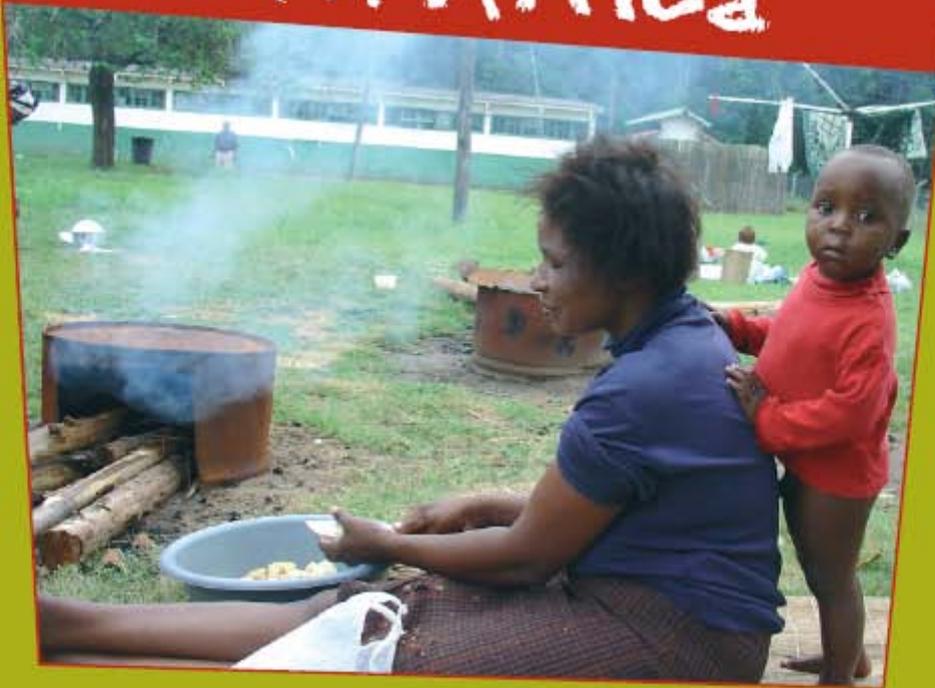


Forestry contractors in

South Africa



What role in reducing poverty?

Jeanette Clarke and Moenieba Isaacs

Discussion paper

***Forestry contractors in South
Africa: what role in reducing
poverty?***

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Small and medium forest enterprise series

This series presents IIED-coordinated studies on the ways in which small and medium-scale forestry enterprises can better contribute to reducing poverty and improving the prospects for sustainability. All reports in the series, including country case studies from China, India, South Africa, Uganda, Brazil and Guyana, can be downloaded from www.iied.org/forestry/pubs/sm_entprise.html#casestud.

This study on forestry contractors has been conducted within two broader IIED-coordinated initiatives, the *Forest Governance Learning Group*, active in South Africa and a range of other countries in southern and western Africa, and *Sharpening Policy Tools for Marginalised Managers of Natural Resources*, or *Power Tools*, an international initiative to develop and test policy tools. For more information on the Forest Governance Learning Group see www.iied.org/forestry/research/projects/forest and for more information on Power Tools see www.policy-powertools.org.

The current study was developed as a contribution to a joint initiative - by the International Institute for Environment and Development (IIED), based in the UK, and South Africa's Department of Water Affairs and Forestry (DWAF) - aiming to answer the question: What role does forestry play in reducing poverty in South Africa and how can that role be improved? The opinions expressed in this paper are those of the authors alone, and not necessarily those of IIED, DWAF, or the supporting agencies DGIS (Dutch Ministry of Foreign Affairs) and BMZ (German Federal Ministry for Economic Cooperation).

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Executive summary

The SA forestry industry outsourced the majority of their operations to contractors during the 1990s in line with global business trends. In common with other sectors, the forestry industry outsourced in order to increase flexibility, save on cost of capital equipment and fixed costs associated with full-time employees, and to avoid having to deal with what was perceived as overly constraining labour legislation brought in by the new Government. The shift to outsourcing resulted in some 300 forestry contractors employing more than 35 000 workers countrywide. The purpose of this study was to investigate the contribution that forestry contracting makes to poverty alleviation in South Africa through providing jobs and enterprise opportunities, and identify opportunities for enhancing flows of benefits.

The study focused on providing a national overview and appraisal of forestry contracting overall, derived from country-wide interviews and documented sources. Further evidence was obtained from case studies in the field, and these are included in an appendix to the paper. Fieldwork took place mainly in northern KwaZulu-Natal. Forest contracting enterprise opportunities were reviewed in terms of their ability to reduce poverty through enabling entrepreneurs to become measurably better off over time. Employment opportunities were reviewed in terms of their ability to prevent poverty through reducing vulnerability and providing safety-net mechanisms for the chronically poor.

Poverty reduction through enterprise development opportunities in contracting

The study concluded that opportunities for enterprise development through forestry contracting are constrained by the low and decreasing profit margins associated with primary production in a complex and globalised value chain, by lack of effective business support including affordable credit, and by declining levels of productivity and efficiency as a result of worker under-nutrition and ill health. The key problem facing contracting businesses is their lack of ability to claim a more equitable share of the value chain as a result of their lack of independence from grower-processor (GP) companies. Findings suggest that value share, and therefore profitability, may be further declining under the guise of so-called black economic empowerment, whereby black entrepreneurs are seen to be willing to accept lower rates than their white counterparts.

In the short term, the study calls for an increase in rates /profit margins for contract work. Rates need to be brought in line with recent cost increases, and include increased profit margins to take account of risks born by contractors. Costing models should include allowances for staff development. The forestry sector charter for broad-based black economic empowerment (BBBEE) provides an avenue for far-reaching reform of GP-contractor relationships. Unless the issue of value share is addressed head-on, there is a danger that black economic empowerment will continue to provide a smoke screen for cost-cutting by the GPs.

If contractors are to claim a more equitable share of the value chain on an ongoing basis, they need to increase their collective bargaining power and influence. As the primary organisation representing contractors, SAFCA needs to be supported to extend its membership and its services, strengthen its capacity, and in particular, strengthen

its voice in the industry. We propose that a vision and strategy for the strengthening of SAFCA be developed under the forestry sector BBBEE charter.

An overall national strategy for emerging contractor training and support in which SAFCA plays a lead role should be developed as part of the BBBEE charter. Both GP and white-owned contracting businesses are required by law to set and achieve BBBEE targets. This provides a powerful tool for leveraging investment from the established players in the industry.

Existing GP self-regulatory mechanisms need to be strengthened and expanded to address social problems arising from current approaches to contractor management. There is a need for industry-wide social standards for commercial forestry to be put in place, akin to those that exist for the environment. The proposed national initiative for SA plantation and natural forest certification is an avenue for this.

Poverty prevention through employment opportunities in contracting

The study concluded that jobs provided by forestry contracting are not able to lift the vast majority of forestry workers, mainly women, out of chronic poverty, or prevent them from falling further into poverty. Incomes are insecure and inadequate, there are no financial safety nets in the form of health insurance or pensions, and workers are exposed to risk of permanent injury that could further impair their ability to secure a livelihood in future. Workers have little if any power to influence wages or the conditions under which they work, increasing their vulnerability to exploitation. Whilst wages do provide a source of much-needed cash income, these are far from adequate to meet monthly requirements and, as such, are but one of a number of livelihood strategies.

Measures discussed above to improve the profitability of contracting businesses and social accountability of GPs form the basis for improved labour conditions. In addition, specific measures to address the current plight of forestry workers need to be taken.

The law is the primary mechanism for regulating the relationship between employers and their workers. In South Africa, there are strong legal protections of all workers including contract and casual workers. There is need for improved enforcement of the law, and the study recommends various mechanisms for this.

Whilst legislation is critical to ensuring adherence to minimum labour standards, collective bargaining is required to ensure workers have a voice and are able to influence decisions affecting their working lives. To date, labour unions have made very little progress in organising contract labour and other atypical workers. This remains a major challenge facing the unions and/or for other civil society groups.

There is a need for additional social security mechanisms to be put in place to compensate for the limitations of existing state grants and absence of employer-assisted pension funds and medical aid. Self-help social security schemes, funded and run by informal sector workers themselves have met with considerable success in other sectors and in other parts of the world, and could provide lessons for forestry labour in SA.

Under-nutrition and high levels of HIV/Aids are intimately linked to poverty and vulnerability of workers, and measures to address the problems of inadequate income and lack of financial safety nets are required in order to mitigate the health risks faced by forest workers. Recommendations of studies conducted into HIV/Aids and the ergonomics of harvesting work should also be implemented as a matter of urgency.

Employee empowerment through provision for shareholding trusts and increased participation in management decisions is an important tool for far reaching change in workers' conditions. It should be noted, however, that as things stand, contractors have difficulty paying minimum wages, let alone setting up workers' trusts. There would have to be considerably more value retained at the primary production end of the value chain for such schemes to be possible.

Acknowledgments

This study was one of several commissioned under the umbrella of a seven-country exchange network (the Forest Governance Learning Group) co-ordinated by the International Institute for Environment and Development (IIED).

The information and insights on which this paper is based were obtained mainly from interviews and discussions held with a wide array of informants who have considerable experience and often strong opinions on the subject of forestry contracting, including contractors themselves, workers, independent professionals and GP company staff. Their co-operation and willingness to share information and ideas were exemplary. We would like to thank in particular, Rory Mack, Michael Howard, Michael Hlengwa, Andrew Crickmay and Jaap Steenkamp who were de facto our reference group, and were particularly knowledgeable, helpful and generous with their time.

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Opinions expressed in this paper are those of the authors and not necessarily those of the informants interviewed during the study, or of IIED.

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Acronyms

ABET	Adult Basic Education and Training
BBBEE	Broad Based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
BEE	Black Economic Empowerment
CAR	corrective action request
CUP	Contractor Upliftment Programme
FCPI	Forestry Contractors Productivity Initiative
FESA	Forestry Engineering South Africa
FIETA	Forestry Industries Education and Training Authority
FMU	Forest Management Unit
FSC	Forestry Stewardship Council
GEAR	Growth, Employment and Redistribution strategy
GP	grower-processors (big forestry companies)
ILO	International Labour Organisation
LRA	Labour Relations Act
NGO	Non-governmental organisation
NRI	Natural Resources Institute
RDP	Reconstruction and Development Programme
SAFCA	South African Forestry Contractors' Association
SAFCOL	South African Forestry Company Limited
UIF	Unemployment Insurance Fund

1. Introduction

The purpose of this study is to provide a clear and convincing analysis of the strengths and limitations of contractor arrangements in reducing poverty in South Africa¹. The study has three linked objectives:

- to review the evidence of contractor arrangements' actual and potential contribution to poverty reduction on a national scale;
- to identify the key governance constraints and opportunities to increase that contribution; and
- to suggest, based on existing experience, workable approaches and tactics for overcoming the constraints and seizing the opportunities.

Furthermore, the study aims to contribute to the current national policy dialogue about ways to enhance forestry's contribution to poverty reduction. The development of a national strategy for enhancing the role for forestry in poverty reduction was underway when this study was being done (Department of Water Affairs and Forestry - DWAF, 2005).

The review of contractor arrangements centred on two main aspects: contracting as a business opportunity; and contracting as an employment opportunity. We use a framework for analysing poverty alleviation based on two dimensions - poverty reduction and poverty prevention (Table 1). Poverty reduction is "a situation where people are becoming measurably better off over time due to their involvement/investment in economic activities" (Bene, 2004). Applied to forestry contracting in South Africa, we take this to refer to enterprise development opportunities through contracting. Poverty prevention refers to the role of an economic activity in helping people to maintain a minimum standard of living and preventing people from falling deeper into destitution. We use this definition to examine the contribution of forestry contracting to poverty alleviation in the context of employment creation: how jobs reduce risks and create safety-net mechanisms for the poor.

Table 1 : Two dimensions of poverty alleviation (adapted from Bene, 2004)

Poverty Reduction (lifts people out of poverty)	Poverty Prevention (prevents people from falling deeper into poverty)
through Capital accumulation	through Safety mechanisms
Wealth generation	Welfare function
leading to Economic growth	leading to Poverty impact mitigation
Capital accumulation	Reduction of vulnerability
Forestry contracting enterprises	Forestry contracting Jobs

¹ This study was commissioned as one of a series aimed at exploring the key forest governance constraints and opportunities enhancing the contribution made by forestry to poverty reduction. The studies fall under the umbrella of a seven-country exchange network (the Forest Governance Learning Group) co-ordinated by the International Institute for Environment and Development (IIED)

Vulnerability refers to “exposure to contingencies and stress, and difficulty in coping with them” (Chambers, 1989:1). According to Bene (2004) vulnerability is different from poverty, however, they are intimately linked. Vulnerability may be a consequence of poverty. Poor people are more vulnerable because they are economically insecure. In our research we found that women are the most vulnerable group and this is linked to poverty. However, one can also argue that the black emerging contractors are not poor, yet we found that they are also vulnerable. Bene (2004) argues that vulnerable groups are at risk of being exploited by persons or groups who are in positions of power.

The paper is divided into five sections, the first being this introduction. The second section provides contextual information for the study. The third section describes the focus and methodology of the study. The main research findings are presented in section 4. Four key problems are identified and assessed, using an assessment framework comprised of three parts: problem statement and overview; factors contributing to the problem/root causes of the problem; and a review of existing initiatives to address the problem. Conclusions and recommendations for enhancing the role of forestry contracting in poverty alleviation are presented in the final section. Seven case studies have been compiled from field interviews to support and illustrate the findings. The reader is referred to these throughout the text. The case studies are contained in Appendix 1.

2. Context

2.1 National legislative and policy frameworks

The African National Congress (ANC) contested the April 1994 elections with a vision of “a better life for all”, endorsed in its people-centred policy framework of the Reconstruction and Development Programme (RDP). The RDP had four areas of importance meeting basic needs, developing human resources, building the economy, and democratising the state and society (RDP, 1994). After the elections, the government embarked on far reaching legislative reform, including reform of labour legislation. Business interests in South Africa, concerned with the impact of these reforms on the business climate in the country, applied pressure on the government to investigate alternative development paths (Fig, 2002). Soon after, the RDP was sidelined in favour of the neo-liberalist Growth, Employment and Redistribution (GEAR) strategy. The South African reform agenda thus included privatisation, subsidy removal, downsizing of the public sector, and encouragement of small black entrepreneurs (Bond, 2000). From a poverty perspective, the macro-economic policy viewed SMMEs and job creation as key factors for reducing poverty.

The Broad-Based Black Economic Empowerment (BBBEE) Act of 2003 provides a framework for transformation of economic sectors of the country, including a provision for the formulation of sector transformation charters. The Government recently launched a multi-stakeholder initiative to formulate a Forestry and Forest Products Sector BBBEE Charter (DWAF, 2005). The goals of BBBEE are largely congruent with poverty reduction, providing the basis for much greater involvement of black people in the economy, not just through equity transfers, but also through enterprise development, employment equity, skills development and training (Glen Michael and Associates, 2004).

2.2 National and international labour trends

Whilst GEAR provided the basis for trade liberalisation in post-apartheid South Africa, it was within the framework of the RDP that labour law reform was initiated, consolidating gains made through workers' struggles during the apartheid years. The Labour Relations Act (66 of 1995) and the Basic Conditions of Employment Act (75 of 1997) provide comprehensive protection of trade union and workers' rights. The Labour Relations Act (LRA) provides for collective bargaining and other aspects of employee-employer relationships, whilst the main aim of the Basic Conditions of Employment Act (BCEA) is to establish a "floor of rights", in the form of a set of minimum standards for employment. These two elements are common to labour legislation worldwide, and arise from the recognition that the relationship between employer and employees is inherently unequal (Mills, 2004).

The demands on business to become more competitive as a result of globalisation, coupled with perceived labour market rigidities arising from labour legislation reform, set the scene for widespread downsizing and outsourcing (Mills 2004). The trend away from traditional forms of full-time employment of indefinite duration, to "atypical" forms of employment is widely recognised by the labour movement and labour academics internationally (Mills, 2003; Naledi, 2002; duToit and Ally, 2003). Externalising labour through outsourcing has significant advantages for employers in the globalised business environment. Firstly, the use of contractors allows for greater flexibility and the facilitation of rapid increases or decreases in the size of the workforce (Mills, 2003). Secondly, it results in significant savings, replacing fixed costs of full time employment, employment benefits and training, with a "clean" wage linked directly to work done, usually at reduced wage rates (Naledi, 2002; Mills, 2004; Hlengwa 2004). In addition, greater levels of efficiency can often be achieved through performance-linked contracts and tighter controls (Swaine, 1998; Naledi, 2002). Outsourcing has also been widely seen as an attempt by employers to evade constraints of the standard employment relationships brought about through labour legislation, through redefining the nature of the relationship with workers from employment to one of supply of services (Mills, 2003).

The negative impact of outsourcing and casualisation on labour has been widely recognised and documented (Mills, 2004; du Toit and Ally, 2003). Outsourcing is associated with widespread retrenchments, reduced wages, reduced employment benefits and employment security. Workers are more vulnerable to exploitation as a result of losing protection from the law and from trade union membership.

2.3 Forestry contracting

The majority of commercial forestry plantations in South Africa are owned by a handful of large corporate players. These large forestry companies have a stake in downstream processing, and are commonly referred to as the grower-processors (GPs). The established GPs make use of forestry contractors to carry out almost all silvicultural and harvesting operations in their plantations. Consortiums that have recently taken over the management of state-owned plantations (such as SiyaQhubeka in the Zululand area and Singisi Forest Products in the Eastern Cape) are in the process of moving towards complete outsourcing.

2 Bethlehem (1997) estimates that there were 60 000 workers in the forest industry, which suggests the figure of 35 000 may be an underestimate of total numbers now employed by contractors.

The shift from direct employment to outsourcing by GPs over the past years has resulted in some 300 contractors employing in the region of 35 000 workers (Edwards, quoted in Anon, 2004²). Forestry contractors carry out almost all silvicultural, harvesting, and transport operations for the main GP companies. In addition, there are an increasing number of contractors servicing the needs of the independent growers and outgrowers (see case studies 1 and 2). Cases of sub-contracting, where contractors in turn outsource all or part of their operations to their workers, do exist but are not common (Khosa, 2000, Steenkamp pers comm). Harvesting contractors in the Piet Retief area of Mpumalanga are reported to sub-contract to harvesting teams. There is little information available on the subject, however, and the practice was not encountered in our fieldwork sites in northern KwaZulu-Natal.

Contractors can be divided into five categories:

- those that service the outgrower sector, micro to small operations, mostly recently started;
- sub-contractors, consisting of teams of workers or individual workers to whom contractors outsource part of their operations – in effect a disguised employment relationship, not investigated in this study;
- emerging contractors, predominantly black-owned, small in size and have been in business for 5 years or less;
- medium to large established contractors that have been in business for 5-10 years and more, predominantly white but include some black-owned contracting businesses;
- very large contractors, often involved in long-haul operations.

In common with other sectors, the forestry industry outsourced production to contractors in order to increase flexibility, save on cost of capital equipment and fixed costs associated with full-time employees, and to avoid having to deal with labour unions and labour problems (Swaine, 1998; Louw, 2004a, Naledi 2002). Through contracting, the GPs pay only for work done, passing the cost of employing labour and capital equipment on to the contractors, as well as the responsibility of managing all aspects of production including risk. Contracting out forestry operations resulted in significant cost savings to the GPs. For example, in 1997, silviculture contractors' rates ranged between R30 and R46 per "person day", whilst those of the company were R63.91 (Swaine, 1998). These and other figures suggest production savings to the GPs of between 40 and 60%.

Whilst outsourcing has resulted in efficiency gains and significant cost savings for the GPs, it is widely recognised and acknowledged within the forest industry and amongst associated professionals that this has been achieved at the expense of both contractors and forestry workers (Crickmay *et al*, 2004; Louw, 2004 a & b, SA Forestry Editorials, key informants, this study).

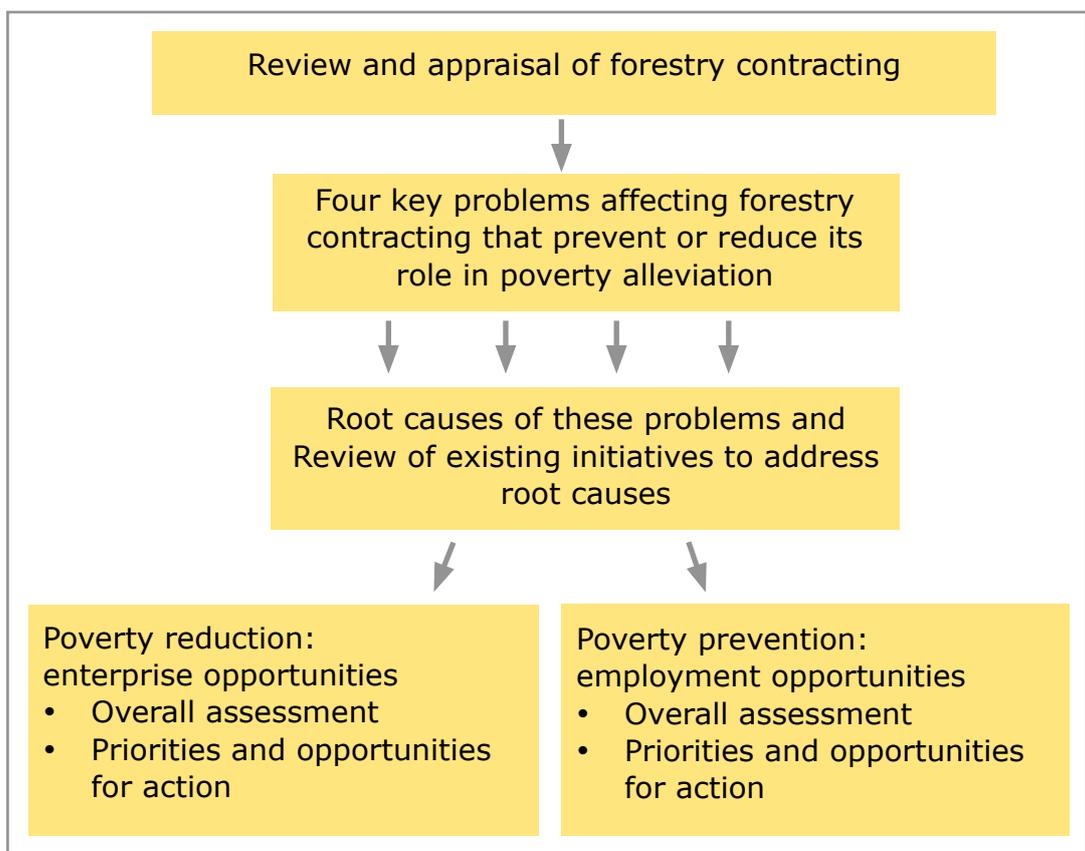
3. Research focus and methodology

The problems affecting workers and those affecting emerging contractors cannot be separated from problems affecting contractors as a whole, including the large, established contractors. The study focused on providing a national overview and appraisal of forestry contracting overall, drawing on a range of primary and secondary data complemented by key informant interviews.

Fieldwork took place in two areas in northern KwaZulu-Natal: KwaMbonambi and KwaNgwanasi. In KwaMbonambi the focus was on contractors engaged directly by GP companies, whilst the visit to KwaNgwanasi was arranged to enable us to interview outgrower contractors and their workers. Interviews with key independent forestry professionals in Durban and Pietermaritzburg provided the basis for planning fieldwork, and later for cross-checking findings and interpretation. Telephone interviews were held with forestry and labour specialists in other parts of the country (see Appendix 2 for a full list of informants). As outsiders to the sector, and as women³, we had the benefit of a high level of openness and co-operation from informants and respondents. The main limitation we had was in speaking to workers. The difficulties were partly to do with accessing workers⁵, and partly to do with language barriers. Neither of us is competent in *Nguni* languages and therefore we had to use translators.

Information derived from interviews and documented sources. It provided the basis for an analysis of the role of forestry contracting in poverty alleviation nationally, and measures to enhance this role. Figure 1 shows schematically the steps and overall approach used in the study.

Figure 1:
Process overview for forestry contracting and poverty alleviation study



³ Other than women labourers, all those we interviewed were men.

⁴ Access to workers is controlled through their direct employers as well as through the GP on whose property they work and reside, necessitating cumbersome protocol.

4. Key problems, their root causes and initiatives to address these

Introduction

Concerns about the problems affecting contracting, and their impact on contractors, labour, and the sector at large, are by no means new. Within the industry, there has been widespread concern and numerous initiatives taken since the early 1990s when contracting began. There is a wide net of complex and interrelated factors that contribute to the difficulties experienced by contractors. In 2002, workshops were held countrywide with contractors and GP company representatives under the umbrella of the Forestry Contractors Productivity Initiative (FCPI) to analyse the root causes of the problems facing the contracting business (National Productivity Initiative, 2002). Here we present our own analysis informed by the FCPI process and our own research. We outline four central problems affecting the contracting sector that negatively impact on its ability to deliver secure, sustainable and adequate livelihoods through small business opportunities and employment. We examine the root causes underlying each of these key problems, and review measures and initiatives already underway to address these. Table 2 provides a summary of key points contained in this section.

4.1 Problem 1: Lack of viability of forestry contracting

Overview

Forestry contracting is a high-risk business with high rates of failure among both established and emerging contractors. SAFCA reports a steady increase in the numbers of contractors that are either closing down their businesses altogether or unable to meet their obligations (as indicated by their failure to pay their public liability insurance) in recent months. In a three-month period between November 2004 and January 2005, a total of 44 contracting businesses ceased payment of public liability insurance, close to a fifth of all SAFCA members. These include a number of large, well-established contracting companies. The level of returns to investment of forestry contracting is unacceptably low in business terms, and is estimated to be in the range of 3-5% (Steenkamp pers comm., citing Olivier). Evidence suggests that the situation is worsening. Commercial Banks are reported to no longer provide loan finance to forestry contractors, as they consider the business too risky. The bimonthly Forestry Cost Index put out by Crickmay and Associates shows that rates paid for contract work are not keeping pace with cost increases. Taking cost increases into account, rates paid for silviculture and harvesting work have declined by about 40% in real terms in recent years (Crickmay and Associates, 2005). In addition, according to the same source, productivity is declining; productivity of harvesting operations has dropped by nearly 30% over the past few years.

The low profit margins and high rate of failure of contracting businesses raise concerns about the impact this has on livelihood security of contractors and their workers. Forestry contracting, particularly forestry harvesting, requires high levels of capital investment. As loan finance is difficult to access, especially by emerging contractors with no assets to use as collateral, personal savings, often pension funds, must be used for initial capital. Savings and pensions of spouses and extended family members may be used up to keep the business going (see case study 4). In extreme cases, contractors may find themselves so heavily in debt that they can never hope of getting back on their feet again.

Table 2

Forestry contracting: Summary of the key problems, their root causes and existing initiatives to address these

Key problem	Contributing factors/root causes	Current initiatives to address aspects of these problems
1. Lack of financial viability of contracting	<ul style="list-style-type: none"> • Contractors are not independent in the sense of “independent contractors” • Mismatch between level of risk and profit margins allowed for in rates • Contractors lack financial and management expertise, and access to information on costs and prices of operations • Contractors lack access to credit • Declining levels of productivity • GPs’ lack of social accountability 	<ul style="list-style-type: none"> • Contractor representation: South African Forestry Contractor’s Association (SAFCA); Forestry Contractor Productivity Initiative (FCPI, I) • Contractor support & training: FCPI, Contractor Upliftment Programme (CUP), Fukumela, SAFCA, Sappi • Business tools and info: Forestry Solutions, Crickmay & Assoc; SAFCA, Fukumela • Relationship-building: FCPI • Forestry Stewardship Council (FSC), Triple bottom line
2. Workers are vulnerable	<ul style="list-style-type: none"> • Low wages • No financial support facilities (access to credit, pensions, medical care) • Insecure employment • Lack of opportunities for self-improvement 	<ul style="list-style-type: none"> • GPs introduced Agricultural minimum wage in 2003 • Sectoral Determination • BCEA, and GP’s role in ensuring compliance with the Act • Various training proposals
3. Workers lack means for collective bargaining	<ul style="list-style-type: none"> • Workers not organised or represented • Gap in self-regulatory framework 	
4. Workers’ health at risk	<ul style="list-style-type: none"> • Workers at risk of being undernourished and dehydrated • Certain types of work and task systems place workers at risk of chronic injury • Lack of access to medical facilities and basic amenities • High rate of HIV/Aids infection 	<ul style="list-style-type: none"> • Some contractors providing nutrient supplements • Ergonomics study commissioned by Forestry Engineering South Africa (FESA), manual produced • SAFCA HIV/Aids study

A concern repeatedly raised by contractors and independent professionals was what they perceive as the externalising of the proceeds from forestry. With the squeeze being put on contractors, and in turn on workers, less and less money is staying in the local area. Furthermore, the GPs no longer invest in facilities and amenities for forestry workers. As one disgruntled contractor put it: "What we are seeing is an ongoing trend: a complete disregard for the community at large and for forest workers in particular. Forestry is the major industry and the major employer in this area. They can invest in the community, or take all their money out, and their actions show what choice they have made. The trend has been to invest less and less and take more and more out, to the point where the poorest people in the country are in effect subsidising large multinational corporations."

Root causes/contributing factors

- **Contractors have little independence from the companies they service**

Although contracting is in theory about a commercial relationship based on provision of services, in reality there is such a power imbalance between the GPs and the contractors, such that it better resembles an employment relationship. Prices for services are fixed by the GPs, and contractors have little if any say in these. Operational standards and wage levels are controlled by the GPs. Contractors repeatedly complain of "master-servant" attitudes, and a "take it or leave it" approach to negotiation of contracts. Examples and instances of GPs⁵ using intimidation, bullying and divide-and-rule tactics to drive down rates and subjugate contractors are commonly recounted. Contractors find themselves squeezed between financial and practical demands of running a business and the ceiling placed on rates by the GPs, coupled with standards prescribed by them.

- **Mismatch between level of risk and profit margins allowed for in rates⁷**

Rates set by the GPs give contractors little room to manoeuvre. Whilst costing models used to calculate rates may look acceptable on paper, they do not reflect the real world. Forestry contracting is subject to high levels of risk, most of which are beyond the control of the contractor. These are risks related to the physical environment (poor weather conditions, adverse site factors, etc.), and risks inherent in being part of a production chain (e.g. timing and availability of short and long haul transport, timing and capacity of intake from processing mills). Risks associated with workers' performance are becoming more and more of a problem for contractors, as a result of under nutrition, dehydration, and chronic illness, particularly HIV/Aids. Performance standards on which rates are based were developed in the past when workers were provided with cooked meals on the job and before the onset of HIV/Aids. The percentage of workers who cannot complete their tasks is high and growing (interviews, this research). To a large degree this risk is passed on to workers themselves, through the task system (see below) but the risk to contractors remains high.

A common problem relates to unplanned changes in volumes or size of the operation. Economies of scale are such that prices are very sensitive to the size or the volume of the contract operation, basically because fixed costs stay the same no matter how much work is done. If for some reason the amount of work to be done is reduced, the whole costing model is thrown out, rendering what might have been a marginally profitable operation a loss leader. Forestry contracting is one of the few services in which the provider is expected to carry the risk of changes in rateable work volumes (Swaine, 1998).

⁵ Predominantly these complaints were made about a single GP company.

⁶ We investigated the contentious subject of rates and the systems for setting these in some detail. Here we present the overall conclusion we came to, based on insights provided by expert informants.

In cases where contractors are exposed to unforeseen risks, or to changes in volume of work, it is critical that GPs make up for this by providing additional work to make up the loss, or by increasing the price, or some other measure. Some of the GPs are said to be open to a give- and- take approach with their contractors, whilst others are accused of refusing to accommodate and basically not caring about the fate of their contractors.

Related to the issue of risk is the issue of profit margins. Costing models used by contractors and companies are reported to include a profit margin between 5 and 15%. It is argued (Mike Howard, pers comm.) that profit margins need to be at least in the order of 25%, given the high levels of risk. In addition, a system for compensating contractors for reduced work volumes is needed.

- **Contractors lack financial and management expertise, information and tools**
Management is a key factor influencing viability, and some say it is the biggest reason why businesses fail. Running a business with large turnover and low profit margins requires considerable skill, access to key information and an ability to use this information. Because margins are so small and the risks so high, managers have to be able to monitor all aspects of production so they can take timely corrective action if need be.

Contractors commonly experience problems with income, such as late payments, and reduced payments for quality problems, in addition to low rates. Contractors then get into difficulty trying to find money to meet all their expenses, and begin a spiral of debt. Sometimes they have to borrow against their contracts in order to pay workers, and interest is charged on this. Another common problem is that cash-strapped contractors resort to using VAT money they should be passing on to the Receiver of Revenue to pay urgent monthly expenses such as wages. They then get into arrears, which carries penalties and interest, and ultimately a criminal charge. The other common problem is contractors not putting aside money to cover the costs of replacing their capital equipment. These problems arise in part from lack of experience and expertise in managing a business, but also from terms and conditions of contracts, as discussed above.

- **Contractors lack access to affordable credit**
According to informants, it is almost impossible to access credit to finance a forestry contracting business. The problem is worse for emerging contractors, many of whom have no assets to use as collateral. Forestry contracting, particularly harvesting, requires considerable investment in capital equipment, and the ability to access credit even to cover labour and other essential payments when payments are delayed. The other side to this is the high cost of credit, even when it is available. Businesses can be crippled by the high cost of repayments on start-up capital. The average contract duration of 3 years is insufficient to pay off capital investment in equipment, particularly that required by harvesting and long-haul contractors.

- **GPs' lack of social accountability**
According to contractors and independent professionals consulted, most of the problems in contracting boil down to the basic fact that the main consideration for the managers in the GPs is to cut costs: "All they care about is their bottom line." According to more than one informant, managers in one company are paid bonuses based on the savings they make against budgets, giving them direct incentive to drive down rates for work done.

Although the same GP purports to adhere to triple bottom line reporting⁷, this does not seem to translate into the ways in which rates are set and contractors are managed.

Key initiatives to address aspects of the problem

Contractor representation

The lack of autonomy of contractors from GP companies calls for a structure to represent their interests and lobby on their behalf. The South African Forestry Contractors' Association (SAFCA) was established to provide services to contractors and to improve the quality of services provided. SAFCA's mandate does not extend to lobbying or organising contractors, or negotiating on their behalf for rate increases or improved contract terms.⁸

Furthermore, SAFCA has historically been associated with white contractors, and although membership composition is changing, the majority of black emerging contractors are not represented. One of the main reasons is that emerging contractors cannot afford insurance and membership fees.

The Forestry Contractors Productivity Initiative (FCPI) focused its first phase on bringing all parties together to identify problems facing the contracting sector and to devise solutions to these. A non-confrontational approach was adopted, aimed at building consensus about core problems, and securing buy-in to a plan of action for the way forward. The second phase was to focus on implementation of these solutions, but little progress could be made because some of the main GPs withdrew their support from FCPI and the industry could not reach consensus on how to address the core problems.

Contractor support and training

There are a number of different organisations and initiatives involved in providing support to contractors (see Table 3 for a summary). The main concern raised by informants is the lack of a strategic industry-wide programme for contractor support. Initiatives are piecemeal and lack effective backing from the big players in the industry. Possible ways forward are discussed in section 5, below.

Business information and tools

There are a variety of organisations providing business support information and software (see Table 3 for an overview).

Transparent and uniform costing models:

There has been a move within the industry to develop industry-wide operating practices, performance standards, and costing models. The overall aim is to provide an objective basis for calculation of rates for contract operations, and thereby improve viability. Industry wide buy in has however, not been forthcoming, with some GPs not willing to use transparent systems for price setting, thereby maintaining their control over prices.

Financial management software:

A number of versions for use by contractors have been developed by Fukumela and by a collaborative initiative between the FCPI 2 programme and FESA. Fukumela is also providing its core contractors with training in using these packages.

⁷ Triple bottom line reporting provides for reporting on social and environmental performance alongside the conventional focus on financial performance.

⁸ A number of informants allege that SAFCA is kept in line through fear of losing membership, as certain GPs threaten to terminate contracts of SAFCA members.

Table 3 Overview of Contractor support initiatives and programmes

Types of support	Programmes/ organisations	Features / Resources	Limitations
Emerging contractors: training and mentorship	Fukumela (SiyaQhubeka)	6 contractors receiving training and mentorship. Mentoring models, training courses developed	Benefit only a select few
	Sappi learnership	2-year intensive training of young graduates, with follow-on contracts	Not aimed at existing contractors
	SAFCA training	Full-time post for training and support to emerging contractors	Lack of uptake
	GPs – small business advisors	Sappi has small business support advisor in place	Too little, too late
Established contractors: support for improved efficiencies	CUP	Membership programme support for targeted performance improvements	Aimed at established, high- performing contractors
	FCPI I &II	Problem identification, needs assessments, productivity and quality improvements	Industry, wide co-operation to address core problems not forthcoming
Business management support: tools and information	SAFCA	Costing models	No industry-wide buy-in to use of transparent costing model based on agreed operating practices and performance standards. Certain GPs open to this but others not.
	Forestry Solutions	Best operating practice (BOP), performance standards. Initiative to promote industry-wide adoption of these	
	Fukumela	Budgeting and financial management spreadsheets	
	GPs	BOP, performance standards, costing models	
	FCI Forestry Cost Index	Forestry inflation indices, market prices of contractor work	
	FCPI II- FESA	Financial software package to enable contractors and GP to cost operations	

Private sector self-regulation

GPs have a number of self-regulatory mechanisms in place aimed at improving environmental and social accountability, including codes of conduct, Forestry Stewardship Council (FSC) certification and commitment to triple bottom line reporting. There are a number of gaps and limitations to the existing self-regulatory mechanisms when it comes to social aspects, and in particular the contracting sector. These are discussed in more detail in recommendations below. A central problem is that there are no industry-wide social standards to underpin these mechanisms (Clarke, 2000). As a result, there is no objective basis for assessing company performance, and therefore no pressure to comply with agreed basic standards. Consequently, GPs continue to run their businesses on a profit-first basis, investing a percentage of profits in show-case social programmes, rather than a more equitable distribution of profits up the value chain. Fig (2002) describes this approach as corporate social investment, and contrasts it with true corporate social responsibility.

4.2 Problem 2: Forestry workers are vulnerable

Overview

Prior to outsourcing, the vast majority of forestry workers were employed directly by the GPs. These workers were steadily retrenched between the late 1980s and mid to late 1990s (Louw, 2004)⁹, as operations were handed over to contractors to perform. Many of the same workers were re-employed by contractors. A major shift in the nature of employment took place, from full-time employment of indefinite duration to a variety of non-traditional, or 'atypical' employment relationships, including casual, fixed-term, part-time, and seasonal. Forestry workers, like their counterparts in many other sectors where the same shift has taken place, have become more vulnerable as a result of reduced rates of pay and loss of benefits (du Toit and Ally 2003; Mills, 2004; Bethlehem, 1997; Naledi, 2002).

Root causes/contributing factors

- **Lack of employment security**

Employment contracts are generally linked to the duration of the contract. No contractor can afford to pay workers if there is no work for them to do. Hence contractors will take on teams to do contract work and lay them off when the contract ends (see case study 5). If the contractor goes out of business, workers rejoin the pool of the rural unemployed and hope to get work with other contractors.

Within contracts, labour turnover is also high, due both to resignations and dismissals. It was reported that contractors dismiss workers if they consistently do not meet their tasks, or are absent from work for 6 days or more (see case study 6). Labour turnover amongst workers with the most strenuous jobs and the lowest wages, such as strippers and stackers, has been found to be higher than amongst those with skilled jobs (Manyuchi and Pulkki, 2002; Scott, 2005) Absenteeism is also very high amongst these categories of workers. Turnover and absenteeism has been linked to exhaustion, or deterioration of physical condition resulting from the excessive workload involved in performing these tasks (see below for further discussion and case study 7).

⁹ The exception is those companies which took over the government-owned forests (former SAFCOL and those in the former homelands), are still in the process of shifting from own labour to fully outsourced operations.

- **Low wages**

When outsourcing began, GP minimum wage levels were around R35/day, and the same workers, rehired by contractors, were paid wages of between R10-15/day (Clarke, notes from interviews with union organisers in 1996; Bethlehem, 1997). These figures suggest that a 60-70% decrease in wages accompanied the shift to outsourcing. Manyuchi (2002) found discrepancies of a similar order when he compared wages paid to SAFCOL workers and those of contractors in his study of harvesting contractors in KwaZulu-Natal. He found that 50% of contractor workers fell within a R24-38 per day bracket, compared to SAFCOL workers of whom 50% fell within R50-80 per day bracket. SAFCOL employees continued to benefit from trade union membership and regular wage negotiations, and as a result their wages have kept pace with inflation. Contract workers are not members of unions, and have no means of negotiating for better wages. Contractors paying wages as low as R10/day remained common until fairly recently (see Corrective Action Requirements issued in FSC audits, Background study done for Sectoral Determination for the Forestry Sector). The current minimum wages enforced by the GPs in Zululand range between R34 and R42.50/day as a result of the introduction by the GPs of a minimum wage to be paid by their contractors. The recent increases bring wage levels back to the same level in real terms as they were when contracting began (taking inflation into account) in other words, they have kept pace with inflation to remain less than half the remuneration received by direct employees.

Daily wage rates are, however, rather misleading, as the case study of women bark strippers illustrates (see case study 6). Throughout the forest industry, the daily wage is based on a task system. If tasks are not completed, the worker is deemed not to have done a day's work, and the task is rolled over to the next day. Workers are paid monthly, a simple calculation of days worked times daily wage rate. However, the days worked are not the actual number of days worked but the day-equivalent of the amount of work done. The difference between actual days worked and those for which the worker is paid is disguised as "absenteeism".

Note on Project Grow contract workers:

Project Grow contractors are operating under conditions where their scale of operation is well below that considered by the formal sector to be the minimum for viable business, on lower rates and with higher operating costs. The only way they can do this is by reducing their own profits and income, and that of their workers. It would appear that they draw their labour from amongst the poorest of the poor, who have no other income sources besides government grants. Project Grow contractors interviewed in the KwaNgwanasi area said they paid their workers a minimum of R25/day, but as they work to the task system, average wages are probably much lower than this, in the region of R18/day (see case study 3).

- **Lack of financial safety nets**

When retrenchments came about in the 1990s, workers were paid out their pension and leave benefits in full, less company contributions. Those who were rehired by contractors no longer had access to pension and provident funds, or medical assistance (Crickmay *et al*, 2004, interviews this study). The nature of contract work and the extremely low margins make it impossible for contractors to afford employment benefits, other than obligatory UIF payments (Unemployment Insurance Fund). The consequence of this is that workers have no financial safety nets in times of need, other than limited state grants.

- **Lack of opportunities for developing human capital**

The term “human capital” is borrowed from livelihoods discourse, and refers to capacity of individuals to secure their own livelihoods. The contracting environment provides very limited opportunities for workers to expand their knowledge and skills base or for career advancement. This in turn limits their ability to source alternative work or to develop and advance within the forestry sector. The GPs used to provide ABET (adult basic education and training) courses for workers, and assist with furthering educational grades. All the main forestry companies have further education and training programmes in place for employees, as well as career pathing. From a contractors’ point of view, investing in staff development no longer makes sense due to high levels of turnover. With the tight profit margins, contractors generally cannot afford to have labour absent from work for training. Manyuchi (2002) found that only 29% of his sample of harvesting contractors had a training budget and training plan in place.

Key initiatives to address aspects of the problem/root causes

Workers’ wages and conditions

Until recently, GPs exercised no control over wages paid by contractors. About 2 years ago they began to do so, in anticipation of the introduction of a sectoral minimum wage. The agricultural sector minimum wage was brought into effect in March 2003, and this effectively set a precedent for the forestry industry. Shortly thereafter, all the major GP companies introduced a minimum wage for contract labour, requiring all their contractors to pay at or above these levels. A contractor interviewed in this study reported that his labour costs increased by 31% from 2003 to 2005, as a result of the minimum wage levels introduced by the GP companies. The GPs are now auditing all their contractors to ensure compliance with minimum wage levels. This has resulted in across-the-board wage increases for forestry workers, and put a stop to the excessively low wages paid by some contractors. Compliance with labour and occupational safety legislation is also regulated by the GPs.

A sectoral determination for the forestry sector is currently underway, spearheaded by the Department of Labour. The sectoral determination will set conditions of employment and prescribe minimum wages. It is expected that the forestry sectoral determination will come into effect in the coming year, and will not differ substantially from the agricultural sector equivalent, which came into effect in March 2003 (Steenkamp, pers comm.).

The legislative basis for ensuring a “floor of rights” for forest workers is in place, or soon to be in place. The concern is the extent to which contractors are complying with the legislation. Whilst GPs have policies and mechanisms in place to ensure contractor compliance, we were not able to assess the extent to which this is effective. Disturbing reports of labour abuse by contractors in the Mpumalanga area were received from a labour lawyer in practice there. FSC certification is an important mechanism for 3rd party auditing of GPs oversight role, as FSC makes the certificate holder responsible for operations in the forest management unit concerned.

An outstanding concern is the performance-linked payment system, which can result in by-passing minimum wages. This issue will be addressed in the forthcoming sectoral determination.

Further education and training

A number of proposals have been formulated to address the problem of lack of training and education opportunities for forest workers that have arisen out of the shift to outsourcing labour. As far as we were able to ascertain, none have yet been implemented. A training forum was set up in Zululand to develop a comprehensive training plan for forestry contractors, including further education and life skills training for unskilled workers. Although a detailed proposal was developed with widespread buy-in from all parties, it has not been implemented, according to the chairperson of the forum, due to lack of support from the GPs. The Forestry Department at Stellenbosch University has developed a training proposal, including e-learning components, that has been submitted to the forestry industry education and training authority (FIETA). This targets skilled workers, however.

4.3 Problem 3: Forestry workers lack bargaining power

Overview

Freedom of association and the right to bargain collectively are seen by the labour movement as fundamental rights, as they are enabling rights by which other core labour rights are observed (Natural Resources Institute 2000; Mills, 2004). Whilst “floor of rights” legislation such as that contained in Sectoral Determinations and the BCEA is critical to ensuring adherence to minimum labour standards, collective bargaining is required to ensure workers have a voice and are able to influence decisions affecting their working lives. Prior to outsourcing, forestry workers enjoyed these rights through their membership of recognised trade unions, but these rights are no longer exercised as contract workers are no longer unionised.

Root causes/contributing factors

- **Workers not organised or represented**

Prior to outsourcing, the majority of forestry workers belonged to trade unions with recognition agreements with GPs (Bethlehem, 1997). Unions were responsible for taking up workers grievances, ensuring compensation for injuries on duty, and engaged in annual wage negotiations. The shift to outsourcing effectively destroyed forestry trade unions (Bethlehem, 1997, Naledi, 2002). When workers were retrenched, unions lost members, membership fees declined, and unions became more and more cash strapped. Unions put all their efforts into resisting retrenchments and until now have not made any meaningful progress in recruiting contract workers. The negative impact that outsourcing has on trade unions is well documented (Mills, 2004). Contract workers are much more difficult to organise than full-time employees, as they are scattered amongst many employees, many of whom have no fixed workplace (Mills, 2003; Naledi 2002). The cost of union membership may be too high for contract workers. One of the most important reasons given by workers for not joining a union is their loss of confidence in the Unions after they failed to prevent retrenchments during the shift to outsourcing (Hlengwa, pers comm.). As one contract worker said bitterly: “The unions gave us to the contractors. They did nothing for us. We do not want to pay subscriptions for nothing.”

Forestry labour today is disempowered and demoralised. Workers have no channels for raising concerns or for redress. They have no channels for collective bargaining regarding wage levels or conditions of service. The only power they have is their labour. They can work and be paid for the work they do, or they can leave and rejoin the pool of unemployed.

- **Gap in private sector self-regulation mechanisms**

Although a variety of self-regulatory mechanisms provide for freedom of association and right to bargain collectively (FSC principle 4.2; GP in-house codes of conduct), these do not at present cover workers employed by contractors.

Key initiatives to address aspects of the problem/root causes

Trade unions in South Africa, and indeed globally, have made little progress in organising workers that fall outside of the formal employment sector (Mills, 2004; du Toit, 2001). The emphasis has been on preventing retrenchments, and securing benefits for full-time employees. Union organisers tend to consider contract workers as a threat to their members (Mills, 2004).

4.4 Problem 4: Forest workers' health at risk

Overview

This problem has been singled out because health status is a critical factor in preventing further decline into poverty. Poor health affects capabilities and increases vulnerability. Recent studies have drawn attention to pressing concerns regarding health and nutritional status of forestry workers, affecting both their ability to perform work and threatening their long-term health and survival. These findings are discussed below.

Root causes/contributing factors

- **Workers at risk of being undernourished and dehydrated**

Forestry work is extremely strenuous and requires high levels of water and nutrient intake (Manyuchi, 2002). Case study 7 describes work done by harvesting teams in Zululand. Following up on concerns raised by Manyuchi, the industry commissioned an ergonomic study of work done by manual harvesting teams. The researchers found that workers in harvesting teams were not eating enough to meet the energy requirements of the work, and were dehydrated (Scott, 2005). Workers who are dehydrated and performing work above their available energy resources become mentally and physically exhausted, and are more prone to accidents (Scott, 2005 and Manyuchi, 2002). Furthermore, workers were found not to have sufficient food and rest to replenish their energy levels for the following day (Scott, 2005). As the women bark strippers of KwaMbonambi explained, after they have sent money home for their families in the rural areas, they have very little money left to buy food for themselves (see case study 6).

- **Certain types of work and task system result in excessive levels of musculoskeletal and cardiac strain**

The Scott study also found that workers in manual harvesting teams were exposed to excessive levels of musculoskeletal and cardiac strain, affecting their performance and exposing workers to risk of chronic injury. Strippers who are required to stoop throughout their shift have a high risk of chronic lower back injury, whilst stackers who shift approximately 30 tonnes of timber daily risk chronic back and shoulder injury (see case study 7).

- **Lack of access to medical facilities and basic amenities**

Forestry work takes place in remote areas where workers are isolated from their families and from basic amenities. In the pre-outsourcing days, the GPs used to spend a considerable amount on provision of a wide range of services, amenities, social and recreational facilities for workers residing in forest villages. Since outsourcing, GPs no longer support schools, creches or clinics in or adjacent to their forestry villages. Many of these facilities have now been taken over by government, but with staff shortages and budgetary constraints, the level of service provided has inevitably declined. When it comes to housing, which is essential for workers to rest and recover for the next day's work, standards have also declined. The GPs' forest villages now house contract labour, and are maintained to a minimum standard of decency, but no longer have basic furnishings (such as beds) and amenities that used to be provided by the GPs for their own employees (see case study 6).

- **High rate of HIV/Aids**

In his research into HIV prevalence in the forestry sector Steenkamp (2005) found that in one year the rate of HIV infection in Zululand has increased by 8% from 38% of the sampled workers to a staggering 46%. He warns that drops in productivity are likely to escalate as a result of the worsening HIV infection rate. Workers who are ill are not able to complete their tasks, and eventually are unable to work at all (see case study 7).

Key initiatives to address aspects of the problem/root causes

Ergonomics study commissioned by FESA.

Forestry Engineering South Africa (FESA) contracted ergonomics experts from Rhodes University to investigate health and nutrition amongst manual harvesting teams, and to provide recommendations in this regard. The Rhodes team has publicised their findings through presentations and popular articles in industry publications (Scott, 2005) and has produced a manual for use by harvesting contractors, aimed at reducing risks to workers. FESA is currently distributing the manual to contractors and other interested parties.

Nutritional supplements.

Some contractors are reported to be providing their workers with nutritional supplements in response to the growing concerns that workers are not getting enough food to meet the energy requirements of their workloads.

HIV/Aids.

A study into the prevalence of HIV/aids amongst workers in the forestry contracting sector is currently underway. The results of the study will be used as the basis for developing recommendations.

5. Conclusions and recommendations

5.1 Overview

In this section, we draw together the findings of the study to assess the contribution of forestry contracting to poverty alleviation. In accordance with our poverty framework, we examine this in relation to two aspects of forestry contracting: poverty reduction through enterprise opportunities; and poverty prevention through employment. Under each of these headings we assess the contribution made and the limitations, and then go on to examine what is needed to overcome limitations and the governance tools for effecting change. Table 4 presents a summary of the structure and contents of this section.

Poverty alleviation goals are closely linked to goals of broad-based black economic empowerment (BBBEE). A national policy and legislative framework for BBBEE already exists and initiatives are underway to implement these. We have therefore linked specific recommendations of this study to national initiatives aimed at promoting BBBEE in the forestry sector wherever possible. At the same time we point out limitations in the existing governance framework provided by national BBBEE legislation and policies from a poverty alleviation perspective.

Table 4.
Forestry contracting: Governance tools for increasing contribution to poverty alleviation

Goal	What is needed?	Governance tools
Poverty reduction through viable and sustainable business opportunities in contracting	<ul style="list-style-type: none"> • Increase in rates/profit margins for contract work • Increase collective bargaining power and influence of contractors • Comprehensive programme of contractor support • Greater levels of GP social accountability 	<ul style="list-style-type: none"> • BBBEE charter • Strategy to strengthen SAFCA developed under umbrella of BBBEE charter • Industry-wide strategy for contractor support developed under umbrella of BBBEE charter • Industry-wide social standards for forestry, BBBEE charter
Poverty prevention through employment that provides for secure and adequate livelihoods	<ul style="list-style-type: none"> • Improved enforcement of existing protections • Alternative social security mechanisms • Improved education and training opportunities • Securing rights to collective bargaining • Mitigation of health risks facing forestry workers • Employee empowerment 	<ul style="list-style-type: none"> • Sectoral Determination, FSC • Grassroots credit schemes • Industry/government initiatives • Grassroots organising: unions or other actors • Industry-wide social standards for forestry • BBBEE charter for forest sector

5.2 Poverty reduction through enterprise opportunities in contracting

Findings:

Opportunities for enterprise development through forestry contracting are constrained by the low and decreasing profit margins associated with primary production in a complex and globalised value chain, by lack of effective business support including affordable credit, and by declining levels of productivity and efficiency as a result of worker under-nutrition and ill health. These constraints are not confined to forestry or to South Africa, but are endemic to small businesses arising from the wave of outsourcing and casualisation that has taken place in many parts of the world and across many sectors, with the motive of cutting costs of production and avoiding the constraints imposed by labour legislation. The key problem facing contracting businesses is their lack of ability to claim a more equitable share of the value chain as a result of their lack of independence from grower-processor companies. Our research findings suggest that value share, and therefore profitability, may be further declining under the guise of so-called black economic empowerment, the “steak or *phutu*” thinking, whereby black entrepreneurs are seen to be willing to accept lower rates than their white counterparts (see case study 5).

What’s needed, and possible governance tools to effect this

- **Increase in rates for contract work**

The industry-wide call for improved rates needs immediate attention if the potential that exists for black economic empowerment and poverty alleviation through forest contracting is to become a reality. Rates need to be brought in line with recent cost increases, and include increased profit margins to take account of risks born by contractors. Costing models should include allowances for staff training and development. The proposed sector-wide charter for broad-based economic empowerment provides an avenue for far-reaching reform of GP-contractor relationships. Unless the issue of value share is addressed head-on, there is real a danger that BEE will continue to provide a smoke screen for cost-cutting by the GPs.

- **Increase collective bargaining power and influence of contractors**

If contractors are to claim a more equitable share of the value chain, through obtaining better prices and improved contract conditions, they need to be better organised and represented. Existing organisations and initiatives have thus far not succeeded in getting contractors to stand together, or in providing a mechanism for lobbying and collective bargaining. As the primary organisation representing contractors, SAFCA needs to be supported to extend its membership and its services, strengthen its capacity, and in particular, strengthen its voice in the industry. We propose that a vision and strategy for the strengthening of SAFCA be developed under the broad-based BEE charter for the forestry sector. The strategy needs to identify the main constraints that currently prevent SAFCA from becoming an effective and representative body, and put in place mechanisms to overcome these, whilst placing the primary responsibility for organising on contractors themselves.

- **Comprehensive programme of contractor support**

A strengthened SAFCA has an important role to play in leadership and overall co-ordination of support to emerging contractors. Contractor support should be in the hands of contractors themselves, and one of the key roles of a contractor association is to provide the necessary support for its members. There are a large number of different initiatives and organisations that already provide support to contractors (see Table 3), but these tend to be piecemeal and provide only limited support to emerging contractors. An overall national strategy for emerging contractor support in which SAFCA plays a lead role should be developed as part of the broad-based BEE charter for the forestry sector. Both GP and white-owned contracting businesses are required by law to set and achieve BBBEE targets. This provides a powerful tool for leveraging investment from the established players in the industry.

GP programmes:

In order to meet their BBBEE targets, GPs will need to invest in dedicated programmes, including support for emerging contractors. There is a need for an industry-wide strategic programme that cuts across the different GPs to overcome the limitations of the current piecemeal approach. Useful lessons for such a programme have emerged from the experiences of the Fukumela contractor incubator programme in Zululand.

The Fukumela “one-stop shop” contractor incubator programme provides a number of services to emerging contractors to assist them with starting up their businesses. Services include: training and mentoring in technical and business practices; administrative support to set up and run businesses, including statutory requirements such as UIF registration and payments, VAT etc., establishing financial management systems and procedures; providing business information and advice. It has been proposed that the support model developed by Fukumela for a core group of SiyaQhubeka contractors in Zululand be extended to all emerging contractors in the Zululand district, irrespective of the GP they work for (Michael Shuttleworth, pers comm.). This in turn would form the basis for similar support programmes to be established in other parts of the country. The funding model is based on a 5% levy on contracts, and staff secondment from GPs, in this case of Mondi (as shareholder in SiyaQhubeka). Donor support was also sourced to provide additional mentorship support. Financial support was not provided directly, but access to credit through existing institutions could be facilitated as part of the business support model. The Glen Michael report (2004) provides further detailed recommendations on which to base contractor support programmes.

Joint Ventures:

BBBEE legislation provides the impetus for transformation of white-owned contracting companies. This can be done either by bringing black shareholders into an existing company or by setting up new companies. Either way, a joint venture is established, whereby an established partner with access to credit and expertise in running the business (usually white) goes into a joint venture with a black partner who fits black economic empowerment goals. In addition to providing finance, it is a mechanism for transfer of skills, training, management and mentoring from the established partner to the emerging partner. The joint venture model has been widely used over the past 5 to 10 years in many commercial sectors in South Africa, including forestry contracting. Experiences are mixed. There are examples of successful forestry contracting businesses established through joint ventures. On the negative side, joint ventures are commonly associated with “window dressing”,

whereby established players bring in black partners to secure contracts, whilst in reality very little skills transfer and management training actually takes place, as Isaacs (2003) found in the fishing industry. Recommendations for improving success rates of joint ventures are provided in the Glen Michael and Associates (2004) report.

SAFCA and independent service providers:

In addition to support provided by GPs and through joint ventures, there is a need for better co-ordination between existing support programmes provided by SAFCA and a range of independent providers, and a need to extend these to emerging contractors effectively, including out-grower contractors (see case studies 1 and 2).

- **Greater levels of GP social accountability**

Although a variety of mechanisms exist for private sector self-regulation, these mechanisms have limited impact on the way in which contractors are managed. Pressures on GP contract managers to reduce costs outweigh all other considerations and appear to seriously limit any progress in addressing problems that are well recognised, extensively documented and widely accepted throughout the industry.

Existing self-regulatory mechanisms need to be extended to address social problems arising from current approaches to contractor management. One mechanism could be through the introduction of more stringent criteria for selection and auditing of contractors, as proposed in the Glen Michael report on BBEE in the forestry contracting sector (2004). There is also a need for industry-wide social standards for commercial forestry to be put in place, akin to those that exist for the environment. These would provide the objective basis, so far lacking, on which to assess company performance -whether via triple bottom reporting, FSC certification or any other social responsibility measure. There is an opportunity to develop social standards through the proposed national initiative for SA plantation and natural forest certification.

5.3 Poverty prevention through employment

Findings:

Employment through the forest contracting sector is unable to provide secure or adequate incomes for the vast majority of workers. This is consistent with findings regarding casual and contract workers in a number of other sectors in South Africa (du Toit and Ally 2003; Mills, 2004). Social security nets that used to exist in the form of pensions and medical assistance have been done away with, leaving workers highly vulnerable. Studies have shown that the majority of workers in manual harvesting teams (of whom about 90% are women) are exposed to high risk of permanent injury, likely to impair their ability to earn a living in future (Scott, 2005). Workers have little if any power to influence wages or the conditions under which they work, increasing their vulnerability to exploitation. Whilst wages do provide a source of much-needed cash income, these are far from adequate to meet monthly requirements and, as such, are but one of a number of livelihood strategies. In conclusion, jobs provided by forestry contracting are not able to lift the vast majority of forestry workers, mainly women, out of chronic poverty, or prevent them from falling further into poverty. Incomes are insecure and inadequate, there are no financial safety nets in the form of health insurance or pensions, and workers are exposed to risk of permanent injury that could further impair their ability to secure a livelihood in future.

What's needed, and possible governance tools to effect this

- **Improved enforcement of legislation**

The forthcoming sectoral determination for the forestry sector provides the basis for protection in law of a "floor of rights", including minimum wages for forest workers. It is unlikely to have a major impact on wages and conditions of forest workers engaged by contractors working on GP plantations (the bulk of forest workers), however, as the provisions have been largely pre-empted by the GPs adopting those of the agricultural sector determination two years ago.

From a governance point of view, it is important to note the efficacy of national labour legislation as a tool for poverty reduction, as evidenced by this example. Wages were increased by an average of 31% over a two-year period as a direct result of the introduction of the agricultural sectoral minimum, and the GPs expectation of a similar standard coming out of the forestry sectoral determination.

FSC certification has a critical role to play in improving the oversight role played by GPs in respect of legislative compliance by contractors. Principle 1 of FSC requires that all activities on an FMU are compliant with national legislation. GPs will therefore be required to have systems in place to ensure their contractors are adhering to the forestry sectoral determination after it comes into effect. As the majority of GP plantations in South Africa are FSC certified, FSC in combination with the forthcoming sectoral determination, will play a role in ensuring that the "floor of rights" contained therein is extended to the majority of forestry workers. The introduction of more stringent criteria for selection and auditing of contractors proposed in the Glen Michael report (2004) would further support GPs' oversight role. The difficulty associated with enforcement of labour legislation amongst contractors underscores the importance of these combined tools.

- **Providing improved social security**

Forestry workers are covered by the state UIF, provided that their employers are registered and pay UIF. This does at least provide some measure of social security, although it is limited to a maximum period of 34 weeks and provides up to only 45% of the applicants last salary (Labour Research Service, 2005). There is a need for additional social security mechanisms to be put in place to compensate for the limitations of UIF and absence of employer-assisted pension funds and medical aid.

The need to provide social security for atypical workers has been a subject of concern for NGOs and labour practitioners worldwide (Labour Research Service, 2002). Promising initiatives have been started in a number of countries, based on the model of group savings schemes. Workers or self-employed people, under the umbrella of a civil society organisation such as a trade union or an NGO, set up their own social security scheme, through contributing regular payments. An effective scheme requires an association based on trust and an administration capable of managing the scheme (van Ginneken, cited in Labour Research Service, 2002). The group members set up the scheme themselves, using their own money, giving them the opportunity to design it according to their limitations and to meet their needs. Furthermore, experience has shown repayment rates to be considerably higher than those of formal banks, as there is a strong sense of responsibility arising from the group ownership. Examples of successful pilot projects, including schemes

involving market vendors in Tanzania and a health insurance scheme set up by a group of self-employed women in India - have been reviewed by van Ginneken (cited in Labour Research Service, 2002).

- **Securing rights to collective bargaining**

The call for trade unions to take on the challenge of organising contract labour and other atypical workers is increasingly at the forefront of social discourse both in South Africa and internationally (du Toit, 2001; Labour Research Service, 2002; Women on Farms, 2003; Mills, 2004). The following quote taken from a study of casualised farm workers in the Western Cape captures the challenge:

“For organisation among these workers to take root, however, it will be important for trade unionism to break out of its narrow focus on industrial-style organisation among permanent workers and take on many of the forms of activism more usually associated with more broadly based rural social movements” (du Toit, 2002).

Although there has been limited progress with organising atypical workers, the recognition of the need to do so is gathering momentum amongst labour movements worldwide. The future may lie with the growing international civil society and labour movements that have arisen to defend principles of social and environmental justice in the face of negative impacts arising from trade liberalisation and globalisation.

Private sector self-regulation:

This could potentially play a role in securing collective bargaining rights. The ILO is recognised as the international custodian of labour issues and labour standards. Its role is not to enforce these standards, but to set benchmarks, which are then implemented by member states through a variety of mechanisms (Natural Resources Institute, 2000). Freedom of association and the recognition of the right to collective bargaining is principle number 1 in the ILO Declaration of Fundamental Principles and Rights at Work (Natural Resources Institute, 2000). The adoption of ILO principles into corporate social responsibility codes of conduct is one of the main mechanisms for implementing ILO standards and conventions. The difficulty, however, comes with employees falling outside the scope of the formal employment relationship, specifically forestry contract labour in the case of the forestry sector. As far as we could assess, South African GP codes of conduct cover company employees and do not extend to those of contractors. FSC is weak on social issues, particularly those related to contract labour rights (NRI, 2000). The gap could potentially be closed by expressly including contractor labour rights in the proposed national initiative for South African plantation and natural forest certification. The proposed criteria for selection and auditing of contractors in order to achieve BBBEE targets (Glen Michael, 2004) could also be strengthened to emphasise key aspects of employment justice. Another route might be to extend corporate codes of conduct to contract worker employees.

- **Mitigation of health risks facing forest workers**

Scott (2005) and Steenkamp (2005) identified the impact that lack of adequate nutrition and high rates of HIV/Aids have on the productivity level in the forestry sector. Scott

(2005) recommends food supplements for addressing inadequate nutrition and also makes ergonomic recommendations to reduce risk of injury. Steenkamp (2005) recommends more research is needed into the impacts of HIV/Aids on the forestry sector. However we found that the lack of adequate nutrition and high levels of HIV/Aids are intimately linked to poverty and vulnerability of workers, and the measures discussed above to address the problems of inadequate income and lack of financial safety nets are required in order to mitigate the health risks faced by forest workers.

The development of industry-wide social standards for commercial forestry proposed above should expressly consider issues related to health and welfare of forestry workers outlined in this and other studies.

- **Employee empowerment**

Employee empowerment through provision for shareholding trusts and increased participation in management decisions is an important tool for far reaching change in workers' conditions. The impetus for this is provided by the BBBEE Act, and will need to be considered in the BBBEE charter for the forestry sector. It should be noted, however, that as things stand, contractors are hard pressed to pay their workers minimum wages, let alone setting up workers' trusts. There would have to be considerably more value retained at the primary production end of the value chain for such schemes to be possible. The BBBEE Act has been criticised by COSATU for not going far enough to effect transformation at the level of ordinary workers. National and international trends suggest the balance of power is still strongly skewed in favour of big business.

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Forestry Contractors Case Studies



Case Study 1

Project Grow contractors in KwaNgwanasi

Although there are a number of different outgrower schemes in the country, this study focused on Sappi's Project Grow, as it was the most widespread in the area where research was focused. Project Grow has about 9000 growers in the Zululand area, and Sappi employs 8 extension foresters to advise these growers. Plantation size varies, from a minimum of 1000 trees (less than a hectare) to over a hundred hectares. The area is divided into three zones, south, central and north, and plantation size increases from south to north (South: mean 1 hectare; Central 3 hectares and North 10 hectares). Sappi provides growers with seedlings and advances payment for local contractors to carry out silvicultural and harvesting operations. The Project Grow extension foresters, with the assistance of growers associations,



A focus group discussion was held with a group of 8 harvesting and short haul contractors that have recently established contracting businesses to services the Project Grow growers in the KwaNgwanasi area of northern KwaZulu Natal . They are bursting with enthusiasm and have high hopes for expanding their businesses, generating income, and creating employment in the area. Most have been in part or full time employment prior to taking up the opportunity to start their own business. Table 2 shows the size of their current contracts, and the number of people they employ.

support local contractors to get going and manage allocation of work to the contractors. The grower can opt to carry out his or her own weeding and fire control operations instead of employing contractors, but are advised to use local contractors for planting and harvesting operations. The money paid out to contractors by Sappi is recorded throughout the life of the plantation and deducted from the grower's earnings when timber is delivered to the mill. Fifteen percent of the value of each tonne delivered is deducted, until such time as the total amount owing is paid off. This ensures that the grower always gets something from sale of their timber. The rates set by Sappi for contract work are worked to ensure a fair distribution of income earned from sale of timber, based on the following: Grower- 22%, Harvesting/short haul - 22%, long haul - 38% and Silviculture 18%.

Table 1: Harvesting and short haul contractors working for Project Grow in KwaNgwanasi area.

Name	Company	* Type	Monthly allocation Tonnes	No. employees
Philip Temba	Aplegreen	H & SH	550	39
Joseph Tembe	J&J Contractors	H	1000	30
Samson Mtlathumo	SJ Contractors	H	550	28
Philip Thusi	Isukuma	H	750	32
John Sibiya	M.J. Contractors	H	2500	60
D.S. Kwazi	Kwazi Contractors	SH	1800	15
T.D. Ntombeqa	T.D. Ntombeqa	SH	1600	15
C.I. Nsele	C.I. Nsele	H	1000	25

H- harvesting
SH – short haul

The key constraints facing the emerging contractors in the northern KwaZulu Natal include:

- Lack of access to financial capital-Harvesting and short haul operations requires a large capital outlay. Commercial banks are not willing to lend them money, even against their contracts.
- Cash flow problems arising from delayed payments-The contractors have been experiencing very long delays in receiving payment after completing their work. They wait for two months, sometimes longer to receive payment, and this leads to severe cash flow problems, especially with paying wages and maintaining their equipment.
- Difficulties in maintaining equipment-KwaNgwanasi is a remote area and the nearest source of spare parts and mechanical expertise for chainsaws, vehicles and other mechanical equipment is a considerable distance away. This adds to overhead costs, as it takes a whole day to travel to the nearest centre and back to buy parts or get equipment serviced or repaired.
- High staff turnover and absenteeism -The work involved in harvesting and short haul is very physically demanding and wage rates are extremely low, especially for the lower paid jobs such as weeding and bark stripping. Forestry work is viewed as the last resort for people come to work only if they are in dire need of cash. When the emergency passes, they do not show up. This leads to high levels of turnover and absenteeism.



The rate for harvesting in this area is R30/tonne, considerably less than R35/tonne paid to outgrower contractors in the central region (around KwaMbonambi). Information from the interview suggests productivity is considerably below industry norms, on which rates are based. A further concern is the small scale of operations, ranging between 550 to 2500 tonnes a month. The minimum size of a viable harvesting operation, based on considerably higher rates and levels of productivity, is estimated to be 5 000 tonnes a month. Some analysts put the figure at 12 000 tonnes a month. The contractors have been encouraged to start up businesses without the benefit of either training or specialist advice to enable them to get

an accurate sense of viability of their businesses. They are an isolated group that have not so far been recognised by the contracting sector, do not benefit from recent contractor support initiatives. They are proceeding based on the lure of what appears to be large sums of money for timber delivered, without an accurate sense of costs. The only place they can cut is with workers wages and with their own profit margins.

The harvesting contractors in this area have not yet been in business long enough to be able to assess long term viability, but the facts above, and the high rate of failure of contractors that are operating under much more favourable conditions, give cause for concern.

Case Study 2

Mr John Sibiyi: Project grow harvesting contractor

Mr Sibiyi worked in Johannesburg for many years as a driver. He recently returned to his home area in KwaNgwanasi and took up the opportunity to start his own business as a harvesting contractor for Project Grow. His monthly contract is for 2500 tonnes, one of the largest in this area. It is a three year contract. He has a workforce of 60, comprising 5 teams. Each team comprises a chainsaw operator, his assistant, a stacker, 8 bark strippers. A team is expected to cut, strip and stack 192 trees a day. The task level is



low by industry standards, and the reason is the trees they are harvesting are mostly *E. grandis*, not the clones, and *grandis* takes much longer to strip. Mr Sibiyi is proud to be running his own business and keen to make a success of it and expand so he can employ more people in the area. He would like to expand from five to 20 teams.

Starting up and running the business requires considerable capital outlay. He initially used an old bakkie he had already, but has recently bought a replacement on which he put a down payment of R20 000, and will pay the rest, R115 000 in monthly instalments. He struggled to get access to vehicle finance, but after he opened accounts for all his workers at the standard bank, the bank assisted him to get a loan from the garage where he bought the bakkie. He has 7 chainsaws, he needs 2 extra so his teams can keep operating whilst repairs take place. Chainsaws need to be replaced roughly every 2 years. All his workers are fully equipped with the prescribed PPE. The cost of PPE for each of his 5 teams is in the region of R3300, a total outlay of R16500, and will need to be replaced on a regular basis as they wear out, on average every second year. He estimates that he invested R40 000 cash in his business, aside from the vehicle finance loan.

Monthly operating expenses include salaries (between R 23 and 30 000), running his vehicle (R1500), running the chainsaws (R1700). The biggest problem is paying salaries when payments for work done are so delayed.

Case Study 3

Outgrower contractors: the workers story

This case study is based on a focus group discussion with 3 men and 2 women working for an outgrower contractor in Northern KZN. All those interviewed come from the local area and live at their own rural homes or with relatives. One woman has been working for the contractor since he began in 2003 but the rest have only been employed a few months. They are all amongst the lowest paid workers in the company and said that they earn R25 a day. On average they work 21 days in a month, which should amount to a monthly wage of R525 per month. However, the contractor indicated in a separate interview that his total wage bill varies from between R23- 30 000 a month, and this averages out at between R383 and R500 a month per worker, even without taking account of higher wages paid to chainsaw operators, stackers and assistants. This suggests that either the daily rate is considerably lower than what we were told (more like R18- R23 a day), or, more probably, monthly wages are lower as a result of absenteeism and failure to complete tasks.



Workers explained that what they earn is only part of what they need to survive on. This money is not sufficient to meet their monthly expenditure. Staple food (maize meal, oil, sugar, beans, rice and flour) alone costs R478 a month for a small family. Other expenses include school fees and school uniforms, additional daily food items such as vegetables, milk and fish/ meat, paraffin for lighting and cooking, clothing and household furniture, communications (cell phones becoming more and more prevalent). The main concern raised by workers was the low rates of pay, which are not sufficient to meet their needs. As is commonly found amongst the chronically poor, they are reliant on credit to get through the month. The contractor pays part of some of his workers wages directly to spaza shop owners they are indebted to.



Case Study 4

Being their own bosses: ex-employees turned contractors

This case study highlights experiences of two black contractors that were set up in business by the GP company they worked for most of their working lives, Mr C and Mr G¹. Both began work in forestry in the 1960s after graduating. Both had tertiary qualifications, and over the years rose through the ranks. In 1997, when they were offered a large harvesting contract to share, they were both in management positions, approaching retirement age, and together had served 67 years with forestry companies. They currently operate harvesting contracts of 80 000 tons and 130 000 tons per annum, and have been in business for close to eight years. Between them they employ 300 workers.

Both of these contractors seem to possess the ideal characteristics to succeed in the contracting sector and become a showcase for BEE. They were both experienced managers with considerable expertise in the forestry business, and were well connected as a result of their years of loyal service to the company. The situation they find themselves in today, however, is not one to be envied by any prospective entrepreneur. They are both very heavily in debt, and have lost considerable sums of money that they have invested in their businesses. They find themselves, past normal retirement age, without savings or pensions as these have been ploughed, along with those of their wives, into their businesses to keep them going. The debt trap they find themselves in makes it impossible to quit but seemingly leads them further and further into debt. The company has arranged a number of bail-out deals, advancing loans against future timber delivery payments, and providing advice for improved financial management.

One of the businesses, according to the company advisor, is starting to show signs of recovery because the contractor is adhering to the advice given, whilst the other continues to spiral further into debt. The company put this down to his lack of financial discipline and business management skill. The experience of the two contractors, is, however, not uncommon in the industry. Analysts have noted that returns to investment of forestry contracting are unacceptably low in business terms, and risks are very high. The rate of turnover amongst contractors high and is increasing. When the GP companies decided to outsource their operations, the main reasons were to increase labour flexibility and to cut costs. Contractors such as these two are being exhorted to "cut the fat", "tighten their belts", and "take it or leave it", during rate negotiations.

Mr C, described typical rate negotiations with the GP : "the manager says, what do you think we should pay? I list all my costs and explain the rate I need. He replies, well, sorry we cannot pay you that amount, we have decided on a set rate and we are not increasing it. Take it or leave it. There are many new black emerging contractors who would be happy with this rate."

Mr G explains "I like contracting since I work for myself but the way GP is doing it, I don't like it. When I started in the contracting business I was under the impression that I am going to shoot up and as I went along I found that this is not true and this business will take you down bit by bit. My job as a contractor now is like a bridge that takes money from GP and hand it over to the workers, whilst myself I get more and more into debt."

¹One of the two requested he remain anonymous

Case Study 5

Forestry contractors of KwaMbonambi: let them eat uphutu*



* Uphutu is a stiff porridge made from maize meal, and is the staple diet in the rural areas of KwaZulu Natal

increasingly entering the arena, as GPs align their operations to national black economic empowerment (BEE) policies and legislation.

The Zululand region of KwaZulu Natal is home to extensive plantations of fast growing eucalyptus produced for the international pulp market. The majority of the plantations are owned by three players; Sappi, Mondi and SiyaQhubeka forests. These large forestry companies all have a stake in downstream processing, and are commonly referred to as the grower-processors (GPs). Both Sappi and Mondi make use of forestry contractors to carry out all silvicultural and harvesting operations in their plantations. SiyaQhubeka are in the process of moving towards complete outsourcing. In the recent past, forestry contracting was dominated by white owned businesses. Black contractors are

UNITRANS is one of the largest forestry contractors in the country. In 2004 they had contracts to log and shift 1.1 million tonnes of timber, and employed 1380 workers in these operations. This year, their contracts provide for only 480 thousand tonnes. This decline is due to the company losing a long-standing contract they had with Sappi, over a disagreement over rates. The work was awarded to emerging contractors who were prepared to take it on at the rates offered. The manager explained that whilst operating costs have significantly increased as a result of an imposed 31% increase in workers wages, the rates were not increased accordingly. UNITRANS has retrenched their teams that were operating on the Sappi plantations, and the future of the business is in the balance. They have capital equipment worth in the region of R 20 million, and losing work has serious implications for their ability to service their loan repayments. Industry wide forestry cost index analyses support the UNITRANS manager's assertion that rates paid for contract work are not keeping pace with increases in costs of production.

KwaMbonambi Harvesters is a timber harvesting business owned by Mr Witness Mbuyazi. He currently has two contracts, one with Sappi employing 120 workers and a smaller operation with SiyaQhubeka employing 24 workers. Mr Mbuyazi got into the forestry business through being a grower with the Mondi Khulanathi outgrower scheme. He started up a harvesting and haulage business to service other small growers, and later was offered a 3 year contract by Sappi. He then secured an additional contract from SiyaQhubeka. Unlike the UNITRANS manager, he did not express concern about the low rates paid by the GP companies. He says "I remember where I came from. I remember the hardship of growing up in poverty. I remember the buckets to catch the leaks in the roof when it rained. What ever the company offers, to me, it is better than where I came from".

The UNITRANS manager was told during negotiations to extend his contract: "The problem with you is you want to eat steak. Our black contractors, they are happy with *uphutu*. Of course, we will give the contracts to them".

Case Study 6

The women bark strippers of KwaMbonambi: can jobs alone alleviate poverty?



The forestry sector provides jobs for around 35 000 contract workers nationally, the majority of whom are poor black rural women with few alternative sources of income. A group of women working for forestry harvesting contractors on company owned plantations in KwaMbonambi were interviewed to assess the extent to which contract jobs in forestry contribute to poverty reduction. The interview took place in the plantation company's forest village, where they are accommodated. The village comprises solidly built brick houses and communal cooking and washing facilities, set in well maintained and attractive grounds. However, inside these houses you get a feeling that it is more of a sleeping than living space, as the only items you find inside is mattress or piece of cardboard on the floor with a blanket or cloth to cover them. It seems that home to these women is where their children are back in the rural village with their extended family. Children are allowed to visit but not live in the village. All the women are single, aged between 19-40 years, with an average of four children each. They are the sole breadwinners providing support for their children



and other members of the extended family back in the rural areas.

The women are all "strippers"; their job is to strip the bark off felled trees. Stripping is physically demanding and carries a high risk of injury. They begin work at six in the morning, and return at around three or four in the afternoon. The daily wage rate currently is at R42.50, but from this R6.50 is deducted for housing, leaving a daily rate of R36.00. To earn the day wage, they must complete their task, which is to strip 35 trees. If they do not complete their task, it is carried over to the next day. Most of the women said they do not complete their tasks and they use the four Saturdays in the months to do so. At month end, their salary slips reflect the day-equivalent of work done, rather than the actual number of days worked. The women interviewed said they earn between R500 and R700 per month. After buying provisions for the family, there is very little left over to buy food or clothing for themselves. Most rely on credit from the local general dealer to feed themselves. They eat only one cooked meal a day, at night.



Monthly expenses include a basic food list, transport home at month end, transport to school for their children, other expenses are annual school fees and school uniforms. The women spend an average of 60% of their earnings on food approximately R400 per month. The basic food items consist of the following items and prices.

Food item	Price
25kg mealie meal	R75
10kg sugar	R40
10 kg samp	R32
5l cooking	R39
4x 2kg chicken braai R34	R136
1kg washing soap R20	R20
10kg flour	R33
1 kg soap R5 x 4=R20	R20
5kg beans	R35
3x 500 Rama R11	R33
Meat	R45
10kg potatoes	R22
Total	R530



The women are not union members and there are no worker representation structures in place. They do not have access to pension funds, credit or medical care. If they fall ill, they need to produce a doctor’s certificate to access paid sick leave. A visit the doctor costs R100, which most are unable to afford. If they are injured on duty the contractor pays a limited number of leave days and thereafter the injured worker must rely on payout from UIF. If a worker is consistently underperforming and falling considerably behind in tasks, or is absent from work for a week, s/he is dismissed. Dismissed workers are given 10 days to vacate their accommodation. With HIV/Aids infections rates running at an estimated 45% amongst forestry workers, a distressing picture emerges of scores of penniless, ill, and malnourished workers being sent back to die in rural areas, without any benefits from their years of employment.

Case Study 7

Stackers, strippers and chainsaw operators: profile of work done by manual harvesting teams

The following profiles are based on their typical manual harvesting teams operating in the KwaMbonambi area. Each team is made up of a chainsaw operator, a stacker, a debrancher and a team of 10 bark strippers. Each day, the chainsaw operator fells and cross cuts between 350 and 400 trees per day (number set according to tree size and other variables). The strippers then move in and strip the bark off the felled timber, and the stacker moves and stacks it for loading. Stackers lift, move and stack plus or minus 30 tonnes of timber each day, for 5, often 6 days a week (Scott, 2005). For this they are paid R60 per day. The strippers, the majority of whom are women, strip between 35-40 trees a day and earn between R35 and R42.50 a day. Wages are linked to completion of tasks and deductions for accommodation and UIF are made.



An ergonomic study was recently done observing work practices of manual harvesting teams in this area (Scott, 2005). The study found workloads to be excessive, raising heart levels well above those considered safe and exposing workers to considerable musculoskeletal strain. Workers were found not to be taking in sufficient calories to meet the demands of the work performed, and were at risk from dehydration. Strippers and

stackers are exposed to risk of injury, strippers to lower back injury as a result of working in a stooped position throughout their shift, and stackers to upper limb and back injury as a result of lifting and moving excessive loads for long periods of time without adequate rest. The health care sisters in KwaMbonambi also supported Scott's findings by stating "the women come to the clinic often with lower back pains, wrist pains, cuts and bruises. We also have high STD infections and HIV/aids in our area."





HIV/aids infection rates amongst forestry workers nationally have been estimated to be around 46%. Combined with inadequate nutrition, it is increasingly difficult for workers to achieve their daily. The local manager described what he sees on a daily basis: "It is quite sad when you see the stackers not able to meet their tasks. They get weaker and weaker and work less and less....then the stage comes where he does not come to work anymore. There is no way we can carry them if they do not finish their tasks. I feel for them...."

Appendix 2. List of key informants and dates of interviews

Summary of informants and interview methods

Category of informant	Type of interview	Numbers interviewed
Independent Professionals: forestry and labour	Individual/Small group Telephone	6 7
Contractors, working for GPs	Individual	6
Project Grow Contractors	Individual Focus group	3 1 group of 8
Contractors labour	Individual Focus groups	1 2 groups
Grower Processor Staff	Individual/ Small Group Telephone and email	9

1. Independent Professionals: forestry and labour

Name	Title/ organisation/ company	Dates
Mike Howard	Forestry consultant	Several; Nov 04- Feb 05
Duncan Stewart Rory Mack	LIMA	9 Dec 04, 2 Feb 05
Andrew Crickmay	Crickmay & Associates	9 Dec 04, 2 Feb 05
Michael Hlengwa	SAFCA	9 Dec 04, 2 Feb 05
Jaap Steenkamp	SAFCA now at Saasveld	Several; Nov 04- Feb 05
Brad Shuttleworth	Forestry Solutions	19 Jan 05
Pieter Viljoen	FSC Lead Auditor, SGS	19 Jan 05
Pieter Nel	Labour Laywer, FSC social auditor	8 Feb 05
Simangele Cele	Administrative Assistant, Fukumela	Several; Nov 04- Feb 05
Andries du Toit	Senior Researcher, Programme for Land and Agrarian Studies (PLAAS)	02 Dec 04
Terry Bell	Labour analyst and journalist	17 Dec 04
Wolfe Broade	Senior Researcher National Labour and Economic Development Institute	11 Feb 05

2. Contractors – working for GP companies

Name	Title/org	Date
Witness Mbuyazi	Kwambonambi Harvesting - Fukumela "incubator" contractor	24 Jan 05
Dusty Shaw Steven Gumede	Umbonami (Silviculture Contractor for SiyaQhubeka)	25 Jan 05
Bryan Rapson	UNITRANS (Harvesting and transport contractors)	25 Jan 05
James Cele	Dumangeze Timber Harvesters (Harvesting contractor, Sappi)	26 Jan 05
Herbert Gumede	Abenguni Timber Harvesters, (Harvesting contractor, Sappi)	27 Jan 05

3. Project Grow Contractors

Name	Title/org	Date
Samson Mdamba	Grower and silviculture contractor	26 Jan 05
Mr. Ngomezulu	Grower and harvesting contractor	26 Jan 05
Philip Temba Joseph Tembe Samson Mtlathumo Philip Thusi John Sibiya D.S. Kwazi T.D. Ntombeqa C.I. Nsele	Aplegre J&J Contractors SJ Contractors Isukuma M.J. Contractors Kwazi Contractors T.D. Ntombeqa C.I. Nsele	28 Jan 05

4. Workers

Name	Title/org	Date
Sphiwe Mbuyazi	Spray team worker	25 Jan 05
Focus group discussion Vusi Mkhonto Maria Vumase Rebert Cece Cibazice Tembe Wabic Mthembu	Project Grow contractor	31 Jan 05
Focus group discussion Rosemery Gumede Dumisani Madela Robert Qwabe Thokozani Gumede Gwalisile Mkhize Ntiwe Shange Sindiswe Gumede Mthandeni Mashali Mahombi Mponhshane Anna Nthleko Thembikinkosi Mhlanga Sizakele Ntuli	Contractor on Sappi plantation	31 Jan 05

5. Grower-Processor Company Staff

Name	Title/org	Date
Wellington Buthelezi	Sappi, Extension Forester, Project Grow	28 Jan 05
Mandla Come	Sappi, Extension Forester, Project Grow	26 Jan 05
Christian Mphelo	Transformation Manager, SiyaQhubeka Forests	24 Jan 05
Carl van Loggernberg	Manager, Project Grow, Sappi	1 Feb 05
Duane Roothman	Sappi manager, Kwambonambi	1 Feb 05
Rick dos Santos	Business Manager, BEE Sappi	2 Feb 05
Hugo Pienaar	Business Development Manager, Sappi	2 Feb 05
Zelda Schwalbach	Senior Public Affairs Officer, Sappi	18 Feb 05
Michael Shuttleworth	Mondi, ex manager Fukumela	8 Feb 05

6. Public Health care Unit, KwaMbonambi interview with two Nursing sisters, Jan 25th 05.

South African large-scale forest industry has outsourced many operations to increase flexibility and cut costs, especially costs associated with full-time employees. This study presents a national overview and seven case studies to investigate how forestry contracting contributes – and could better contribute – to reducing poverty through providing either jobs or enterprise opportunities. Jobs provided by forestry contracting are not able to lift the vast majority of forestry workers, mainly women, out of chronic poverty, or prevent them from getting poorer. Enterprise opportunities are limited by contractors' inability to claim an equitable share of the value chain because they are too dependent on large-scale grower-processors. The study suggests ways to increase rates for contract work, support more effective collective action by contractor enterprises and employees, provide better safety nets for workers, and implement enabling national charters, standards and legislation.



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