. According to the Construction Industry Development Board, there were 162 fatalities in 2007, excluding construction related motor vehicle accidents. If you add motor vehicle accidents to the statistics, these account for another 100 fatalities per year. There appears to be an incremental increase between the rate of accidents and deaths and profits made in the construction sector.

Construction H&S Statistics Excluding Motorvehicle Accidents

| Department of Labour: OH&S | | | | |
|----------------------------|------------|------------|------------|------------|
| | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
| Fatal | 54 | 81 | 79 | 162 |
| Non-fatal | 159 | 250 | 245 | 396 |
| Non-casualty | 11 | 7 | 10 | 20 |
| Total | 224 | 338 | 334 | 578 |



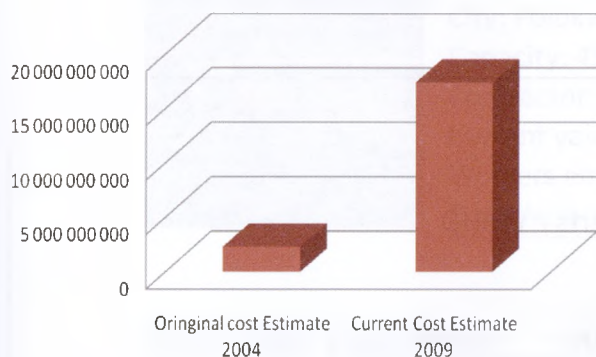
There is a high level of non-compliance with the Occupational Health and Safety regulations in South Africa. The Department of Labour conducted blitzes across the country in August 2007, during which 1415 construction sites were visited. The inspectors observed that 52,2% of the construction companies were non-compliant with the requirements of the Construction Regulations. The health and safety standards at the 2010 construction sites are generally higher, but following these blitzes a temporary prohibition notice was served on the Moses Mabhida 2010 stadium in Durban. The site flouted several safety regulations by erecting scaffolding on uneven ground. It was further alleged that some of the equipment was sub-standard.¹

There have been two fatalities on the 2010 stadium construction sites. Dumisani Koyi (28) and Sivuyele Ntlongotya (26) both died from injuries sustained in accidents at Peter Mokaba Stadium and Green Point Stadium.

¹ Construction Profit Graph by LRS. All other graphs and facts in Health and Safety section by CIDB (2009).

Stadium Update

2010 World Cup: At what cost?



In 2004, the financial impact report for South Africa's World Cup bid committee, undertaken by consulting firm Grant Thornton, estimated that development of infrastructure and stadia would cost taxpayers around R2.3 billion. By October 2006, this figure had jumped to R8.35 billion, over three-and-a-half times higher than the initial estimate made in 2004. The current cost to taxpayers for spending on the stadia and related infrastructure is a whopping R17.4bn, representing a 757% increase on the original estimate! And while FIFA has already generated an income of \$3.2bn, the biggest profit ever made in a World Cup, local government budgets are overstretched and rate payers will face double digit increases to make up for over expenditure.

The current cost of the stadia construction alone is R13.53 billion - a big jump from the original estimates. The cost of the stadia may well be paid by South Africans for many years to come.

The current cost of the stadia construction alone is R13.53 billion - a big jump from the original estimates. The cost of the stadia may well be paid by South Africans for many years to come.

| Stadium | cost estimate 2006 | Winning tender | Current cost 2009 |
|-------------------|----------------------|-----------------------|-----------------------|
| Free State | 80 000 000 | 245 000 000 | 305 500 000 |
| Green Point | 1 600 000 000 | 3 700 000 000 | 4 500 000 000 |
| Loftus Versveld | 40 000 000 | 98 000 000 | 99 000 000 |
| Mbombela | 650 000 000 | 952 700 000 | 875 000 000 |
| Moses Mabhida | 1 800 000 000 | 1 900 000 000 | 2 730 000 000 |
| Nelson Mandela | 750 000 000 | 1 200 000 000 | 1 700 000 000 |
| Peter Mokaba | 650 000 000 | 870 000 000 | 870 000 000 |
| Royal Bafokeng | 80 000 000 | 147 000 000 | 250 000 000 |
| Soccer City | 1 600 000 000 | 1 500 000 000 | 1 960 000 000 |
| Ellis Park | 40 000 000 | 229 000 000 | 240 000 000 |
| Total cost | 7 290 000 000 | 10 841 700 000 | 13 529 500 000 |

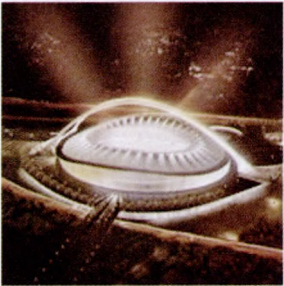
Table by Labour Research Service July 2009.

New stadiums:



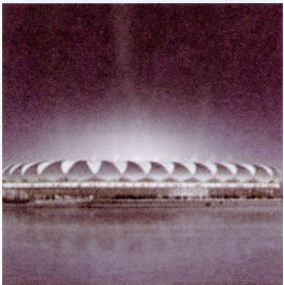
Green Point Stadium

City: Cape Town
Capacity: 68 000 seats
Contractor: Murray & Roberts / WBHO
Current value: R4.5 billion
Workers employed: 2 143
Completion: December 2009



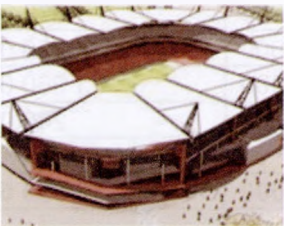
Moses Mabhida Stadium

City: Durban
Capacity: 70 000 seats
Contractor: Group Five / Pandev / WBHO
Current value: R 2.7 billion
Workers employed: 2 000
Completion: August 2009



Nelson Mandela Bay Stadium

City: Port Elizabeth
Capacity: 46 000 seats
Contractor: BAM International / Grinaker-LTA
Current value: R1.7 billion
Workers employed: 1926
Completion: June 2009



Mbombela Stadium

City: Nelspruit
Capacity: 46 000 seats
Contractor: Basil Read / Bouygues
Current value: R 875 million
Workers employed: 750
Completion: October 2009



Peter Mokaba Sports Stadium

City: Polokwane
 Capacity: 45 000 seats
 Contractor: WHBO / Paul
 Current value: R 870 million
 Workers employed: 1126
 Completion: July 2009

Upgraded stadiums:



Ellis Park

City: Johannesburg
 Capacity: 61 000 seats
 Contractor: Rainbow Construction
 Current value: 240 million
 Workers employed: 100
 Completion: February 2009



Soccer City

City: Johannesburg
 Capacity: 94 700 seats
 Contractor: BAM International / Grinaker LTA
 Current value: R2 billion
 Workers employed: 2 400
 Completion: October 2009



Free State Stadium

City: Bloemfontein
 Capacity: 45 000 seats
 Contractor: RMIP Joint Venture
 Current value: R 305.5 million
 Workers employed: 350
 Completion: August 2008

**Royal Bafokeng Stadium**

City: Rustenburg

Capacity: 42 000 seats

Contractor: No main contractor

Current value: R250 million

Workers employed: N/A

Completion: December 2008

**Loftus Versfeld**

City: Pretoria

Capacity: 50 000 seats

Contractor: No main contractor

Current value: R99 million

Workers employed: N/A

Completion: October 2008

Graphics by fifa.com

Information compiled by Towe Jansson Wahlbäs, Intern at LRS 2009.

Additional Resources



Namibia Bans Labour Hire

By Herbert Jauch, Labour Resource and Research Institute (LaRRI)

Namibia's new Labour Bill 2007 was signed into law in December 2007 and was implemented with effect from 1 November 2008. One of its most interesting parts was article 128, which led to heated debates and even court action. This article states that labour

hire (i.e. the operations of labour brokers) will be prohibited in the Republic of Namibia: "No person may, for reward, employ any person with a view to making that person available to a third party to perform work for the third party."

Trade unions enthusiastically welcomed this article, which paves the way for the abolition of a labour practice which they regarded as reminiscent of the colonial migrant labour system. Employers, on the other hand, opposed the clause and argued that it would not only outlaw labour hire but also other practices such as outsourcing and sub-contracting. The Namibia Employers Federation (NEF) announced that it wanted the Labour Bill halted and the amendment on labour hire removed. Namibia's largest labour hire company, Africa Personnel Services (APS), which originates from South Africa, went a step further by taking the Namibian parliament and government to court. The company claims that its constitutional right to do business was violated by article 128 of the Labour Act.

What is labour hire?

Labour hire as a particular form of outsourcing emerged in Namibia in the late 1990s. This labour-only form of outsourcing forms part of a global trend towards more "flexible" forms of employment, which are implemented by employers in the pursuit of higher profits. Labour hire companies supply labour to third parties (the client companies) with whom they have a commercial contract. This practice applies to workers that are required for short periods, but increasingly also to those who work on a full-time and ongoing basis for the client company.

Global trends

Global experiences have shown that employers use labour hire workers for a variety of reasons. These include coping with peaks in demand, reducing costs, avoiding industrial

relations problems, greater flexibility, as well as avoiding retrenchment procedures and trade unions. Labour hire workers on the other hand are faced with job insecurity, low wages and substandard working conditions, limited training and skills development and low levels of unionisation. In addition, labour hire workers are sometimes not sure who their actual employer is: the labour hire company or the client company where they work?

Studies by Namibia's Labour Resource and Research Institute (LaRRI) have shown that the country's labour hire practices conform with global trends to a large extent. Namibia's labour hire industry is dominated by one large company, which originated in South Africa and now operates across Namibia. In addition, there are several smaller labour hire companies, most of which are limited to serving a few clients, mostly in one particular town. Overall, at least 10 labour hire companies are currently operational in Namibia. They all supply mostly unskilled and semi-skilled workers to client companies in various industries, including mining, fishing, and retail. Their clients include private companies but also state-owned enterprises. Almost all labour hire companies retain a substantial part (15-55%) of workers' hourly wage rates as their fee.

Impact of labour hire

Client companies use labour hire workers to reduce the impact of strikes by permanent workers, to achieve flexibility, to cut costs, to avoid labour problems and trade unions, to concentrate on their "core business" and to replace "unproductive" workers. Labour hire workers are paid significantly less than permanent workers and they usually do not enjoy any benefits.

Many labour hire workers suffer from violations of the provisions of the Namibian Labour Act. Although most are registered with social security, many do not receive any paid leave and not even severance pay in the case of retrenchment. Even if they have worked for the same labour hire company and the same client company for several years, they have no job security and are employed on the basis of "no work – no pay". Their employment contract with the labour hire company is terminated as soon as the commercial contract between the labour broker and its client ends.

Although the legal provisions on employment termination apply (in theory) to labour hire companies as well, the usual practice is to hire and fire workers at will. Client companies can request the removal of any labour hire worker at any time. The labour hire company will then have to send a replacement. Labour hire thus contributes to the "commodification" of labour as an easily exchangeable and replaceable commodity.

The use of labour hire in Namibia is not limited to peak periods and specific tasks only. Over the past few years, labour hire has become an established practice and in some instances permanent workers were retrenched and replaced by labour hire workers. Labour hire thus poses a threat to permanent workers, especially in the lower skills categories. It accentuates the division of labour into core (permanent) and peripheral workers.

Employment creation?

Labour hire employment is hardly a springboard to permanent jobs. Although a few labour hire workers were taken over by client companies as permanent staff, such practices are rather exceptional. Some labour hire companies explicitly prevent their workers from taking up employment at a client company. The employment creation effect of labour hire is limited as almost all jobs are created by the client companies. Overall just over 100 people are employed as administrative and supervisory staff on a permanent basis by labour hire companies.

Most labour hire companies describe themselves as black economic empowerment companies. While they may create business opportunities and profits for a small group of labour hire owners and managers, they contribute little to socio-economic development and the creation of decent work. Instead they merely utilise widespread unemployment to their own advantage.

Trade unions

Although several labour hire workers have joined trade unions, recognition agreements between unions and client companies usually cover permanent staff only and exclude labour hire workers. In general, unions experience huge challenges to organise labour hire workers and to represent them through collective bargaining. The insecurity of their jobs coupled with potential shifts between workplaces makes union organising difficult. Some unions are even reluctant to organise labour hire workers, as they do not want to recognise labour hire companies as their employers. Instead they want labour hire to be abolished.

Workers' problems

Most labour hire workers earn R3 to R6 per hour, but in some cases wages can be as low as R2 per hour. Better wages are the exception, such as skilled artisans who can earn around R40 per hour, particularly if they work at mining companies. Labour hire workers enjoy very few benefits and most work 37 – 46 hours per week. In many cases, overtime is not performed on a voluntary basis as workers are forced to do it by managers and supervisors.

There is a clear sexual division of labour, with men being employed as drivers, artisans, loss controllers and truck assistants while most women are employed as shop assistants and operators. Even the wages reflect a gender bias, as most women are concentrated in the lowest income categories.

The biggest problems experienced by labour hire workers are the lack of benefits, low wages and job insecurity. The old Labour Act of 1992 had little impact on their working conditions and failed to grant them protection against abuses.

Solution?

The perceived similarities between the colonial migrant labour and post-colonial labour hire, coupled with the hardships experienced by labour hire workers today, prompted Namibia's parliamentarians to outlaw labour hire. One of the challenges to overcome in this regard is that labour hire constitutes only one form of outsourcing that co-exists with other forms such as cleaning and security sub-contractors. Outlawing labour hire while allowing other forms of outsourcing to continue would probably result in labour hire companies re-constituting themselves as service providers with little change in the employment conditions of their workers. Thus the new Labour Act should lead to the restriction of outsourcing in all its forms. Employers are expected rather to employ their staff directly and to shoulder some social responsibility for their workers. Employers will still be able to employ staff on a temporary basis (if they cannot be employed permanently) as the new Labour Bill 2007 contains no restrictions in this regard.

Some labour hire companies have claimed that the abolition of labour hire would lead to thousands of job losses, but this argument is based on the assumption that client companies will reduce their operations and staff-levels if they cannot use labour hire workers any longer. This is debatable. What is certain is that labour hire companies themselves are not job creators and therefore contribute very little to Namibia's development. They certainly undermine attempts to create decent work. The current court case pits labour hire companies and the employers' federation against government and trade unions. The judges will have to decide if the right of labour hire companies to unfettered profits is superior to workers' rights to protection against highly exploitative labour practices. For activists in Southern Africa, the Namibian case presents an opportunity to kick-start a campaign against labour hire across the region.

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The 2010 BOOM – profits for some, poverty for others

By Eddie Cottle

Nation states often compete fiercely for mega-event tournaments. They invest billions on luxury goods such as sports and entertainment facilities, in the belief that this will enhance the image of the country and stimulate the economy. Various business studies generally focus on economic growth and job creation, with little regard for the social implications and the social value of these projects in the face of widespread social inequality.

The implications for developing countries hosting mega-events differ largely from those for developed nations, as the costs of investing in infrastructure are much higher. In 1994, the US spent less than \$30m and in 1998 France spent less than \$500m. In contrast South Korea spent \$2bn on the 2002 World Cup while SA's tab is currently \$4,1bn. The cost of the World Cup for the South African government is equal to the amount spent on housing delivery over a ten year period. The multiplier effect of expenditure would have been greater if the public funds had been invested in socially viable construction, where the funds invested and skills developed could have been measured.

There are concerns that the outcomes of the 2010 World Cup have been measured in 'guestimates'. Increases in spending attributed to the World Cup may be 'gross' as opposed to 'net' measures. Direct spending is simply the summing of all receipts associated with the event. This approach fails to take into account displaced spending that might have occurred as residents spend on buying tickets and activities that otherwise would have been spent on the local economy. Further, guestimates fail to analyse how local residents who are not attending the event spend their money.

Evidence from the 2000 Sydney Summer Olympics indicates a 'substitution effect'. While Sydney had a 49% increase in hotel occupancy, other cities recorded a 19% decline for the same period. Event tourists may have a 'crowd out' effect - they may simply supplant other travelers who would normally be visiting the host venues. During the 2002 World Cup in South Korea, while the number of visitors was far higher than normal, it was offset by a similar decrease in the usual visitors from Japan. According to Grant Thornton, a consulting firm, South Africa should expect around 362 000 foreign visitors for the World Cup. This is well below the figure of 506 790 foreign visitors to South Africa for the period of June 2005, for example.

The reason for the impact may be exaggerated, and relates to what economists refer to as the multiplier effect. Grant Thornton guestimates that between 2006 and 2010, the gross contribution to GDP will amount to R51, 1 billion which is the R30, 4 billion in public funds plus the multiplier effect thereof. A further R15, 6 billion will be generated from foreign tourism. The information excluded from the multiplier effect is the amount of money made by foreign companies, whose percentage of profits go off-shore - in other words, the percentage of profits that leave the country. The repatriation of funds can also be extended to the importation of some 35 000 high wage, scarce and critical skills. The multiplier effect must therefore reflect this leakage of income and subsequent spending.

What about jobs created? The guestimate of combined 'sustained jobs' for both construction and tourism is in the region of 564 650 annual jobs. The Grant Thornton report does not consider the specialised and short-term nature of the 2010 World Cup nor the quality of these jobs and whether labour will share the fruits of increased skills development and revenue. On the 2010 construction sites, only 22 000 jobs have been created. Ironically, Statistics South Africa has reported in its Quarterly employment statistics that 22 000 formal construction sector jobs have been shed from March 2007 to March 2008. On most of the 2010 projects, about 70% of workers are employed by subcontractors and labour brokers with limited duration contracts of three months.

Who benefits from growth?

Indications are that the massive investment of public funds will benefit the construction companies through contracts to develop water, electricity, housing, health, roads, buildings, stadia and rail and ports infrastructure. Construction workers are fully aware of the billions in public funds that are being spent, but do not see the benefits, as their wages and working conditions have worsened. Added to this is the racial dimension to poverty and skills development. The majority of semi or unskilled construction workers are working class, black or coloured and form the bulk of migrant or short-term construction workers. The racial division of work inherited from apartheid therefore remains largely intact.

While the construction sector experiences a boom, workers experience poor working conditions through poverty wages, vulnerable employment through sub-contracting and labour brokers, and a lack of health and safety considerations at the workplace. Working conditions reflect a larger problem – that of increasing inequality and poverty in the context

of massive profits and wealth accumulation, not only in the construction sector but in the broader economy.

According to the Labour Research Service Director's remuneration survey (2006/7), the construction sector company performance indicates an increase of 232% in pre-tax profits, the highest of all sectors of the economy. Executive directors' remuneration increased, on average, by 38% or R1. 6 million. Together, six chief executive officers surveyed earned R30 Million.

For example, Murray & Roberts CEO, BC Bruce's remuneration increased by 22%, totalling R9 million. The CEO of Cashbuild, Pat Goldrick's remuneration increased by 93%, totalling R3.5 million for the financial year.

The same cannot be said for construction workers, who received an under inflation wage increase of 8%, and are therefore unable to move out of the poverty wage category because of their low income. Lower paid construction workers earn in the region of R2 000 per month.

By all accounts, it appears that the private sector has been awarded a mega public subsidy and the winners will be the construction and tourism shareholders.

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Construction for 2012 Euro Cup

By Ingemar Dahlkvist, Finnish Journalist

The global crisis has hit Ukraine hard. Many of the construction workers who build arenas for the 2012 European Championships have been forced to accept a decrease in pay. Many of them are now being paid 1 000 hryvna per month (95 Euro or R1 059) instead of 2 000 hryvna (190 Euro or R2 118).

For Valerij, a construction worker at the Donbass Arena, that hardly covers the monthly cost for cabbage, bread and grey mullet, the cheapest fish caught in the nearby Azov Sea.

"But at least I get paid," he says, reluctant to speak much of his job.

He is worried about the reaction from his employer if he speaks to journalists.

Even though the effects of the global crisis are milder in Poland than in Ukraine, the competition for jobs is tough. About 100 000 Polish constructions workers have returned home after losing their jobs abroad. No rules regulate builders' work. Two years ago there was a joint proposal on a national collective agreement from the unions and one employer's organisation. But the government refused to give the necessary approval.

The law forbids collective agreement in the construction sector. According to the Minister of Labour, it's the structure of the sector that would make an agreement too much of a hindrance for the market forces, explains Pawel Sikorsky who is working for the union Budowlany.

In short, this means that the main part of the investments made for the UEFA Euro 2012, in total 31 billion euro, is built without a collective agreement to protect workers' rights.

In Ukraine, the construction and building workers union have a national collective agreement to lean upon. But that agreement doesn't cover companies like the one building the Donbass Arena in Donetsk. Rinat Akhmetov, a former football club owner, has engaged the Turkish company Enka to build. The union is not allowed to enter.

In Poland, there are two unions for construction workers. Budowlany, the largest one, has a number of company agreements with some of the biggest companies. But those agreements are not allowed when the companies act as a part of a consortium. And all four main arenas are to be built by consortiums. The second union, Solidarity, the proud carrier of revolutionary history, has been weakened within the construction sector following political failures in the 1990s.

The construction workers building stadiums for World Cup 2010 in South Africa have significantly lower wages but better capacity to act on the construction sites than their colleagues in Poland and Ukraine. Most of the workers on the construction sites in South Africa have engaged in strikes and other industrial actions. In Poland and Ukraine, the unions are far from strong enough to organise such actions.

"Here is chaos. The one who speaks about unionising will be fired directly," says Jacek Kaplon, an experienced carpenter from the south of Poland who has been working abroad for three years. Now he has lost his job in Norway and he is worried about the future.

2010 World Cup and 2012 Euro Cup Construction Workers' situation

| | South Africa | Ukraine | Poland |
|--|------------------------|--|------------------------|
| Wages | | | |
| Wage per hour | 1,20 euro (15 rand) | 1,27 euro (14.15 rand) | 3.96 euro (44.12 rand) |
| The number of times wages cover the minimum cost of living | 0,8 | 1,3 | 1,4 |
| A few examples of costs | | | |
| Housing per month | 72 euro (800 rand) | 190 euro (2118 rand) | 165 euro (1838 rand) |
| Prices for basic goods | | | |
| - Chicken, 1 kilo | 2.42 euro (26.99 rand) | 1.61 euro (17.94 rand) | 1.69 euro (18.83 rand) |
| - Bananas, 1 kilo | 0.83 euro (9.29 rand) | 1.07 euro (11.92 rand) | 1.77 euro (19.72) |
| - Rice, 1 kilo | 0.52 euro (5.80 rand) | 1.04 euro (11.58 rand) | 1 euro (11,14 rand) |
| - Sunflower oil, 1 litre | 1.36 euro (14.99 rand) | 0.92 euro (10.25 rand) | 1.67 euro (18.61 rand) |
| - Toilet paper, 4 rolls | 2.06 euro (22.99 rand) | 0.66 euro (7.35 rand) | 1.07 euro (11.92 rand) |
| Other | | | |
| Working hours | 40 – 45 hours | 40 hours | 40 - 50 hours |
| Fatal accidents per 100 000 employees | 18 | 18 (official data, unions suspect a lot of unreported accidents) | 14.5 |
| Percentage of union members | 11% | 30% | 30% |

Wednesday, July 15 2009 **BUSINESS REPORT**

are many more hills to

Executive pay dwarfs builders' demands



**INSIDE
BUSINESS**

Ann Crotty

ACCORDING to a Cape Times feature on Monday, about 70 000 workers in the civil engineering sector went on strike last week to support their demand for a 13 percent pay increase.

About 70 percent of these workers are on minimum wage, which, assuming constant rain-free weather, means a monthly pay cheque of about R2500. For these 50 000 workers a 13 percent increase would bring in an extra R325 a month.

But management is having none of it. The notion of a 13 percent increase when official inflation figures indicate that prices have increased by just 8 percent is, they apparently believe, ludicrous and cannot be afforded; and anyway there's a huge excess supply of unskilled labour.

The unions counter that inflation in public transport is running at 14.6 percent and food inflation is more than 12 percent. They also point out that the huge profits reported by the construction companies indicate that the demands are affordable.

The workers on minimum wage are employed by sub-contractors on a casual basis. This means that if it rains there is no work and no pay. In this sort of casual, low-wage existence there is no chance for the training needed for upskilling.

Of course, the huge attraction of this type of employment for the construction companies, where work is largely project-based, is that they do not have to deal with the cost of a large permanent workforce.

The Cape Times article by Eddie Cottle of Labour Research Services juxtaposes a few details about executive remuneration at construction companies with details of what the workers are seeking. Murray & Roberts chief executive Brian Bruce was awarded a 15 percent pay increase to R10.35 million and Wilson Bayly Holmes-Ovcon chairman Michael Wylie received a 55 percent increase to R7.29m.

For those familiar with the institutionalised gravy train that is executive remuneration, these figures probably seem reasonable enough. After all, these executives are highly skilled, highly mobile, highly sought after and are ultimately responsible for every aspect of these very large businesses – except of course the business's collusion activities, which the top executives never know anything about. And, we are reminded, the packages are all market-related and involve much input from remuneration consultants and fellow directors on the remuneration committee.

But no matter how hard you try to see this from the perspective of the company and its entitled executives, it all goes pear-shaped when you come to share options.

In financial 2008, Bruce realised a pre-tax profit of R37.4m from exercising some of the options that he had been allocated in earlier years. This is a lot of money – even in the bizarre world of executive remuneration, this is a lot of money. In the world of workers' demands it would be enough to cover the additional R325 a month for 10 000 workers for an entire year.

During financial 2007 Bruce realised a pretax profit of R90m from his share options. With this amount of money you could pay the extra R325 a month for 22 500 workers for a year.

Bruce realised these profits because the share price went from about R4 to R40. (It is currently R48.) That the share price went to R40 had little to do with Bruce and lots to do with the government's multi-billion rand infrastructure programme.

For shareholders in construction companies the dividends – and perhaps some capital profits – from this government-provided boom will keep them rich for a long time. For the workers there will be little once the boom times have passed.



2010 Business Report

Workers battle and CEOs cream it while World Cup costs soar

EDDIE COTTLE

AS THE government is forced to look at borrowing to cover the expected shortfall of R9 billion in tax revenues, the costs of hosting the World Cup next year are soaring. As usual, the increased costs for hosting the event, and the mega-profits made by South Africa's construction companies, are announced in the press with little critical commentary from the public or academia.

Indeed, there appears to be a dead silence.

On the other hand, the trade unions have mobilised about 70 000 construction workers for a national strike in the civil engineering sector that will affect the time schedules for delivering the World Cup stadiums this year.

International headlines have incorrectly said that the strike

action threatens the World Cup, giving as little detail as possible and thereby rendering invisible the legitimate demands of workers for a 13 percent increase in wages.

Wherever economists, employers and government institutions have to respond to demands by workers for wage increases, they are quick to refer to the "cost to the economy" or to state that the government just cannot afford to accede to such demands because of "budgetary constraints". Wage increases are simply unaffordable!

None of these kinds of arguments has been made in relation to the soaring costs to the public purse of hosting the World Cup, or even how it is pushing up inflation as we import expensive goods and services and companies push up prices to make maximum profits in the run-up to the matches.

Nor has there been extensive condemnation of the super-profits being made by construction firms and consultants in the context of a nation where there is growing inequality and poverty.

In 2004, the financial impact report for South Africa's World Cup bid committee, prepared by consulting firm Grant Thornton, estimated the cost of infrastructure and the stadiums to the taxpayer would be about R2.8 billion. By October 2006 this had jumped to R8.35bn. The current estimated cost to the taxpayer of the stadiums and related infrastructure is a whopping R17.4bn.

And while Fifa has already generated an income of \$3.2bn, the biggest taking of all its World Cups, local government budgets are overstretched and ratepayers will face double-digit increases to make up for overexpenditures. Indeed, the

2006 cost estimate for the new Green Point stadium was R1.6bn but is now R4.5bn – almost three times more.

What is not explicit in the costs of building the World Cup infrastructure is exactly what the permitted profit levels are for the contracted construction companies and consultants.

It is alarming that initial reports indicated that consultant costs alone constituted about 10 percent of the total stadium costs, which is little more than the original total cost estimate (R2.3bn) made by Grant Thornton in 2004.

Large construction companies involved in the World Cup projects have been the greatest beneficiaries of the construction boom and the 2010 tournament.

Construction companies' annual reports for 2009 indicate mega-profits being made despite the downturn

internationally and in the local economy

Group S's profits before tax have increased by 79 percent, Basil Read's by 80 percent, Murray & Roberts's by 99 percent and WBHO's by a whopping 142 percent.

The chief executive officers are not doing too badly, either. The chief executive officer of Murray & Roberts, Brian Bruce, increased his annual remuneration from R9 million to R10.35m – up 15 percent – and WBHO's Michael Wylie increased his from R4.7m to 7.29m, or by 55 percent. In 2008, Bruce was able to realise a profit of R37.4 million on share options granted over several years as part of his pay arrangement. This was besides the R30m profit he received in 2007.

Trade unions organised in the civil engineering and building sector such as the National Union of

Mine Workers and the Building Construction and Allied Workers' Union have put forward a demand for a 13 percent increase across the board. About 70 percent of all construction workers earn below R2 500 a month. An increase of 13 percent would be around R81 a week, or R325 a month.

In considering workers' wage increases, employers would often use a very unreliable measure – the consumer price index, which is the official instrument used to measure inflation in South Africa.

Trade unionists have often argued that if inflation is the key instrument to be used to measure wage increases, how come this is not applied to top management, whose incomes have been increasing at an alarming rate in contrast to those of workers?

Unions are arguing that if the average chief executive officer received an above-inflation increase

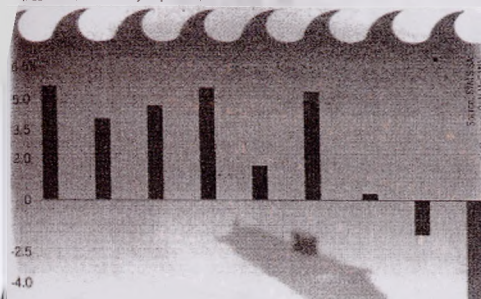
of 13 percent in remuneration last year, how come the unions cannot demand the same in 2009? Further, unions have said inflation impacts more on lower-earning wage-earners than on higher earners.

Inflation in public transport is running at 14.6 percent and food inflation at 12.1 percent, so even using inflation data, a 13 percent wage increase is a very reasonable demand.

Clearly, the soaring costs to the economy of hosting the World Cup have nothing to do with wage demands by construction workers, and everything to do with construction company's exorbitant executive packages and the huge profits made by these companies and consultants.

● Cottle is co-ordinator of the Campaign for Decent Work Towards and Beyond 2010 for Building & Wood Workers International.

Underwater
Annual economic growth rate
industries, seasonally adjusted (%)



READING THE NUMBERS

In South Africa GDP, or the total value of all goods produced in our country, is measured over short three-month periods or quarters. Given that the December period flush with holiday shopping, will always show a boom in growth, and the start of each year an obvious drop off, GDP figures need to be "seasonally adjusted".

The figures are then reflected on a quarterly basis, comparing declines or increases in growth from one quarter to the next, and Stats SA follows most countries in the world in reflecting the numbers this way.

The decision to then annualise these figures is one on which countries around the world are divided. The US and UK annualise their numbers, the EU does not. But annualising the numbers

simply allows economists to deduce what the rate of growth would be if current production rates continued for the entire year. Now this mathematical assumption, if you like, can exaggerate the figures, making quarterly declines for instance, appear more severe.

But it does allow for better comparisons with other annual figures, as well as highlight the severity of the decline we are in. If South Africa's recent GDP numbers were not annualised we would still register negative growth for two consecutive quarters. In addition, says Kevin Lings, economist at Stanlib, an examination of other economic data aside from GDP numbers shows that South Africa has been in recession for some time now.

Relief for battling consumers

Lynley Donnelly

The indebtedness of consumers is soaring as the local economic outlook continues to sour, but there may be hope on the horizon.

Over 41% of all credit accounts belonging to the 17.56-million credit active South Africans are delinquent, according to the newly launched National Debt Mediations Association (NDMA), set up under the auspices of the National Credit Act.

In addition, the portion of household net disposable income that is applied to service debt is at an "alarming" average of 75%.

But the credit industry, including banks, debt counsellors and payment distribution agents, under the auspices of the NDMA, has created a debt review process that will enable over-indebted consumers to deal more effectively with their bills.

Simply put, the proposed review process obliges credit providers affiliated to the NDMA to offer customers a step-by-step programme to renegotiate their mortgages, vehicle loans and short-term loans, says Tjaart van der Walt, CEO of the NDMA.

Based on four rules that must be followed in sequential order, the review process is designed to improve greatly consumer credit rehabilitation.

The process can, however, only begin if consumers agree to restructure their budgets, liquidate non-essential assets such as holiday homes and to put a stop to spending on non-essential items.

From here, rule one allows for the extension of credit terms for mortgages for up to 360 months, vehicle loans to 1.5 times the original loan

term and short-term loans to three times the contractual term.

If this does not work, rule two allows the adjustment of loan interest rates on a sliding downward scale to the minimum of the Repn rate.

Should these measures fail and consumers have a mortgage, an application can be made for payment of a holiday in instalments of up to a year while they deal with their other debts, as per rule three.

Finally, rule four is applied if this doesn't work either, with a further 12 months' reduction in yields on all other loans, except a mortgage, to a minimum of 0%, the condition being that the consumer's finances improve within 60 months.

Van der Walt says a pilot programme was launched between September 2008 and March 2009 to test how the review process would work.

While it is still "early days", says Van Der Walt, and the success of a full scale roll out remains to be seen, the pilot had a 56% success rate, suggesting that current delinquency rates could be halved.

Affiliation to the NDMA is voluntary. But more than 98% of all credit providers in the country, including all major banks, are NDMA affiliates.

At the end of April 2009 about 68 500 cases of over-indebtedness had been registered with the National Credit Regulator (NCR), with an estimated increase to about 150 000 cases by the end of the year. However, only 3% of the cases have been resolved.

The success of the programme, says Van der Walt will depend on the buy in it gets from the industry as a whole, as well as that from consumers.

Concrete wage gap

Lynley Donnelly

Aside from boosting national pride, hosting the Fifa World Cup will, it is hoped, help develop South Africa's economy. But the wage gap in the construction companies involved in building 2010 stadiums and other infrastructure projects suggest the mega sporting event's shining legacy will be reserved for the already rich.

This is according to a report on directors' fees in the construction sector released by the Labour Research Service (LRS) and the Building and Wood Workers International (BWWI) Union.

The survey examined six listed companies that have been involved in major projects in the past five years, or which supply and produce construction materials and stand to see profits rise along with demand for their products.

According to the report the average annual salary of a CEO, an executive director and a non-executive director was R6.9 million, R4.3 million and R261 000 respectively.

The average annual minimum wage for ordinary workers was R28 006.

It would take a worker 245 years to earn the equivalent of a CEO, 153 years to earn the same as an executive and nine years to equal the salary of a non-executive director.

This is a new dimension to one of the most spectacular mega-sporting events in South African history, says Eddie Cottle, coordinator of the campaign for Decent Work Towards & Beyond 2010 at the LRS, and editor of the report.

"We are not anti-2010 but we are questioning the development results of an event like this."

Cottle says construction sector employees are among the most vulnerable workers, with about a million individuals and a 10% unionisation rate.

The conditions locally also reflect international remuneration trends for other large international sporting events, particularly since the onset of the global economic crisis. According to further research provided by Cottle, workers in countries such as the Ukraine, the site of the 2012 European Championships, have agreed to half their normal wages. Wages have decreased to 1 000 hryvnia per month – the equivalent of about \$5 euro, or R113. Much like local wages here, this is hardly enough to cover a worker's monthly food bill.

An additional concern, he says, is the use of labour broking at 2010 construction sites – 70% to 80% of workers are employed through brokers on Limited Duration Contracts, usually for about three months.

The local and international construction industry was booming until the onset of the global financial crisis, with pre-tax profits in the sector more than R9-billion in 2007, according to the report.

While local growth figures released this week show a 6% decrease in GDP in the first quarter of 2009, construction is one of the few sectors to have shown marginal growth.

Crecentia Mofokeng, BWWI representative for Africa and the Middle East, says the research shows that 2010 development is skewed in favour of shareholders and construction employers, who make mega profits, while workers' conditions remain the same, with the majority of workers in vulnerable employment.

"A key concern for labour in the engineering and building sectors is the fragmentation of collective bargaining arrangements, which has created huge disparities in the working conditions of construction workers across provinces," says Mofokeng.

She points out that at Green Point Stadium, which falls under the building industry, a general worker earns a minimum of R17.65 per hour, but at Soccer City, which falls under civil engineering, a general worker earns a minimum of R14.00 per hour.

But construction industry representatives maintain that the sector is doing what it can to ensure workers earn decent wages.

Junaid Allie, executive director of human resources at GroupFive explains that the South African Federation of Civil Engineering Contractors (Safcec) represents Group Five during wage negotiations.

Over and above a multi-year agreement to an 8% increase, finalised in September last year, an additional 3% increase was given to all employees of Safcec member companies, says Allie, adding that additional negotiations are due to begin shortly.

Allie could not give an indication of the proportion of workers employed through labour brokers versus directly by the company, he says, however, that the figure of 70% to 80% "seems very high".



Under construction: the Royal Bafokeng Stadium (top) and Johannesburg's FNB Stadium. Photos: Getty Images and Oupa Nkosi

The reliance on labour broking is due to the nature of the construction industry, which is "transient, cyclical, project based and geographically specific". In addition, construction projects usually require certain skills sets at different stages of the project, meaning employment cannot always be permanent.

"We are, however, increasingly seeing site based or project based wage agreements, which we adhere to, whether staff are employed through labour brokers or by the company," says Allie.

The working conditions of labourers are ultimately the responsibility of the cities or provinces where the stadiums are being built as well as the contractors on site, says Rich Mkhondo, chief communications officer of the local organising committee. The LOC is "confident that its partners, including the labour department, will ensure that workers earn a living wage".

But, he says, the positive impact 2010 cannot be ignored. As the tangible economic improvements – improved airports, roads, more than 100 000 jobs created – have been created.

"Those who have lost their jobs after the event will have acquired will re-

OPINION

CAPE TIMES THURSDAY, AUGUST 9, 2007

Beneficial impact of 2010 is easily exaggerated

NATION states often invest billions on luxury facilities for mega-events, believing the image of the country will be enhanced and the economy stimulated.

Impact assessments generally provide positive guestimates for economic growth and job creation.

They exclude evaluating these projects in a context of pressing social needs.

What should also concern us is the qualitative impact of such a mega event.

Increase in spending attributable to the event may be a "gross", as opposed to "net", measure.

Evidence from the Sydney Summer Olympics in 2000 indicates a "substitution effect".

While Sydney had an increase of 49% occupancy for hotels, other cities indicated a general decline of around 19% for the same period.

In South Korea, the number of visitors for the 2002 World Cup was far higher than normal, but was offset by a similar decrease in the usual visitors from Japan.

While there were 460 000 visitors during the World Cup, it was an identical figure to that of the previous year.

According to Grant Thornton, a

consulting firm, South Africa should expect around 362 000 foreign visitors for the World Cup.

This is well below the figure of 506 790 foreign visitors to South Africa for the period of June 2005!

The final reason why impact is exaggerated relates to what economists refer to as the multiplier effect. Grant Thornton guestimates that the gross contribution to GDP will amount to R51.1 billion, which is the R30.4bn of public funds and the multiplier effect thereof. A further R15.6bn will be generated from foreign tourism.

The excluded information is what

amount is to be repatriated to international companies. The repatriation of funds can also be extended to the importation of some 35 000 highly paid skilled labourers.

To ensure that the multiplier effects improve the conditions of workers, international labour federations and support organisations have embarked on the Campaign for Decent Work 2010 and Beyond.

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AN ANALYSIS OF COLLECTIVE BARGAINING ARRANGEMENTS IN THE CONSTRUCTION INDUSTRY



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