
**SENIOR POLICY WORKSHOP ON STIMULATING AND
SUSTAINING SMALL- AND MEDIUM-SCALE ENTERPRISES
THROUGH EFFECTIVE OUT-REACH PROGRAMMES,
ACCESS TO FINANCE AND IMPROVEMENT OF THE
LEGAL AND REGULATORY ENVIRONMENT
(AFRICA HALL, ADDIS ABABA, 14-18 NOVEMBER 1994)**

**The Role of Trade Unions in
Stimulating and Sustaining Small-
and Medium-Scale Enterprises in Africa**

by
The Organisation of African
Trade Union Unity (OATUU)



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ORGANISATION OF AFRICAN TRADE UNION UNITY (OATUU)

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1. THE BACKGROUND:

The political, economic and social crises which have persistently engulfed Africa, continue unabated as we approach the end of this century.

The political crisis is manifested by the struggle between unpopular regimes and democratic forces; the prolonged civil wars and the violation of human and trade union rights.

The economic crisis is epitomised by the unabated abject poverty, impoverishment and persistent signs and illustration of under-development. Indices such as a fall in per-capita income; deplorable health, education, sanitary and other social services; increased external debt and debt-servicing; deteriorating purchasing power of workers' and peasants' incomes; deteriorating prices of commodities versus rising prices of imports from the developed countries; are just few manifestations of the hopelessness of the economic situation of African countries.

The social crisis, in addition to the violation of human, peoples' and trade union rights, is illustrated by the lack of peoples' participation in decision-making, particularly on development strategies, policies and programmes.

Moreover the political, economic and social crises have been compounded by other factors - natural and man-made. Man-

made factors include the restructuring of the economies by the adoption of the orthodox Structural Adjustment Programmes. Policies and conditionalities of these SAPs included mass retrenchment of workers in the public sectors; massive devaluation of national currencies; removal of government subsidies in education, health and other social services; privatisation of public enterprises and the liberalisation of trade. All these had, and continue to have disastrous effects on the lives of millions of people in the over 34 African countries implementing these SAPs. Despite the various arguments and proofs of the failure of the SAPs to alleviate poverty and impoverishment of the people, many governments are still implementing the SAPs. Workers continue to be retrenched; national currencies continue to be devalued massively; public enterprise, even those making profits continue to be privatised, and economies are being liberalised.

Other debilitating factors include the increasing protectionism in international trade perpetrated by developed countries at a time when the IMF and World Bank demand and pressurize developing countries to open up their markets.

Still more are the continued refusal of some military governments and unpopular regimes to step down in favour of democratic structures and processes; problems of transfer of technology, brain-drain and the continued lack of popular participation described as one of the most debilitating factors to meaningful and sustained development.

Natural factors worsening the crises include drought, floods, hurricanes and famines. These add to the peasants' problems of insufficient agricultural production due to little use of technology, the deteriorating prices of the commodities they produce, and declining subsidies for agricultural production.

WHAT ARE THE EFFECTS OF ALL THESE ON THE
WORKERS AND OTHER POOR SECTIONS OF THE POPULATIONS?

For the employed workers, the inadequacy of their salaries and wages has always been a bone of contention between their unions and employees, including governments. Demands for yearly minimum or living wage negotiations are common in many African countries. The situation is worsened by delays in receiving the meagre incomes and sometimes rampant deductions on flimsy excuses. Added to these are other poor conditions in such areas as housing, medical-care, social security, transport, occupational health and safety, etc., which could improve workers' conditions of living and working; had they been adequately provided.

Furthermore, massive devaluation of national currencies, removal of government subsidies on health, education, transport, etc., without adequate compensation to the meagre incomes, means a gross reduction in the purchasing power of the workers and other poor sections of the communities. If further means that they must dig deeper into their pockets to pay for the increased social expenses. When they are not able to do so, as it often happens, then there often occur such devastating consequences as millions of children dropping out of school or not enrolled at all; death to millions of people due to malnutrition; lack of adequate medical-care and medicines.

For the retrenched workers and the unemployed, the loss of jobs and income is in itself catastrophic, particularly as each worker supports sometimes as many as ten members of his/her extended family. Removal of government subventions on social services, currency devaluations, etc., mean rubbing salt on already painful wounds because they lead to greater poverty, greater difficulties to make ends meet and care for families.

Results are obvious - malnutrition, more school dropouts; failure to obtain medical facilities and services, misery and death!

Effects to trade unions as organisations are the massive loss of membership; loss of income leading to poor services to members; and, weakening of structures.

Against this background, what are the trade unions' response?

3. TRADE UNION RESPONSES/REACTIONS

Trade Unions are voluntary, continuous and autonomous organisations formed by workers to fight for, promote and protect the workers' short and long-term rights and interests.

Basically, administrative and most other expenses of the trade unions are paid for by the members themselves through their contributions from their normal income. While the unions may raise funds through other channels, their contributions have always remained the greatest guarantee of the continuation of their organisations.

Given the economic situation of African countries described above, and the effects to workers and their unions, it has been obvious to trade union leaders that relying solely on their members' contributions could, at times, threaten the existence of their unions, leave alone failure to pursue various trade union development goals. Consequently trade union leaders had to explore other alternatives of raising funds for their unions. Involvement in small/medium scale enterprises was seen to be one of the alternatives.

However, raising funds through involvement in economic activities was not the only motive for the trade unions involvement in stimulating and sustaining various kinds of enterprises. Indeed, having realised Africa's weak economies, and in an attempt to make a contribution towards the revitalisation of these economies, many trade unions decided to invest part of their resources when they could afford it.

Therefore the objectives of African trade unions' involvement in stimulating and sustaining small/medium scale enterprises can be summarized as follows:-

- i) to make an effective contribution to their nations' development towards sustained economic growth;
- ii) to make effective contribution to alleviate their countries' high levels of unemployment by creating employment. This is particularly important in the past SAPs era;
- iii) to supplement trade union resources and make them financially stable, in addition to their members' contributions and grants from other sources;
- iv) to strengthen their unions by increasing their membership and income as a result of the trade union membership campaign in the enterprises established with trade union investments;
- v) as some of the economic activities are run on a cooperative basis, trade union invested funds help to supplement their members' incomes;
- vi) to provide badly needed services to their members particularly where such services are more expensive elsewhere. This includes hotels, restaurants, clinics and dispensaries.

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4. EXAMPLES OF AFRICAN NATIONAL TRADE UNION CENTRES' INVOLVEMENT IN ECONOMIC ACTIVITIES

For some years, many African national trade union centres have involved themselves in economic activities of various types. Following are examples:

- The TUC of Ghana: One of its affiliates (The Ghana Private Road Transporters' Union - GPRTU) runs a transport service in urban and some rural areas.
- The Egyptian Trade Union Federation (ETUF) runs a Workers' Bank.
- The UGTT of Tunisia runs hotels and other businesses.
- The CNTT of Togo runs a hotel complex.
- The NLC of Nigeria runs a transport system and is planning to establish a mortgage bank.
- The CETU of Ethiopia rents part of its building housing its headquarters.
- The OTTU of Tanzania has an economic wing - the Workers' Development Corporation which runs various small-scale enterprises.
- The ZCTU of Zambia runs a farm.

These are few examples of national trade union centres which have involved themselves in running small-scale enterprises. Some Industrial Unions affiliated to these national centres, are also involved in running some economic activities.

These trade unions' efforts are, however, jeopardised and at times frustrated by various problems.

5. PROBLEMS AFFECTING TRADE UNION INVOLVEMENT IN STIMULATING AND SUSTAINING SMALL/MEDIUM SCALE ENTERPRISES

5.1 Poor or lack of entrepreneurial skills: This is one of the

most pressing problems. Many trade union centres lack appropriate entrepreneurial skills and this adversely affects the sustainability of their enterprises. It is sufficiently clear that entrepreneurship development is the driving force and engine of small business development since a proper development of both will ensure widespread growth of self-employment and sustained national economic advancement. This is particularly necessary at a time, when as a result of economic restructuring through the orthodox SAPs, many workers find themselves retrenched. It calls for targeted entrepreneurship and small business development.

It is worth noting at this juncture, that for a long time, assistance in entrepreneurial development has been erroneously concentrated on employer organisations, as if trade unions had nothing to do with such skills. More than any other groups, African workers and trade unions need to be targeted for focused entrepreneurship/small business development programmes. In-house expertise and external linkage to national resource institutions need to be developed.

The OATUU has developed a project on Entrepreneurship and Small Business Development within African Trade Unions. The project is aimed as a pilot programme to develop a capacity within OATUU and its affiliates for the training of entrepreneurs, as well as for the strengthening of already existing small businesses and the creation of new ones.

The OATUU is still seeking funds to implement this project

5.2 Lack of resources: Capital, Finances:

The introductory part of this paper has dealt with the economic crises facing African countries and the effect on workers and trade unions. Lack of adequate resources has been the bottleneck to the stimulation and sustainability of newly

planned and existing trade union initiated economic activities. At a time when many trade union centres are striving to exist, mobilisation of funds for investments from their own resources is a difficult process.

5.3 Sensitization and Awareness Creation:

Though examples of trade union involvement in economic activities have been shown above, there is still room for more sensitization and awareness creation among some trade union leaders to appreciate the importance of entrepreneurship development. This will facilitate their decision-making on committing time and efforts to raise funds and involve their unions in entrepreneurial development.

5.4 Project Formulation, Execution, Monitoring and Evaluation:

Together with problems in entrepreneurship development and awareness creation, is the lack of the ability to formulate, execute, monitor and evaluate projects. Failure to formulate, monitor and evaluate projects has either deprived some unions of chances to establish such projects or has resulted in the failure to monitor and evaluate existing ones. This in turn has resulted in the poor performance of formerly well established enterprises or led to their demise.

6. SUGGESTIONS

Given the critical situation of workers and their unions in Africa due to the crises that have enveloped their countries, the sooner and more effective the identified constraints to entrepreneurship development are dealt with, the better. The following are suggested:

6.1 The development of in-house expertise and external linkage to national resources for national trade union centres and their affiliates.

This expertise will enable the targeted people to plan, promote and organise entrepreneurial training activities for small business creation; assist in starting new ones and the smooth-running of the existing. A Training of Trainer course in entrepreneurship development programme might be the starting point for most trade union centres after general sensitization and creation of awareness. These could be followed by more detailed entrepreneurship courses in various fields - identified by the centres.

Briefly the sequence could be as follows:-

Phase I: General sensitization and awareness creation:

The target groups could include the trade union policy makers and those later to receive more basic training on entrepreneurship development.

Phase II: How to start a Business -

Course contents may include:

- Business concept and planning;
- How to generate and validate business ideas;
- Techniques of market and marketing research;
- Physical and human resources needed to start a small business;
- How to source and determine the needed financial resources;
- How to prepare a Business Plan through the use of case studies.

Phase III: How to Manage a Small Business -

This is meant or designed to provide training on how to manage a small business successfully. Course contents could be:

- Management of Financial Resources;
- Internal control techniques;
- Assistance Institutions for Small Business and Where to get professional advice;
- Production Planning and Control;
- Record keeping and Accounting;
- Specialized training (e.g., Agriculture, food processing, Service and Manufacturing Industries).

6.2 Project Formulation, Monitoring and Evaluation:

Running concurrently with the development of in-house expertise and external linkage, is the need to develop expertise in project formulation, monitoring and evaluation. This will enable the target groups to take part in or actually do the planning, monitoring and evaluation processes and thereby identify any problems and try to arrest them to ensure the smooth-running of the projects or enterprises.

6.3 Mobilisation of Resources: Capital/Finances

This is one area in which trade unions need perhaps the greatest assistance from various institutions. While some trade unions have been able to initially invest some of their resources, the present situation is such that external resources are essential for most of them.

7. C O N C L U S I O N

African trade unions have and continue to genuinely struggle to perform their activities for the interest of their members and the society as a whole. The political and socio-economic crises that have engulfed their countries make their work difficult and more and more challenging. They have and continue to respond to these challenges by exploring alternative ways to both improve their performance and serve their members better and more effectively. Their involvement in stimulating and sustaining small/medium scale enterprises is one important alternative. Moral and material support and the removal of all identified bottlenecks, will greatly enhance their performance.
