Forestry Contracting in South Africa

Meshack Khosa

Instruments for
sustainable private
sector forestry,
South Africa

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About this report: This report is one of a series prepared as part of a collaborative research project on instruments for sustainable private sector forestry in South Africa. The reports in this series are listed below.

Instruments for sustainable private sector forestry, South Africa – report series

Overview and synthesis

- Mayers, J., Evans, J. and Foy, T. 2001. *Raising the stakes: impacts of privatisation, certification and partnerships in South African forestry*. This report draws on all the studies below and widespread consultation in South Africa. It analyses the impacts to date of privatisation, certification, outgrower schemes and company-community partnerships and presents conclusions and a set of options and next steps for all the main stakeholder groups.

Redistribution of opportunities and assets in forestry

- Khosa, M. 2000. *Forestry contracting in South Africa*. This study of trends in outsourcing and contracting in the South African forest industry seeks to deepen understanding of the national context within which contracting is an increasing practice, and examines possible options for outsourcing.

- Heyl, L., von Maltitz, G., Evans, J. and Segoale, R. 2000. *Issues and opportunities for small-scale sawmilling in South Africa: an Eastern Cape case study*. This report describes the scale, structure and market niche of the small sawmilling subsector, with a focus on the Eastern Cape Province.

- Horn, J. 2000. *The role of small-scale sawmilling in household and community livelihoods: case studies in the Eastern Cape*. This study focuses on the livelihoods of small-scale sawmillers in the Eastern Cape, using a case study approach.

- Bethlehem, L. 2001. *Bringing democracy to the forests: developments in South Africa's forestry policy and legislation.* This paper describes the policy and legislative changes in the forest sector, and sets recent initiatives in the context of a drive towards sustainable and equitable forest management.

Forest certification in South Africa

- Frost, B., Mayers, J. and Roberts, S. 2002. *Growing credibility: impact of certification on forests and people in South Africa.* This is an overview of all the certification studies with additional supply chain analysis.

- Scott, D. 2000. *Environmental aspects of the forest management certification process*. This report by a member of FSC certification audit teams examines the audit inspection instrument and provides commentary on how it is used.

- Clarke, J. 2000. *Social and environmental aspects of the forest management certification process: a discussion of social assessment components in South Africa*. This report, drawing on audit experience, tackles the ability of FSC certification and the certification process to improve the wellbeing of workers and communities dependent on plantations.

- Hamman, J. 2000. *Forestry certification: social aspects*. Also by a member of FSC inspection teams, this report analyses the composition and focus of the audit teams and highlights issues which can compromise the positive impact of certification.

- Dunne, N 2000. *The Impact of Environmental Certification on the South African Forest Products Supply Chain.* This study traces the route of FSC certified timber from mill to market, seeking to understand the impact of certification on traders and retailers in South Africa and the UK.

- von Maltitz, G. 2000. *The impacts of the ISO 14000 management system on sustainable forest management in South Africa*. This is a study focussing on one company's decision to adopt ISO accreditation, comparing the impacts of the ISO system with those of FSC certification.

- Crawford Cousins, C. 2000. *The impacts of stakeholder consultation in the FSC certification process on sustainable forest management in South Africa.* Focussing on the Stakeholder consultation process within FSC certification, this report highlights key assumptions about the efficacy of consultation.

Outgrower schemes and community-company partnerships

- Zingel, J. 2000. *Between the woods and the water: tree outgrower schemes in KwaZulu-Natal - the policy and legislative environment for outgrowing at the regional level*. This report discusses the environment surrounding trends in outgrower development, both past and future.

- Cairns, R. 2000. *Outgrower timber schemes in KwaZulu-Natal: do they build sustainable rural livelihoods and what interventions should be made?* Focussing on case studies of outgrower households, this examines the role played by schemes in rural livehoods.

- Ojwang, A. 2000. *Community-company Partnerships in forestry in South Africa: an examination of trends*. This is a broad overview of types of partnerships in Southern Africa, with comparisons between forestry and other sectors.

- Andrew, M., Fabricius, C. and Timmermans, H. 2000. *An overview of private sector community partnerships in forestry and other natural resources in Eastern Cape*. Focussing at a provincial level, this report captures partnership trends in the Eastern Cape, drawing on five case studies.

- Sisitka, L. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Lambazi case study.* This case study examines the relationships between stakeholders and actors in a corporate-initiated scheme

- Cocks, M., Matsiliza, B. and Fabricius, C. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Longweni woodlot case study*. This report examines community preferences and options for the use of a woodlot in the context of opportunities provided in the forest restructuring process.

- Sisitka, L. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Umzimkulu case study*. This is a study of a corporate-community joint venture project in a part of the province that has good afforestation potential.

- Cocks, M., Matsiliza, B. and Fabricius, C. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Manubi woodlot case study*. This study examines issues around partnerships and joint forest management around a state-conserved indigenous forest

- Ham, C. 2000. *The importance of woodlots to local communities, small scale entrepreneurs and indigenous forest conservation*. Comparing issues and opportunities arising around two woodlots, this study highlights the relative importance of government-planted woodlots to different community interest groups.

Copies of the CD containing the above reports can be obtained from:
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ACRONYM LIST

SAFCA	South African Forestry Contractors Association
FOA	Forestry Owners Association
SETA	Skills, Education and Training Authority

FORESTRY CONTRACTING IN SOUTH AFRICA

Box 1: Contending themes on forestry contracting in South Africa

"With our outsourcing strategy, we are now a truly better profitable company" (Grower in KwaZulu-Natal, April 2000).

"There can be no successful contractors without the support of forestry companies and management and there can be no successful companies without successful contractors" (Mike Edwards, Executive Director of Forest Owners' Association, Business Day, 28 January 2000)

"We (forest contractors) meet targets in crisis situations in the mills" (Contractor in Mpumalanga, April 2000)

"Outsourcing is a recipe for worker displacement, retrenchment and misery". (Poster during protest march, 10 May 2000)

Introduction

The outsourcing of forestry activities over the past decade has created an industry with an annual turnover of R600 million and 35000 employees (Edwards, 2000). During the past decade forestry companies have switched from employing some of their workers directly to a contractor system. For example, forest contractors are now hired to carry out planting, tending and silvicultural operations. Sappi Forests, Mondi Forests and Safcol are all contracting certain work out and are currently assisting contractors to improve their service, reliability and professionalism through offering training opportunities. The Forest Owners Associated has recently announced the launching of a section 21 company called Forestry Contractors' Productivity Initiative in order to improve the country's competitiveness. The initiative will be implemented through a network being established for forestry contractors with the support of the Sector Partnership Fund.

A key instrument of change for management appears to be the outsourcing of operations to rid themselves of responsibilities and reduce costs (Evans, 1992). Sappi was, for example, reported to have out-sourced more than 50 % of their forestry operations in 1992. Between April 1991 and May 1992, Sappi was also said to have retrenched nearly 3000 workers (Evans, 1992). This period also coincided with increasing levels of outsourcing within Sappi.

In one study Goedecke and Ortmann (1993) found that one forestry company was contracting out up to 75% of its work in KwaZulu-Natal. In Mpumulanga, another company was found to have contracted out 60% of its work. The increase in the use of contractors is associated with the move towards downsizing of employees. For example, one large forestry company in KwaZulu-Natal reduced its employment force from 6600 to 1200 and now is said to be using about 35 contractors in the early 1990s.

A South African Forestry Contractors Association (SAFCA) was established in October 1989, with offices in Nelspruit and Pietermaritzburg and with a current membership of about 186 contractor firms. The SAFCA provides business and financial advice to its members as well as insurance cover and bulk buying facilities (Department of Water Affairs and Forestry, 1996; National Forestry Action Programme, 1997).

The trend towards the use of contractors rather than a permanent workforce is increasing (see Anderson, Thomson and Psaltopoulus, 1993 - for an overview of forestry contracting in northern Scotland). For example, in 1989 in South Africa, forest contractors comprised 19% of the main forestry company's labour force for harvesting. By 1997 this figure had apparently reached 64 %. Other operations - such as transport, silviculture, social and` auxiliary services are being contracted own.

The aim of the study is to provide a critical overview of the trends, issues and impacts of contracted-out operations in the forest sector and to develop options for improving the social, environmental and economic sustainability of forestry operations carried out by contractors. Outsourcing is not only confined to the forestry sector, but to virtually all other sectors. Increasingly workers are retrenched, or find that they no longer work for major companies, but for small forest contractor firms.

Methodology

Three sources of information were used in this study. First, in depth interviews with major growers (four) and a wide range of contractors (ten) took place between February and June 2000. Second, secondary literature review of published and unpublished studies was done. Of importance was literature on forest contracting in Scotland (Anderson, Thomson and Psaltopoulos, 1996), India (Locke, 1999), southern United States (Michael, 1998), and Malanesia (Duncan, 1999). This allowed for the understanding of the forestry sector in general, and for forestry contracting in South Africa in particular. Third, a postal questionnaire was sent to forest contractors who are members of the South African Forestry Contractors Association. A total of 200 surveys were posted to all members of the SAFCA, and a response rate of 15% was recorded. In addition to 30 returned questionnaires, ten interviews were done with contractors and their questionnaires are included in the analysis. Caution should be exercised when analysing the data due to the relatively limited sample size.

Table 1.2 Commentary of stakeholder interviews

In depth interviews provide qualitative opinions of different stakeholders regarding forestry contracting and outsourcing in South Africa. It further sought to establish the nature of contractor- big company relationships. The interviews were arranged by Forestry Owners Association (FOA) and the South African Forestry Contractors Association (SAFCA) (in KwaZulu-Natal and Mpumalanga). Even though these are the main areas of contracting in South Africa, this by no means reflects all the nuances that pertain to forestry contracting in South Africa. For a comprehensive picture regarding this, interviews will have to be undertaken in the Eastern Cape as well as the Western Cape. It is also important to note that Company interviews reflect the views of officials (Sappi and Mondi). The dynamic around the privatisation of State-owned assets were not investigated as the questionnaire did not cover such issues

Key questions for investigation

After interpreting the terms of reference, the following four broad questions were established and explored in the study. These are explored within the contest of the profile, character and the dynamics of forestry contracting in South Africa. The questions, which guided this study, are as follows:

- What is the changing political, economic, social and environmental contexts under which forestry contracting is taking place?
- How do actors in the forestry sector relate to each other?

- What is the extent of the tasks and responsibilities carried out by contractors?
- What are the impacts of outsourcing and how does this create winners and losers?
- What are possible and best options of outsourcing?

Structure of the Report

The report is structured through five main sections. The first section presents the broad aims and objectives of the study. The second section provides a profile of the forestry sector in so far as it relates to out-sourcing. The third section outlines findings of the survey, interspersed with insights, views and opinions drawn from in-depth interviews. The fourth section contributes a critical assessment of the key evaluation questions. The last section five draws out key findings of the study by also teasing out insights and policy implications.

The Forestry Sector In South Africa

The forestry industry has been one of the fastest growing industries in South Africa. The forestry sector is a net earner of foreign exchange. Studies suggest that plantation areas increased by 7.8% per annum between 1980 and 1988, while output increased by 5% per annum. KwaZulu-Natal had the highest rate of new afforestation in the country in the 1980s. In the same period, employment in the sector increased by 10.6% (Goedecke and Ortmann, 1993; Department of Water Affairs and Forestry, 1996).

South Africa's forestry and forest products contributed 1.7% of the total GDP in 1994. The estimated capital investment in forestry is estimated at R12 billion (Department of Water Affairs and Forestry, 1996; National Forestry Action Programme). The forestry sector exports more than 35% of its output in value-added form and forestry contractors, who account for a considerable portion of forestry's total costs, are the single biggest component of the value chain (Edwards, 2000).

According to Evans (1992) large South African companies controlling land and numerous saw mills and pulp and paper mills almost entirely replaced foreign multinational companies in the forestry industry. At present, the public sector owns about 27% of all plantations in South Africa and the private sector, comprising of large companies and private growers, 73% of which the companies control about 75%. In the past two decades, the forestry industry has moved towards employing contractors with regard to operations such as transport, felling, harvesting and silviculture. There is increasing evidence, which support the view that contracting in the forestry sector is increasing rapidly. Contracting is often said to have emerged in response to increasing labour costs (Evans, 1992; Goedecke and Ortmann, 1993; and Zikalala, 1992).

Box 1.3 Facts, fiction and fabrication?

There is no reliable data on the extent of forestry contracting in South Africa. A source during the interviews in KwaZulu-Natal speculated that 70% of all work done in forestry is done by contractors. It is in line with world wide trends with steady decrease in the numbers of direct employees and dramatic increase in the use of private sector self employed contractors/ entrepreneurs. Conservative estimates suggested that contractor turnover is around R600million per annum, comprising more than 70% of forestry companies total cost. Currently over 200 independent contractors are operating in the forestry industry creating 35000 jobs in mainly rural areas of Mpumalanga and Kwazulu-Natal. Outsourcing is now recognised as a powerful tool for business growth, which allows companies to focus on their core competencies. Through innovative, strategically grounded outside relationships, organisations are aggressively reshaping themselves and fundamentally changing the way they do business.

Data Presentation

This section provides the findings of forest contractor survey within the context of broad local and international literature reviewed and interviews conducted with growers and contractors. The objective of the survey was to investigate the economic and social characteristics of the forestry contracting enterprises. Although the bulk of this section relies heavily on the survey, use is also made of information provided by key informants ranging from growers, government officials and contractors. Aspects of the overall study presented here focused upon the structure and activities of the contractor sector of the South African forestry industry, in particular its sources of business, employment characteristics, capitalisation and future prospects.

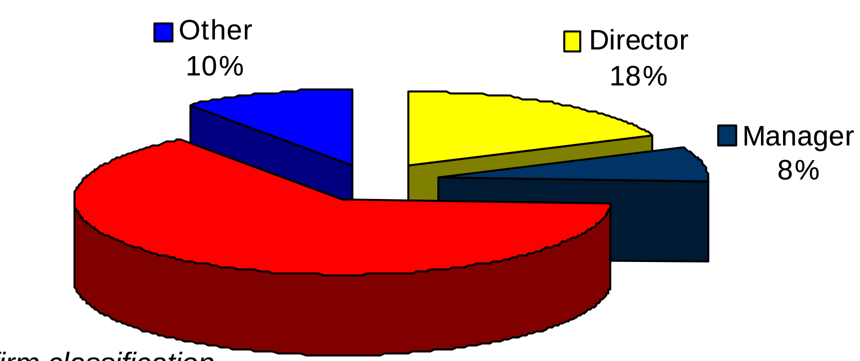
Location and profile of contractors

Although lists of currently operative forest contractors are maintained by the South African Forestry Contractors Association, which are protected by confidentiality, access to some of the forest contractors was facilitated by the General Manager of SAFCA. The nature of sources of information is critical in determining the credibility of that data. Sources of information in this report were largely drawn from high level informants, owners, directors and company managers. The survey was also fairly able to cover a wide range of parts of the country where the majority of contractors are located.

Position held in the company

Figure 1 suggests that the majority of forest contractors interviewed owned their own contractor companies (64%), or are company directors (18%), some with substantial shareholding (Table 1). Evidence from the survey suggests that the majority of contractors are run and operated by the owners of the forest contractor firms. However, these owners employ significant number of employees who are frontline workers in the contracting assignments. These findings suggest that forestry contracting promote the creation of small, medium and micro enterprises.

Figure 1: What position do you hold in your company?



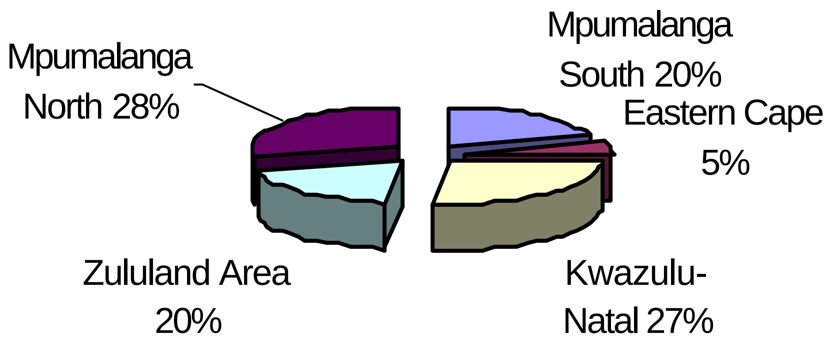
Position held by firm classification

Company managers answered surveys sent to the majority of big commercial forest contractors, whereas owners answered the majority of the surveys from one-person enterprise and medium forest contractors. The increase in contraction over the past decade and half has seen the emergence of a number of independent forestry contractors in South Africa (Table 2).

Firm's location in forestry area

There is an uneven distribution of contractors in South Africa. However, it should also be noted that growers are largely located in Mpumalanga and KwaZulu-Natal. Although 200 questionnaires were sent, no returns were received from the Western Cape, Southern Cape and Northern Province (Figure 2). As such, it is important to note that the findings in this study may not necessarily reflect the whole of South Africa. Moreover, this study suggests that the majority of forest contractors are located in KwaZulu-Natal, Zululand area, Mpumulanga North and Mpumulanga South, with a few also located in the Eastern Cape (Table 3).

Figure 2. In which forestry area is your firm located?



Duration of contractor firm in the market

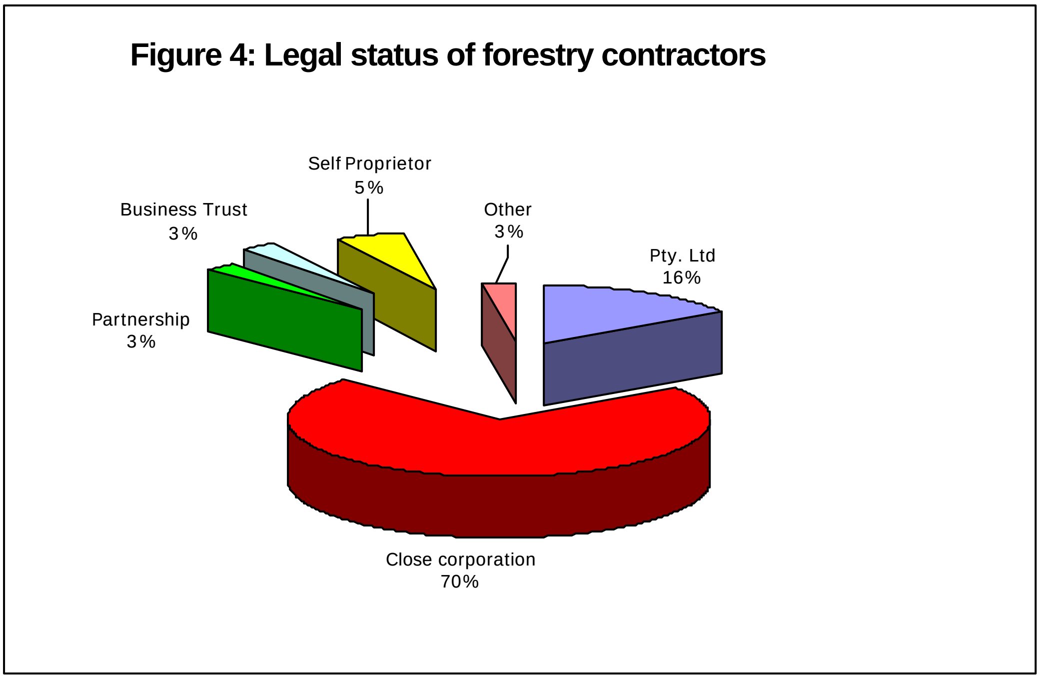
The majority of contractor enterprises interviewed had been in business for over 5 years (68%); with only 13% of them having started less than 2 years ago (Table 4). The findings suggests that contracting has now been established as an important factor in the South African forestry sector (Figure 3).

Status and classification of the enterprise

There are several ways to classify forest contractors: either through the legal status, capitalisation value, or annual turnover (Tables 4-8).

Legal status

The number of contractors who have registered their enterprises as legal entities appears to be high. The majority of forest contractors are registered as close corporation (70%), with 16% registered as private limited companies (Figure 4).

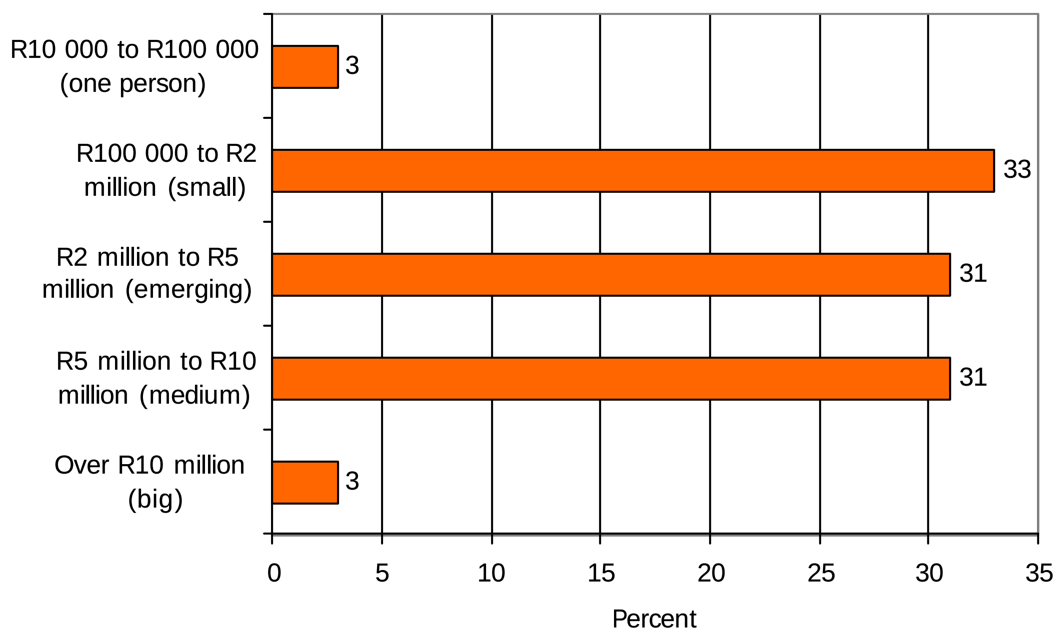


Only a few forest contractors are registered as partnerships, business trusts or self-proprietors. The high levels of registration of contractor firms as close corporations is associated with their ease of administration and less cumbersome regulations, unlike private companies. The high registration may also be associated with the requirements by growers to want to work with forest contractors who have legal documentation (Figure 4). As close corporations are immediately registered for tax when members apply, the implications are that increasing forestry contracting is likely to lead to further generation of revenue for the South African Revenue Service. Some black owned contractors suggest that growers and companies tend to overlook them and offer less lucrative contractors to white contractors. Apparently, a significant number of black forest contractors are not registered and often work in partnership with white forest contractors.

Contractor firm classification

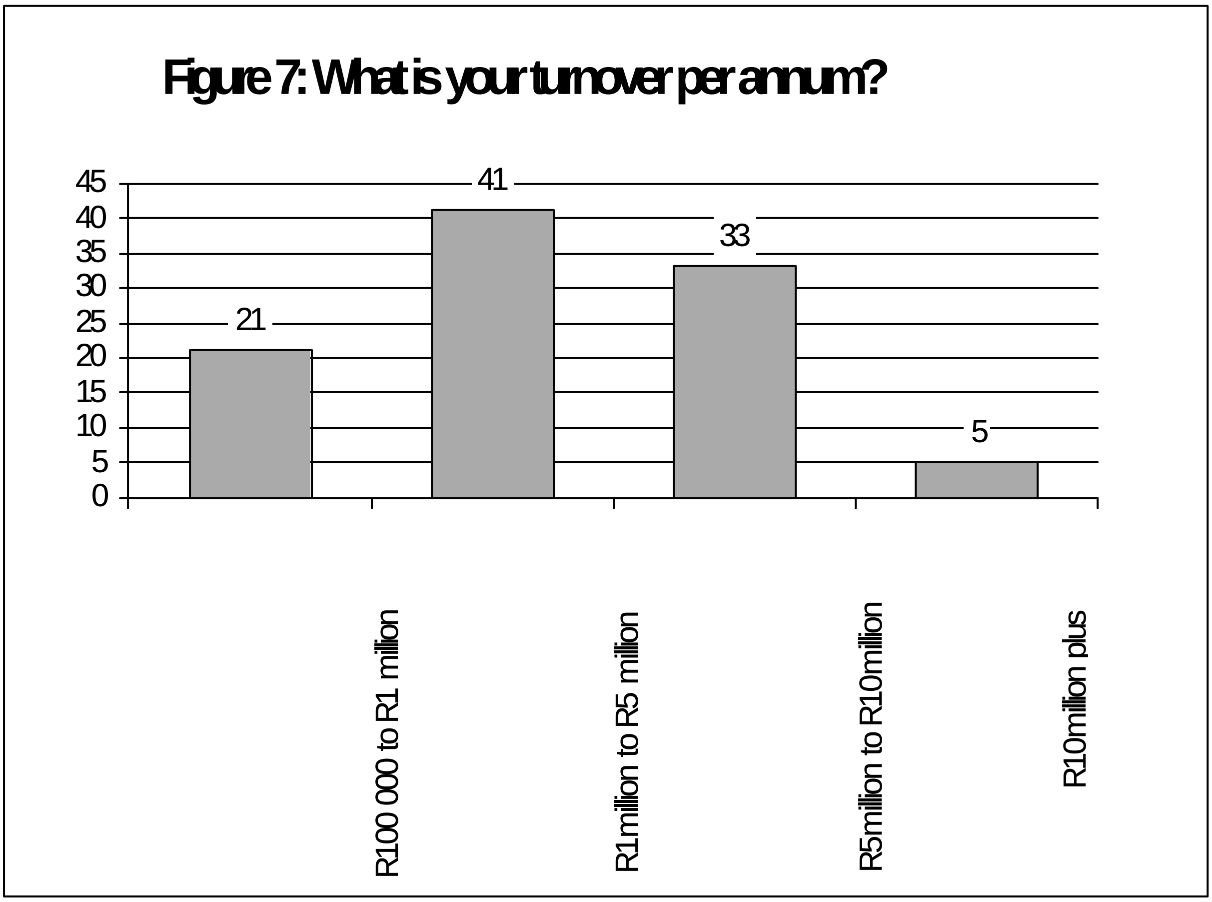
Another way to classify contractors is by considering current capitalisation value of their firms (Table 6). The size of forest contractors range from big commercial concerns to one-person enterprise. Capitalisation of the enterprises also ranges from R10 000 to over R10 million. Indication suggests that 65 % of forest contractors have a capitalisation of between R2 million and R10 million, with only a minority (3%) exceeding the R10 million mark. These findings suggest that although contractors are varied in terms of size, they often appear to be viable businesses with high liquidity and capitalisation value. Contractors appear to have invested reasonably well in their enterprises with the hope of making some significant returns. These findings also suggest a degree of stability among forest contractors. However, there are also a significant number of black contractor enterprises which have cash flow problems and their capitalisation value is very low. Some informants revealed difficulties in raising capital for equipment, and for bias against black contractor firms (Figure 6).

Figure 6: Classification of forest contractors by capitalisation value



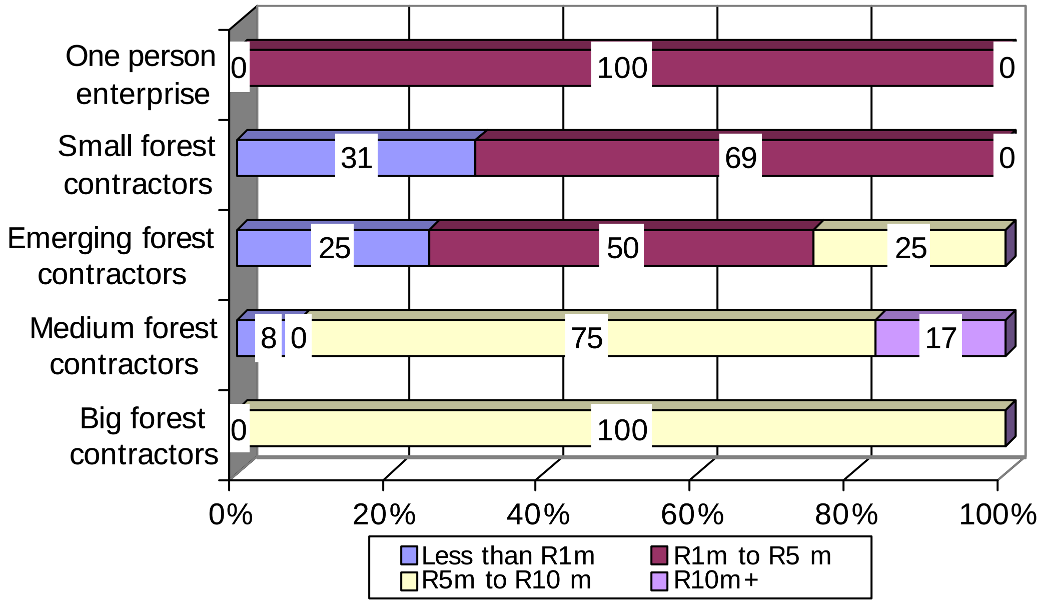
Forest contractor turnover

Another way to categorise enterprises is by using annual turnover (Table 7). There are also questions about whether contractors are profitable, and the extent of labour exploitation in the forestry sector. The turnover of contractors range from R100 000 to over R10 million per annum. A significant number of forest contractors (41%) have an annual turnover of between R1 million and R5 million (Figure 7). As indicated earlier, contractors appear to have invested in their enterprises, and do have reasonable annual turnover. Only 21% of contractors revealed their annual turnover to be less than R1 million and about 5% of contractors indicated that their annual turnover was over R10 million. Caution should be exercised when discussing these figures however as the majority of small and black-owned forest contractors are not members of SAFCA and their turnover is substantially lower.



Some 100 % of big forest contractor enterprises have a turnover of between R5 million and R10 million per annum, compared with 75 % of medium enterprises, and only 25 % of emerging contractor firms (Figure 8). None of one-person enterprise or small commercial enterprises generates over R5 million annual turnover. There is a positive correlation between annual turn-over and company size or classification. Highly capitalised forest contractor companies (large/big) appear to also have higher annual turnover compared to less capitalised forest contractor firms (small, medium and micro forest contractors).

Figure 8: Forestry contractor classification by annual turnover



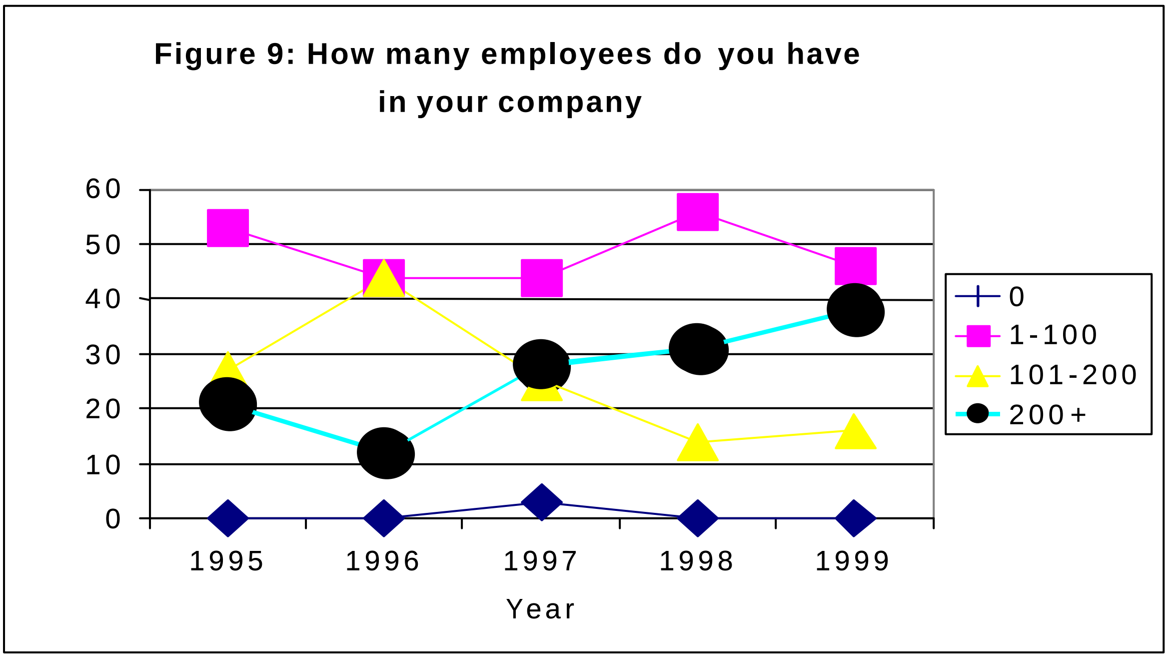
Workers and contracting in the forestry industry

Interviews with several stakeholders also indicate that the levels of outsourcing have increased in the past decade. The growth of forestry contracting is often associated with increasing job losses in the formal industrial forestry sector. However, outsourcing is a world-wide trend, which has affected several other sectors and not just the forestry industry sector. Unions are generally suspicious of the growth of contracting, pointing out, in the words of one trade union poster: *"outsourcing is a recipe for worker displacement, retrenchment and misery".*

Number of people employed, 1995-1999

Evidence suggests that the increasing levels of outsourcing are associated with increasing worker retrenchments and job losses. In this study there was an overwhelming majority of contractors who employ workers in their enterprises (Table 9). Growers previously employed some of the workers. Data confirms that the number of forest contractors employing more than 200 workers has increased from 21% in 1995 to 38% in 1999. The emerging trend is towards employment of huge numbers of people in the forestry contracting sector, though some of the workers in contractor firms are seasonal and not necessarily on full-time employment.

One possible explanation for increasing trend towards the employment of larger numbers of workers within contractor firms is that some of the contractors who started their own businesses were encouraged to start contracting as part of their retrenchment package. A certain number of "victims of retrenchment" ultimately find employment with forest contractor firms. However, the majority of those retrenched do not necessarily find employment in forest contractor' enterprises.



Employment category

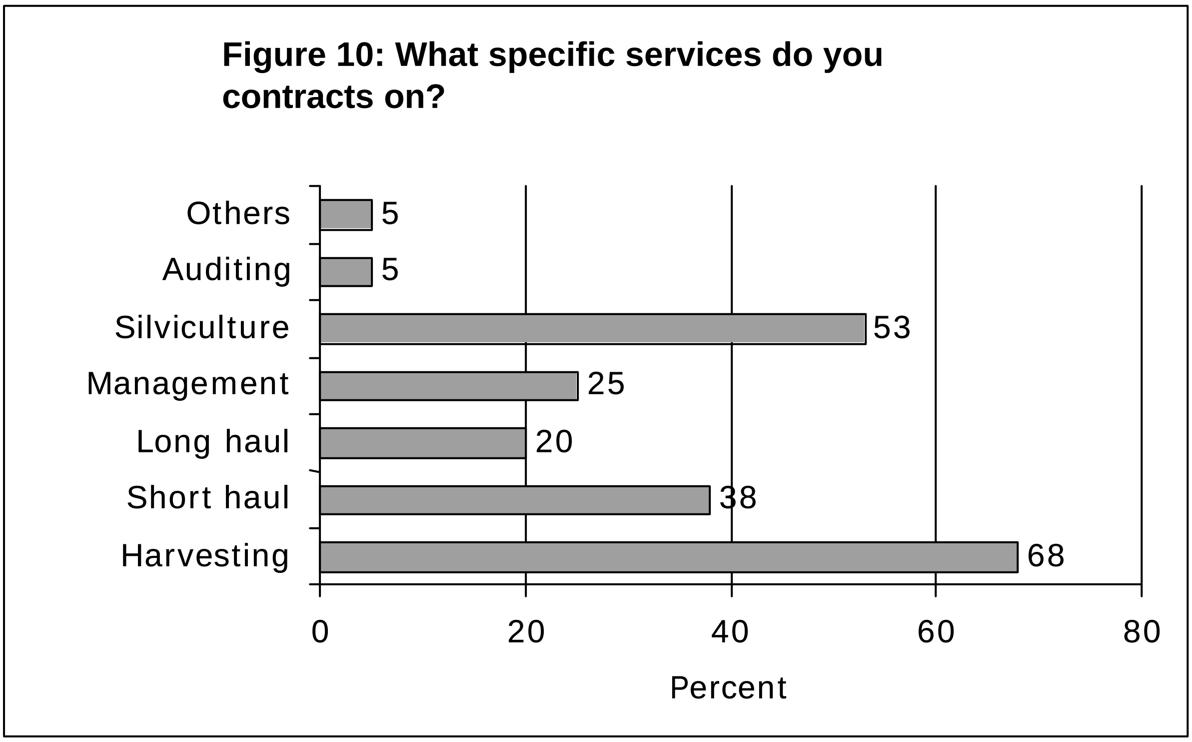
Although owners constitute 64% of the sample size of contractors (Table 10), evidence suggest that owners only make less than 10% of the entire workforce. The majority of supervisors and managers also constitute less than 10% of the workforce. The majority of skilled and unskilled workers range from 20% to 50% of the total workforce. What emerges from the data is that skilled and unskilled workers constitute the highest number of people in the forestry-contracting sub-sector. The majority of unskilled people are black, poor, rural women.

Transaction costs and the contract

Normally written contracts are entered into between contractors and growers. The contract negotiation period may vary depending on the nature of the contract. Whereas some growers normally have formal standardised contracts, others prefer to negotiate all aspects of the contracts. Some growers believe that a minority of contractors do not meet their contractual obligations, while contractors blame growers for "unfriendly contracts", which are biased. Several instances of contractors battling with contract requirements have been observed in the past decade, and were also confirmed during interviews.

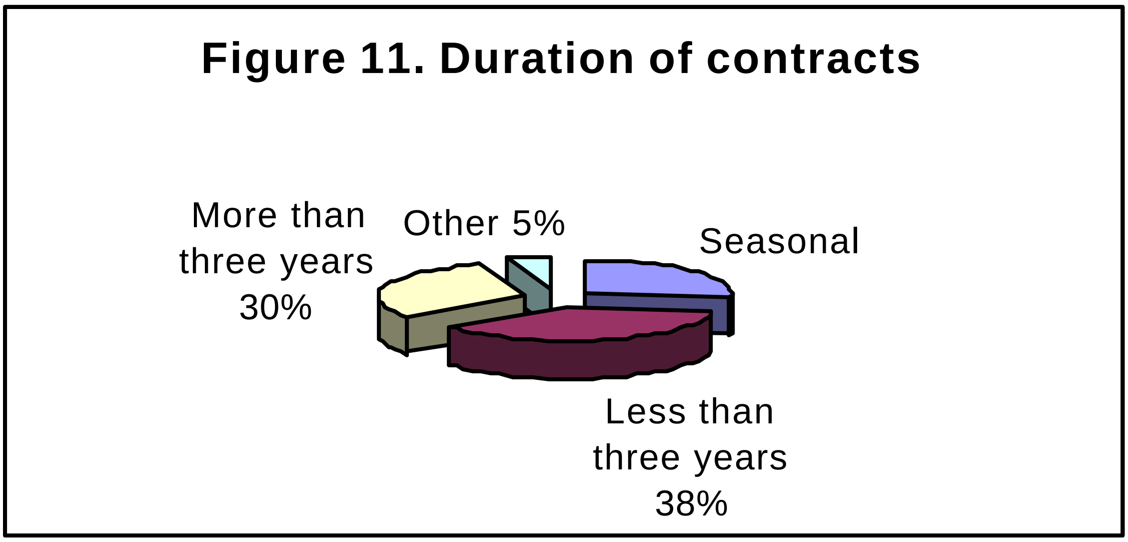
Services provided by forest contractors

In the South African forestry industry, contractors do such work as harvesting, short and long haul, management contract, silvi-culture, auditing and others (e.g. fire fighting and road maintenance) (Table 11). The two most popular services which contractors appear to provide are harvesting (68%) and silvi-culture (53%). Other equally important services include short haul (38%), long haul (20%), management contract (25%) and auditing (5%). Although the services, which forest contractors, provide are wide-ranging, only two are most popular and these are harvesting and silvi-culture.



Duration of the contract

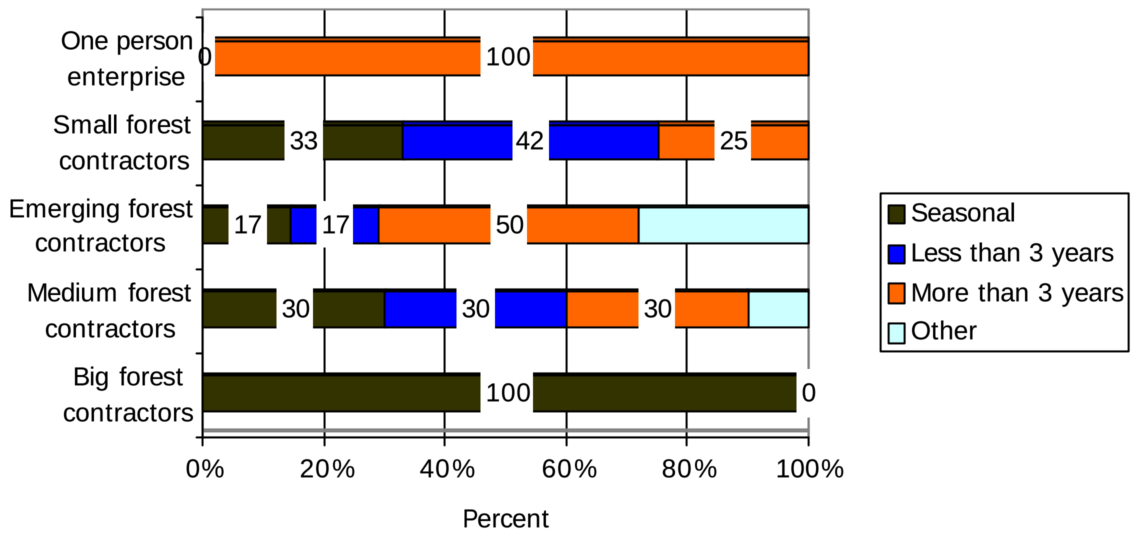
The duration of a contract can range from seasonal to time specific. The most popular duration of the contract appears to be less than 3 years (38%) followed by contracts of more than 5 years (30%) and finally seasonal (27%). At phase value, the slightly longer contract periods may appear to support a conducive development of small and emerging enterprises as these contractors often battle to find lucrative contracts to get them going. This trend may also be unfairly supporting forest contractors who are already established with a captive market. Small contractor firms appear to land contracts which are less than three years, whereas well-established contractors often land more lucrative contracts which have a longer duration.



Duration of contract by classification

Popular opinion suggests that big contractors get contracts for a longer period of time (Table 13). However, it is the majority of emerging contractors with capitalisation value of between R2 million and R5 million, which appears to have longer contracts. Big contractors often get seasonal contracts (Figure 12).

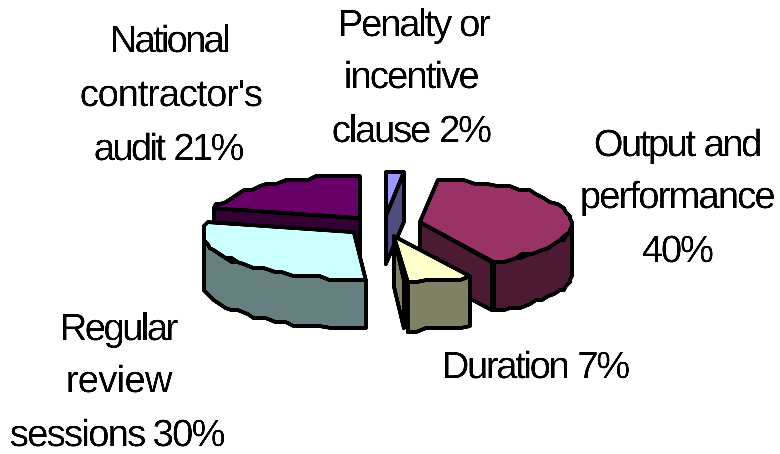
Figure 12 Duration of contracts by firm classification



Performance monitoring

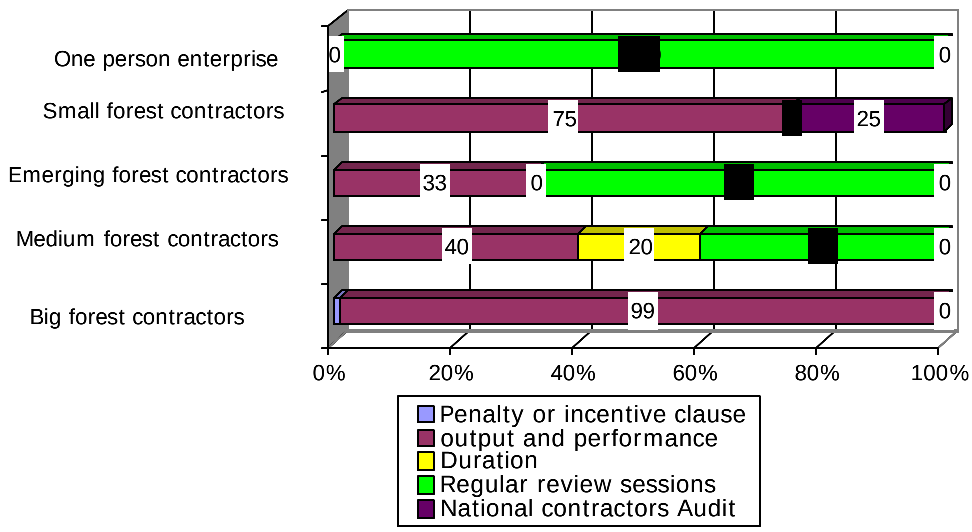
The monitoring of contracts is one of the most controversial aspects of outsourcing. There are several ways to monitor the performance of contractors. These include a penalty or an incentive clause, output and performance criteria, duration, regular review sessions, and national contractor audits. The two most popular ways in which performance is monitored are output and performance (53%) and regular review sessions (40%) (Table 14). Black owned forest contractors tended to indicate that they are unfairly discriminated against by big forest companies during appraisal period. From the point of view of forest companies, black own forest contractors require capacity building.

Figure 13. How is performance in the contract monitored?



There are different methods in which performance is monitored for different types of forest contractors (Table 15). For big (100%) and small (75%) forest contractors, performance is through output and performance. As for medium contractors, they are monitored through output and performance (40%) and regular review sessions (30%). As for one-person-operations, they are normally monitored through regular review sessions.

Figure 14: Performance monitoring by forest contractor classification



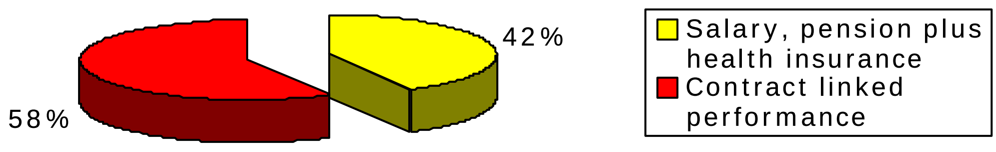
Remuneration and other benefits

The majority of workers in the forestry sector are still not unionised due to the particular problems associated with unionisation within this sector. Some of the problems include limited access of trade unions to farm workers, distance, which has to be covered between forestry plantations. Interviews with growers and contractors suggests that training, safety and health are major consideration which often get compromised by contractors when they deal with their labour force. The survey also examined the extent to which workers receive additional support apart from ordinary remuneration.

Remuneration

Contract linked performance appears to be the most popular mode adopted by contractors in relation to their workers (Table 16). About 35 000 people are estimated to be employed by forest contractors. This translates to 15 000 workers on salary, pension plus health insurance, with the rest, 20 000 of the workers being on contract linked performance. Studies elsewhere indicate that employees of forest contractors are not unionised, and unions are suspicious of the trend toward outsourcing, as unions believe that job security will be undermined further.

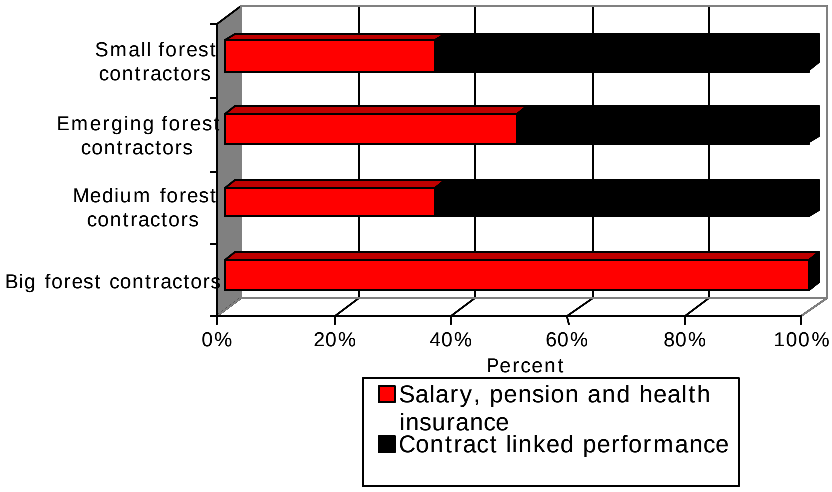
Figure 15: Remuneration type provided to employees



Method of remuneration by forest contractor enterprise classification

Big forest contractor firms tend to employ their workers on a salary, pension and health insurance (Table 17). On the other hand the majority of small and medium forest contractor commercial enterprises employ their workers on contract linked performance. These differences may be associated with the liquidity of the forest contractors. The more liquid the contractor, the larger the size, and the more annual turnover they have. The smaller the forest contractor-company, the lower the turnover, and the more likely is a contractor to employ workers on a performance-linked contract (Figure 16).

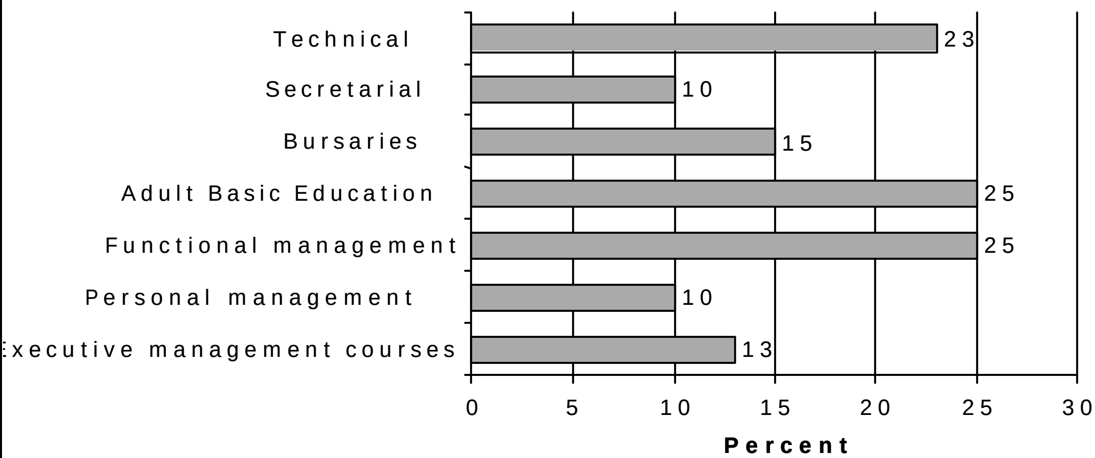
Figure 16: Remuneration type by forest contractor classification



Educational support and other benefits

The majority of forest contractors do not provide additional benefits. A third of forest contractors provides executive management courses, personal management, functional management, adult basic education, bursaries and loans to employees, secretarial and technical courses (Table 18). The three most popular forms of support are functional management, adult basic education and technical courses. With the implementation of the Skills Development Act, several forest contractors will now be obliged to provide skills through structured training courses for their employees (Figure 17).

Figure 17: Additional support provided to employees

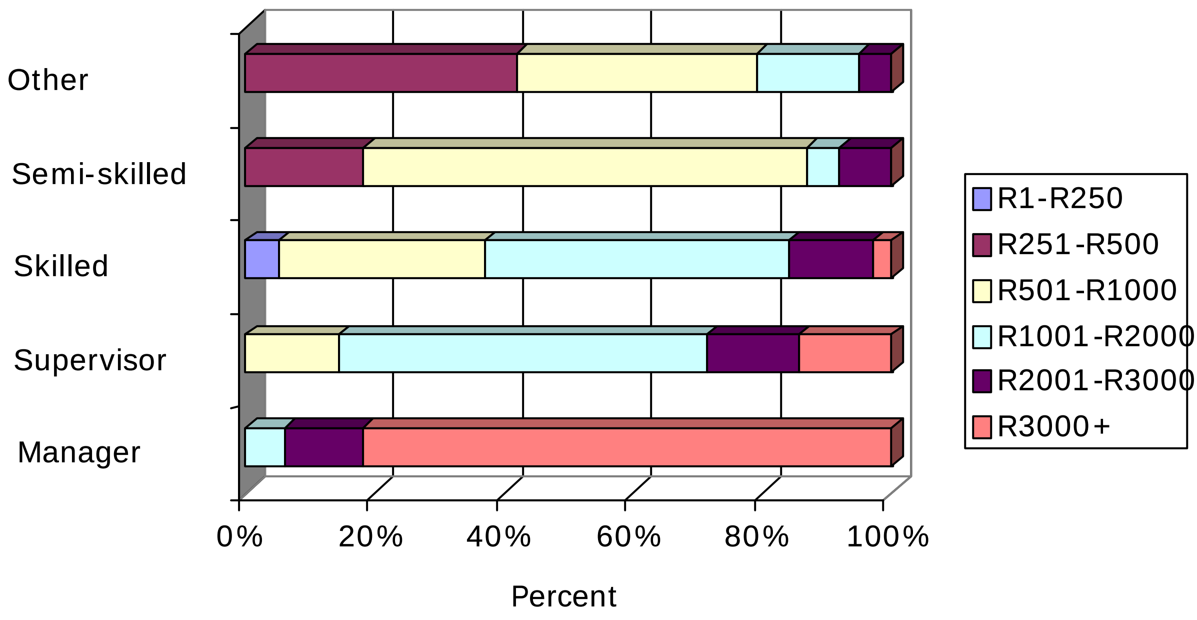


Wages per occupational category

There are vast differences between what managers earn compared to unskilled workers (Table 19). Managers and supervisors earn significantly more money than any other occupational categories in the forestry-contracting sub-sector, apart from owners.

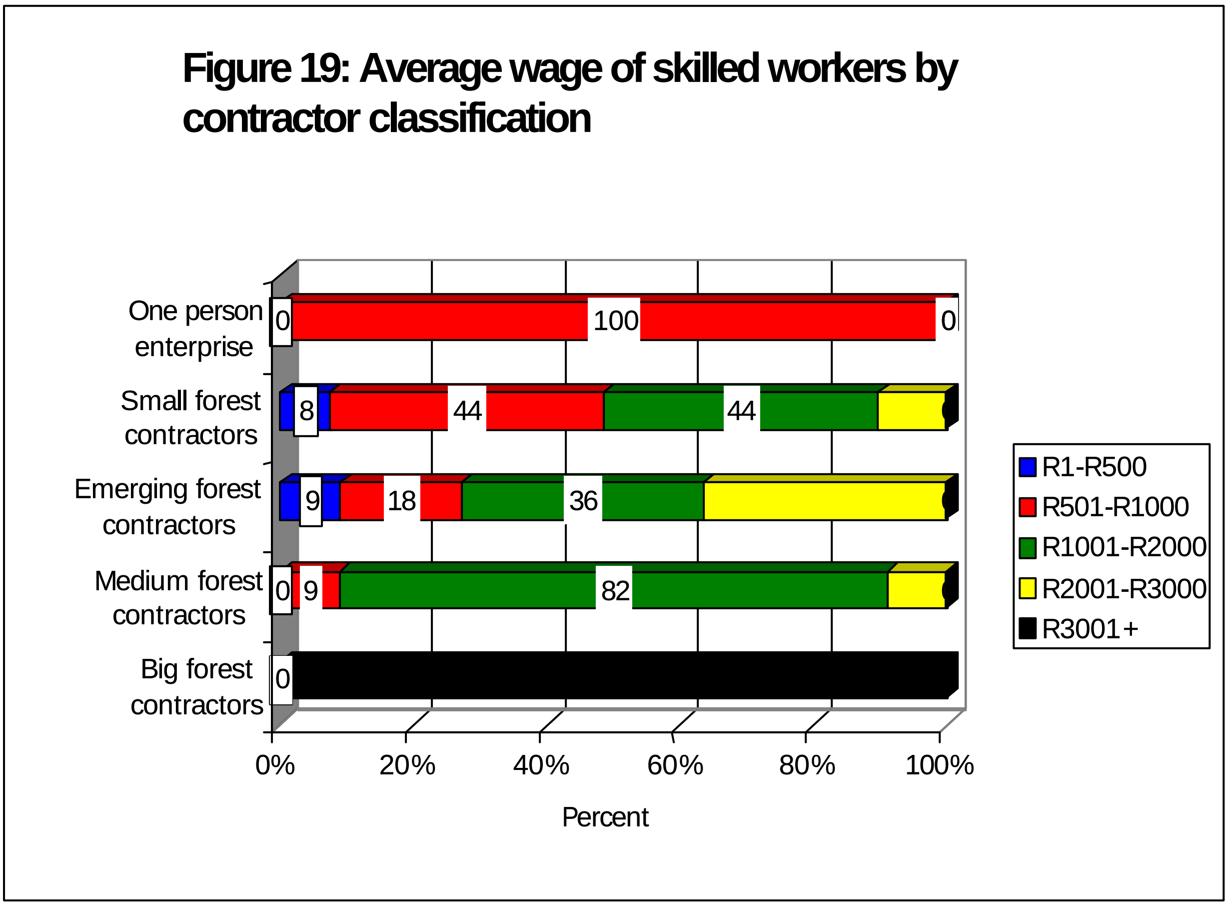
More than 82% of managers earn R3001 per annum, with 60% of the supervisors earning between R1001 and R2000 per month. Some 47% of skilled workers earn between R1001 and R2000, with only 3% of them earning over R3000 per month. The majority of semi-skilled workers (68%) earn between R501 and R1000 per month, with 8% of semi-skilled earning more than R2000 per month. The survey suggests that supervisors and managers tend to earn higher salaries than the skilled and unskilled labour force. Significant numbers of unskilled workers earn below poverty datum line wages and the majority of them are even not unionised. The low wages given to workers has become a mobilisation strategy on the part of trade unions. In several cases contractors are said to even pay less wages than forestry companies.

Figure 18: Average wage by occupational class in forestry contracting



Average wage of skilled by size of enterprise

Wages paid by forest contractors are generally low (Table 20). Even among skilled workers only 17% of them earn more than R2000 per month, and the overwhelming majority earn less than R2000. In fact 37 % of skilled workers earn less than R1000 per month. Disaggregating data by size of forest contractors reveals further important insights. Only 11% of skilled workers employed by small forest contractors earn more than R2000 per month, compared to 72% of skilled workers employed by emerging forest contractors. The majority of skilled workers employed by big forest contractors earn higher salaries, in some instances over R3000 per month. However, only 3 % of total skilled work force earn in excess of R3000 per month and big forest contractors almost exclusively employ these. Employees of small and medium enterprises appear to be paid relatively lower wages than their counterparts in large-scale forest contracting firms (Figure 19).



Proportion of disabled, women and historically disadvantaged

The survey suggests some vital insights in terms of the employment of the disabled, women and historically disadvantaged (Table 21). The proportion of employment for the disabled is less than 6%, and this has not improved in the past decade. The employment of women in the forestry-outsourcing sector appears to be fairly reasonable. For example, forty seven percent (47%) of the companies indicated that between 10% and 50% of their workforce is female. Some contractors revealed that women are exceptionally reliable as workers as opposed to men and the disabled.

It seems that historically disadvantaged persons, are the beneficiaries of employment within forest contractor firms. Over 70% of contractors indicated that they draw their labour force from the historically disenfranchised, especially Africans. As the majority of workers is largely unskilled and earns low income, it is not surprising that workers are drawn from the majority of Black people.

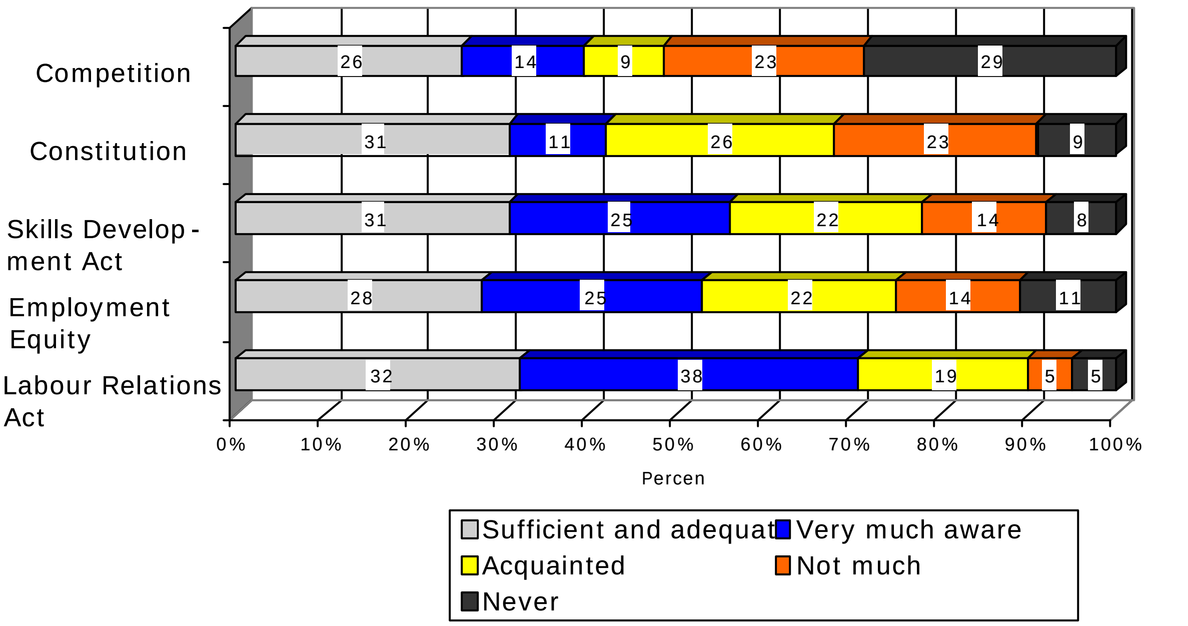
Awareness of the Changing Legal Framework

South Africa has undergone significant political transformation which have major ins and outs associated with the unfolding economic social and environmental context. Familiarity with key aspects of the new environment can shed light on our understanding of contracting within the forestry sector.

Comparing levels of awareness of legislation

Asked whether forest contractors were aware of various legislative measures in South Africa, interesting insights emerged. Awareness of the Labour Relations Act, Employment Equity Act and Skills Development Act were fairly high among forest contractors, in all cases awareness ratings were over 56% of respondents. It is only the Competition Act, which does not appear to be well known among contractors. Familiarity and awareness of the legislation does not equate compliance with legislation (Table 22).

Figure 20: Awareness of legislation among forestry contractors

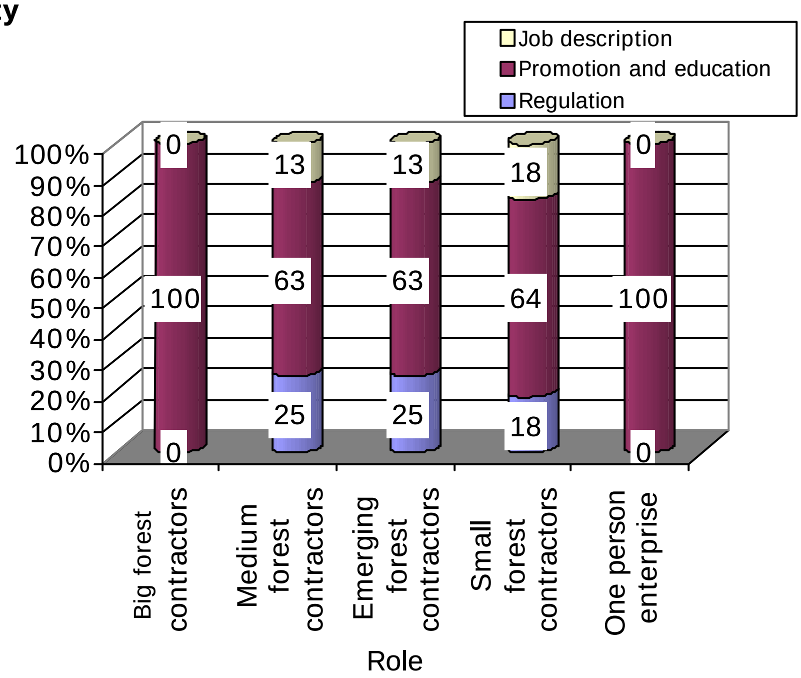


A higher degree of familiarity with the changing legal framework bodes well for the new political and economic context. However, there are a number of contractors who believe that the current legislation is too cumbersome and has negative impacts against them. During an interview with one contractor, one key informant said:

> *Contractors do not have knowledge of the new laws, Acts etc. We have technical knowledge. We do not employ lawyers, researchers, doctors or nurses. We are one-man operators.*

The newly established Skills, Education and Training Authority (SETA) for forestry is likely to play a much more important role in through educational support, and research. In addition, the launching of the Forestry Contractors' Productivity Initiative is likely to be welcome by contractors. Part of the Initiative's core business will be training and skills development focusing on business principles, negotiating skills, financial skills and equipment management (Table 22).

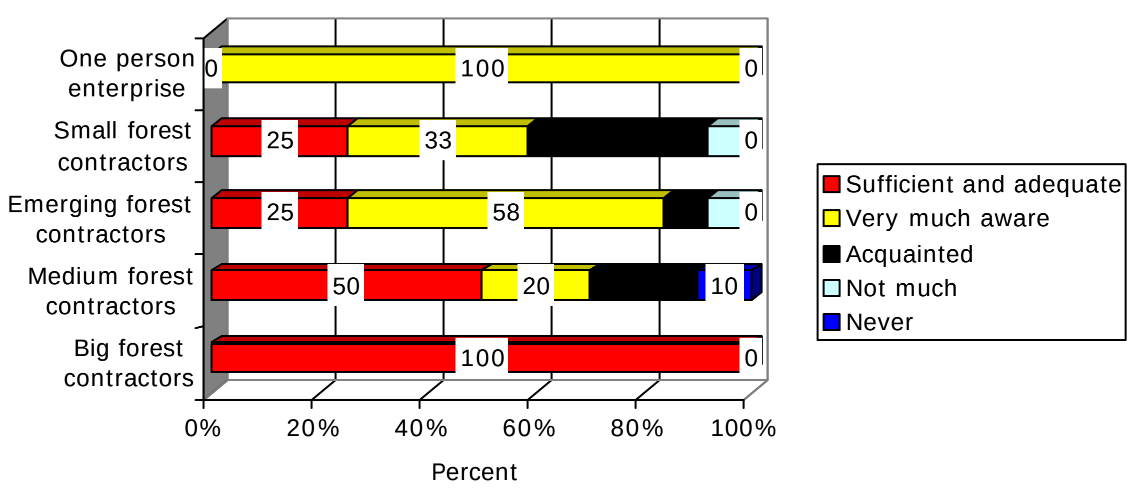
Figure 21: Role of the forestry Sector Education Training Authority



Awareness of Labour Relations Act

The levels of awareness of the Labour Relations Act appear to be high. However, it is big forest contractors who appear to have sufficient and adequate understanding of the Labour Relations Act. Over 41 % of small forest contractors "are a bit acquainted, or not much" understanding of Labour Relations Act (Table 23).

Figure 22: Awareness of Labour Relations Act among forestry contractors



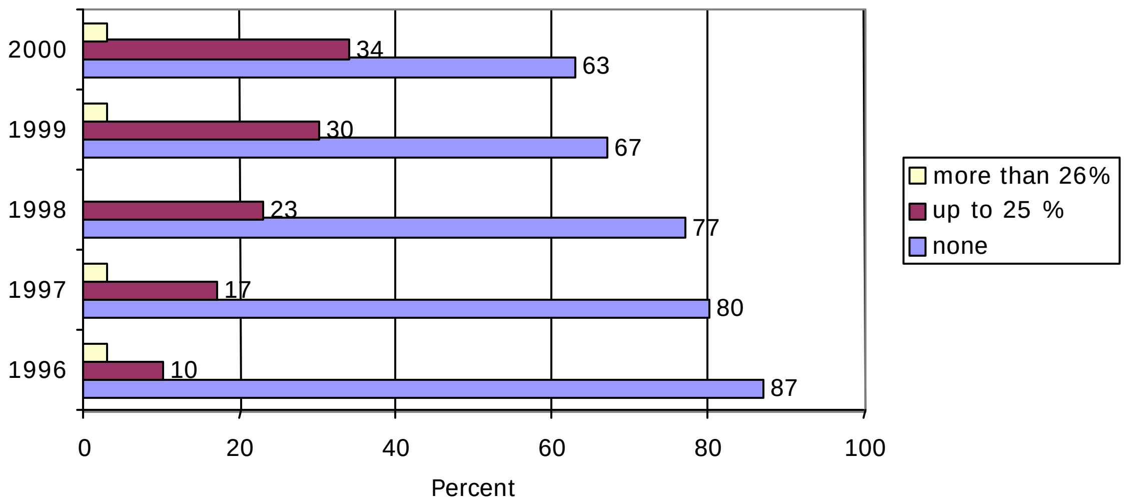
Extent and levels of outsourcing within contractor firms

Some forestry companies promote sub-contracting as a way of exposing black and small forestry firms in to business. Whereas growers enter into contract with forest contractors, some of the latter also sub-contract some of the work to third parties. However, the majority of forest contractor firms are not engaged in sub-contracting. One contractor who was opposed to subcontracting said: *"I believe a contractor should not outsource, if he cannot do the job, let some one else do it."* The levels of sub-contracting and its implications for labour relations require further investigation.

Subcontracting

Outsourcing and subcontracting have recently become controversial phenomena and are often subject to acrimonious debates between growers, contractors, and trade union organisations. Evidence in this study suggests that there is no significant sub-contracting among forest contractors. The majority of contractors (73%) revealed that they do not sub-contract their services: only 27% suggested that they occasionally outsource some of their work to sub-contractors (Table 24). This finding should however be interpreted with caution, as forest contractors do not often see occasional or seasonal labour as one way of sub-contracting.

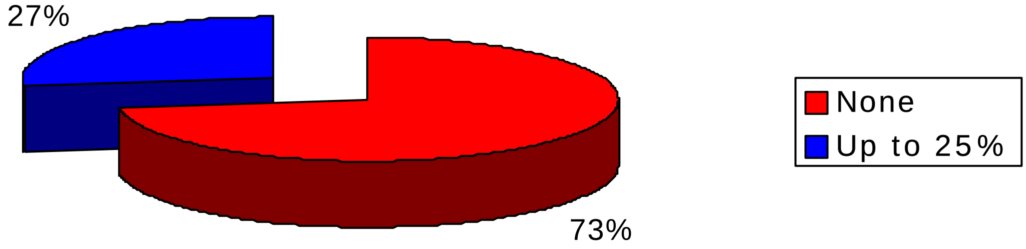
Figure 23: Proportion of services sub-contracted among forestry contractors



Proportion of subcontracting

Although, levels of sub-contracting appear to be low, a trend is emerging to suggest that forest contractors are shifting gear towards sub-contracting. As evidence, one can point out forest contractors, which are not involved in sub-contracting decreased from 87% in 1996 to 63% in 2000. In the same vein, contractor companies indicating that up to 25% of their work was outsourced increased from 10% in 1996 to 34% in 2000. Analysis points outs that levels of sub-contracting though still low, are gradually increasing.

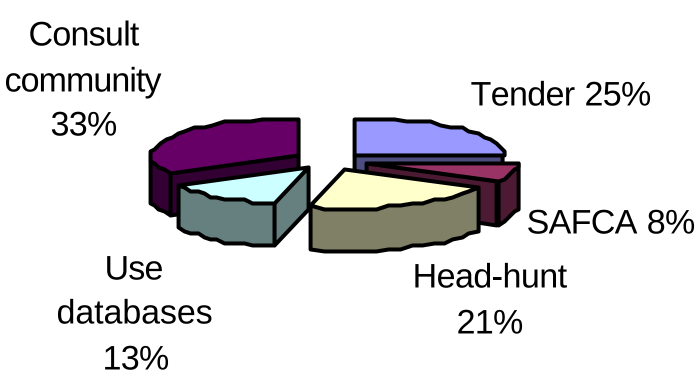
Figure 24: Proportion of sub-contracting among forestry contractors



Process of subcontracting

For those forest contractors which sub-contract, tendering and head hunting appear to be popular. However, at times the SAFCA is consulted, or use is made of databases of preferred forest contractors. There are also other times when there is consultation and involvement of communities in the process. This may be largely at the level of procuring labour rather than a typical sub-contracting process.

Figure 25. What process do you use when you subcontract?



Ranking features when looking for subcontracting

When asked to rank characteristics they are looking for when making a decision about selecting a sub-contractor, the overwhelming majority of forest contractors indicated 'professionalism' as either important (18%) or very important (73%), followed by local knowledge of the market as either important (53%) or very important (26%) (Table 27). Evidence suggests that there is a process underway which contractors observe in outsourcing some of their work. The majority of forest contractors generally follow agreed procedures in subcontracting their services, however, others rely on unwritten contracts or informal contracts which often result in unnecessary conflicts.

Benefits of Outsourcing

Various actors within the forestry industry see some of the benefits of outsourcing as:

- An opportunity on the part of companies to promote empowerment of emerging contractors
- The creation of jobs, especially for retrenched workers
- Way to cut costs on the part of big business, as contracting has a potential to make savings
- Allow for companies to focus on core business
- Improve efficiency and respond to product demand much quicker

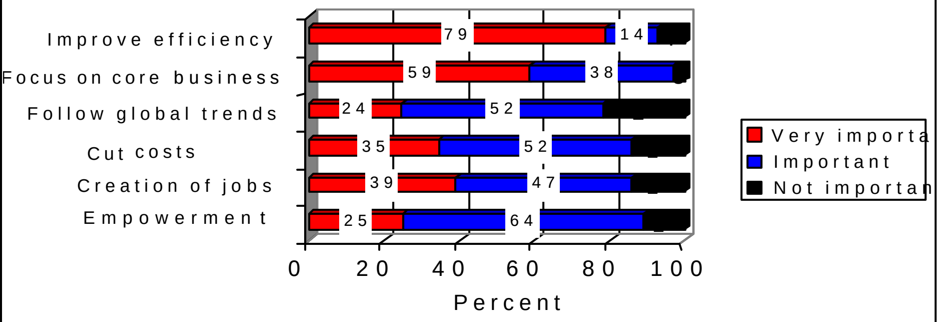
Benefits

The survey further confirms the benefits identified by key informants:

- 89% of contractors saw the benefits of contracting as empowerment of emerging contractors
- 86% saw the benefits of contracting as a means to create jobs.
- 87% believe that contracting is a way to cut costs for big business.
- 93% felt that contracting improves efficiency and
- 97% as a way to allow for companies to focus on core business.

Although from the point of view of forest contractors there are several benefits associated with outsourcing, trade unions are generally very reluctant to support this growing trend. For growers, outsourcing is one way to cut costs and improve efficiency. Those forest contractors who have captured the market are quite happy with their new found tasks and responsibilities. In the words of one contractor*, "we meet targets in crisis situations in the mills".*

Figure 26: Benefits of outsourcing



Role clarification and the future of forestry contracting in South Africa

The changing economic and political context in South Africa suggests that the role of different actors have been altered in more fundamental ways.

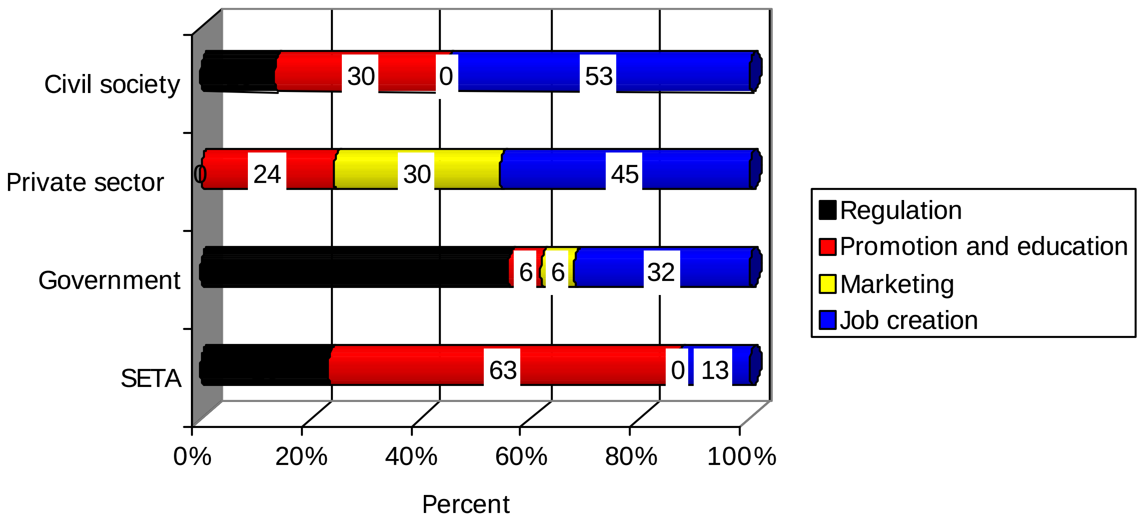
Roles

Clarification of the roles of different actors in the forestry industry is critical to avoid confusion, and duplication. Contractors suggested that:

- The role of the Section Education Training Authority (SETA) should be the promotion of contracting and provision of educational support (63%),
- Government's role is seen as that of legal regulation of the forestry sector in general, and forestry contracting in particular (56%),
- Contractors believe that the role of the private sector is to create jobs (45%)
- Interestingly enough, contractors believe that the civil society – broadly defined – should also focus on creating jobs.

The views of contractors do not differ with the framework provided for in the White Paper on Sustainable Forestry, and also in the National Forestry Action Programme which government adopted in 1997. The challenge is to ensure that these are properly communicated to different actors within the forestry contracting sub-sector.

Figure 27: Roles of different sectors within forestry contracting



Role of the forestry Sector Education Training Authority

The overwhelming majority of forest contractors believe that the role of SETA should be to promote forestry contracting and educational support (66%). Only 14 % of forest contractors believe that the role of SETA should be job creation, and 21 % felt that the role of SETA should be regulation. Evidence suggests that there is high expectation that the recently established SETA for forestry will promote the forestry industry in general, but also forest contracting in particular. Evidence to date suggest that the participation of forest contractors in the recently established SETA for the forestry sector is uneven. This is likely to negatively impact skills development among forest contractors.

A Critical Appraisal Of Contracting In South Africa

Five key messages

There are five critical messages, which are important in understanding forestry contracting in South Africa. The first message is that the quality of services provided by contractors varies. Both forestry companies and workers, have experienced the following problems:

- The poor quality of work provided by some forestry contractors due to lack of equipment or experience, or due to them employing workers without necessary skills.
- Failure to adhere to accepted operating standards and occupational health and safety standards. One grower suggested that "some subcontractors are not competent, reliable and trustworthy". Another grower claimed that "contractors are not competent of doing the work. Most of them do not oblige to normal rules and regulations".
- Payment of low wages to workers employed by contractors
- Lack of job security among workers employed by contractors
- Social problems in some of the forest villages
- Lack of worker benefits such as pension provisions, maternity leave and health care

The second key message arising out of this study is that there are some initiatives (albeit still in adequate), which have been set in place to deal with some of the emerging problems:

Establishment of the South African Forestry Contractors Association (SAFCA), whose members include the main contractors. SAFCA operates a grading system, reflecting the quality of work of each individual member; it negotiates group rates on insurance; and it facilitates access to training services. SAFCA has come to play a critical and much needed role, which has come to be appreciated by forest contractors.

Some companies are working at improving the standard of contractor work by selecting contractors according to quality of work, requiring compliance with company occupational health and safety standards, and pressing for improved skills and equipment. Some of the selection procedures have come to be rejected by small and black forest contractors who believe that growers tend to be biased against them. Some black forest contractors claimed that "racist attitudes among growers are undermining us". There are allegations of a lack of commitment on the part of growers to ensure that black companies do not succeed. Apparently, black contractors are treated unfairly and given the most difficult but financially unrewarding tasks. One black contractor said *"We would like to be recognised as contractors like white people are. We must be treated with dignity and respect"*

The third message is that major forestry companies have developed a set of policies for managing their relationships with contractors. These policies vary from company to company and they are somewhat implemented intrinsically in a differential manner. It is this differential application of the policies, which is seen by some small and black forest contractors as unfair and dis-empowering.

Fourth, contractors tend to employ labour-intensive methods. The trend for contracting has probably helped to maintain employment levels in the industry. This message is evident in this study which suggests rising number of workers employed. Although the employment of women has increased in the past decade among forest contractor firms, that of the disabled has not. In fact some contractors boasted that *"this work requires able bodied persons, it is not charity but business".* Comments of this nature raise questions about the commitment of some companies to employment equity.

The fifth message is that forestry contracting offers an important avenue for creation of new black enterprises in rural areas, of which some have become established. The promotion of small business is an important part of South Africa's national economic strategy. However, satisfactory working conditions and human resources management must be achieved if these businesses are to be sustainable. Fostering new enterprises is a government priority, but there is a concern that this may affect the position of trade unions in collective bargaining.

Black contractors face certain constraints such as lack of skills, experience required and of access to capital in order to penetrate the contracting market. Approaches being persued by the SAFCA and some of the big companies to address these constraints include introducing black entrepreneurs initially as subcontractors. Black entrepreneurs have emerged in larger numbers among the smaller contractors working with private tree growers.

Small black contractors are also an increasing presence as suppliers of wood to the timber marketing cooperatives and in the fuelwood trade. Small independent contractors have also taken on much of the planting and harvesting on farm woodlots on small farms in KwaZulu-Natal. These contractors are locally based and operate on a very small scale - a chain saw, a truck and a small number of employees. Access to funding and other resources provided by Ntsika and Khula has not improved among small and black forest contractors. Difficulties which small and black forest contractors encounter are not only limited to the forestry sector, but to other sectors in South Africa.

Box 4: Case of SAPPI

SAPPI has been the forerunner in outsourcing in South Africa. Since it started in the early 1990s, SAPPI has progressed quite far down the line and have readily admitted that while the primary purpose of outsourcing was to avoid "union" problems, it has also made business sense. The company has been able to develop what they call " partnering relationships". Through these the company seeks to ensure that business relationships between Sappi and its contractors is enhanced and to ensure that levels of competence continually develop towards world class standards. They have annual awards in recognition of achieving set standards which helps to encourage contractors to come up with innovations and best practices in order to achieve ongoing improvements in competitiveness and to be effective. This is remarkable as the recipients reflect the different race groups that participate in contracting in their area.

Box 5: Case of MONDI

MONDI ‘s process of forestry outsourcing in KwaZulu-Natal is still maturing and is allegedly riddled with racially motivated problems. While officials insist on the use of the right equipment as a prerequisite for winning a tender, it appears as if that limited effort has been exerted to facilitate access for the previously disadvantaged persons. There are allegation that this is done for the white contractors. During the interview, officials were at pains to explain the purely business motive for and denied that this had anything to do with politics. Their database of companies is a long list of white owned companies which does not reflect the diversity of the South African society and more importantly, the diversity of participants in the industry.

Box 6: Forestry Contracting in KwaZulu-Natal

In general the experiences of contractors in KwaZulu-Natal and Mpumalanga are not the same. The general impression that one gets out of interacting with contractors in the province is that there is hope for growth and that current problems experienced can be sorted out. Most of the unpleasantness was mainly from Black contractors regarding their experiences with Mondi. Their problems are centered around lack of access and lack of clear criteria for contract award. Treatment and attitude remain a major challenge with regards to Mondi.

White contractors had very different experiences. Their contractual obligations seemed to span from a year to three years, most of them enjoying evergreen contracts which ensure the ongoing work beyond the duration of the contract. For black contractors, the longest time span on a contract is one year. None of them had an evergreen contract and they could not think of any among them as Black contractors who has one.

Box 7 Some bad experiences of forestry contracting in Mpumalanga

There was a general sense of despair among the Black forest contractors interviewed. Most of them made a plea that their names should not be published. It was telling that even Sappi, the company that seemed to do better in Kwazulu Natal in terms of relations, was seen as 'oppressive' and 'exploitative' to Black contractors in the way they allocate contract work in Mpumalanga.

During interviews, there were allegations of cases where work would be allocated to a black contractor and then cancelled and allocated to white contractors. One contractor mentioned that he had never had a written contract which allows him to enter into trade transactions but that work would only be allocated by word of mouth and be with drawn again at will. This has apparently happened over a period of two years . As a result of this, he has not been able to train his workers, improve and purchase new machinery and generally engage in proper business activity as well as to keep staff. In his own words: “They have reduced me to a handy man who gets called in only when there is surplus work from white contractors. A status I find frustrating because I have 25 years of experience in the industry and knows what I am doing”.

Another startling case is that of a Black contractor who has been in partnership with a white contractor who has now decided to pursue other interests and has sold the company with all the contracts, to the Black contractors. This is the only contractor who is black and has a three year contract and this is only because the company was previously white owned. This company has a management contract with the White contractor to phase out his responsibilities over a five-year period. Another amazing thing is that Sappi representatives will not hold a contractors meeting with the current owners because he is not recognised. Sappi officials apparently insist on holding a meeting with the previous white forest contractor. This is a major concern because if this continues it means that these people will not get contracts from Sappi again.

Box 8 The case of Safcol

A black contractor who works for Safcol also related bad experiences of differential and preferential treatment in favour of white forest contractors. The issue was the lack of formality in terms of the way the company dealt with him, resulting in them taking work away whenever they want to reallocate to white contractors. This results in his inability to buy the required machines even though he is in the process of undertaking work because of the uncertainty pertaining to his income.

From the interviews, it appears as if the majority of white owned were doing quite well compared to black forest contractors. White owned forest contractors encountered relatively fewer problems than their black counterparts. Most of white forest contractors are also involved in other types of businesses while their forestry contracting business were run on their behalf by black employees. They mentioned three to five year contracts. Their forestry contracts could in fact, subsidise the other businesses they have ventured into. They all seemed friendly with personnel who allocate work in all three companies and it was alleged that there is a gentleman’s club where all the deals are made. The club does not admit the black contractors.

Main findings and implications

What is the changing political, economic, social and environmental contexts under which forestry contracting is taking place?

The extent, nature and direction of contracting are nebulously linked to the worldwide process of globalisation. Outsourcing is increasing in almost all sectors throughout the world. Although in general the process may appear to be transnational, unique political and economic forces to some extent shape this process. Within the context of South Africa, outsourcing has now been singled-out by government as an important strategy used to transform the state and the public service. The new government in South Africa has set in place legal instruments to deal with outsourcing. But what still lacks is convincing evidence that the benefits are shared evenly. In sum, the increasing levels of forestry outsourcing in South Africa happens within the context of changing global and political relations, backed by an array of legislative measures established to deal with various aspects of South Africa's transition. South Africa's transition from apartheid to democracy coincided with the move towards outsourcing in both public and private sectors (Hassen, 2000).

How do actors in the forestry sector relate to each other?

Four broad categories of actors can be distinguished. First, growers are an important actor in forestry contracting. The second category is forest contractors. The third type of actors is workers and trade unions. The fourth category of actors is communities who live in forestry plantations. In the last category we can include researchers and activists who fight for a better deal from growers, contractors and the state to ensure that the restructuring process taking place within the forestry sector does not negatively impact communities.

The relationships between various actors vary from adversarial to co-operation. Some growers applaud the new relationship between them and contractors. In the words of one grower, *"there is now more efficient forestry operations via contractors"*. But growers and contractors do not have an "eternal honeymoon"; in fact this relationship *is "likened to a marriage of convenience"*. In the words of one grower, "*when we conclude a contract with forest contractors, professionalism is very high on our agenda".* In the same vein, "*contractual obligations are now linked to our grading system as an incentive*", declared another grower. Some growers, on the one hand, appear to be unhappy with the quality of some of the contract work performed by some contractors. On the other hand, some contractors indicated that the period of payment is not conducive to the development of the emerging contractor sector. One black forest contractor, for example, complained bitterly of having" to wait for several months before payment for work done was made". In fact, there is contestation about the very nature and content of contracts.

Workers in forest contractor firms do not adequately enjoy the protection enshrined in the Labour Relations Act. Unionisation appears not to have successfully made inroads within forest contractor firms. Unions appear to be negative about the increasing levels of contracting (Zikalala, 1992). On the other hand growers appear to see the development of a vibrant contracting sector as one way of *"reducing costs, and to allow us (contractors) to focus on core business".*

Some forest contractors suggested they have limited scope to improve the use of resources and to be more productive, since they can only do as much work as is given to them by foresters. They are furthermore forced to underbid impossibly low quotas to get the work.

The impact of forestry contracting on communities living in forest areas also varies. At times when workers are retrenched they no longer enjoy the benefits which they may have had when they were in the employ of the growers. In other cases, growers have negotiated deals, which appear to benefit them, especially in areas where land is allocated to communities. The challenge is to ensure that some of the negative aspects of contracting are minimised, and benefits maximised. Some research organisations appear to play a crucial role in this regard.

What is the extent of the tasks and responsibilities carried out by contractors?

In the South African forestry industry, contractors do work such as felling, plantation and transportation, for example (Evans, 1992). There are instances where companies allocate jobs in difficult terrain to contractors because costs are lower. Contractors can attain economies of size in certain specialised areas and also do not have to meet high international labour standards. Another reason for employing contractors is that of industrial relations. All major companies in South Africa deal with unions, whose demands cause increases in production as well as transaction costs. In some instances the employment of contractors tend to circumvent this concern.

Forest contractors also work in the area such as management, supervision, finance, environmental issues, security, fire-fighting and industrial relations. Major growers often employ contractors and also their own labour because their own labour provides informal insurance against risk of not acquiring timely contractors in times of high product demand.

What are the impacts of outsourcing and how does this create winners and losers?

There are hundreds of thousands of people who live in forest communities in South Africa. They seldom have security of tenure, have little access to health and education services, are far from basic services, and are dependant for their survival on the land they do not own. These are the communities which often get marginalise through the contracting model.

Increasing levels of outsourcing are associated with rising job losses and retrenchment in almost all sectors. The winners appear to be the majority of growers and some workers who ultimately set up contracting enterprises. Growers are now able to reduce costs, but in some instances there is no guarantee that the quality of services from contractors will now be necessarily better. A minority of workers who are winners are those who are provided with adequate resources and conditions to start their own businesses. However, it is only a few workers who manage to start and run successful businesses on their own.

The real losers are the majority of workers who are unable to find alternative employment, or who secure employment. Large companies say they encourage outsourcing in order to focus on core business. Initially workers experience little changes. As there is no requirement for those terms to be maintained indefinitely, over time workers find that their wages are lowered in real terms, that accommodation standards and schools are not maintained. Other workers ensure lowered wages from the start. Wages in contractor firms can be 50% or more below the level paid in the major companies (Evans, 1992).

Situations often get worse if retrenched workers lived in the forest areas and are now expected to vacate the land and relocate elsewhere. Not only are their sources of livelihood curtailed, but they are also thrown into an abyss of despair. Among retrenched workers, the majority of losers are black workers who often battle to get employment elsewhere. More research is required to assess additional costs associated with this.

What are possible and best options of outsourcing?

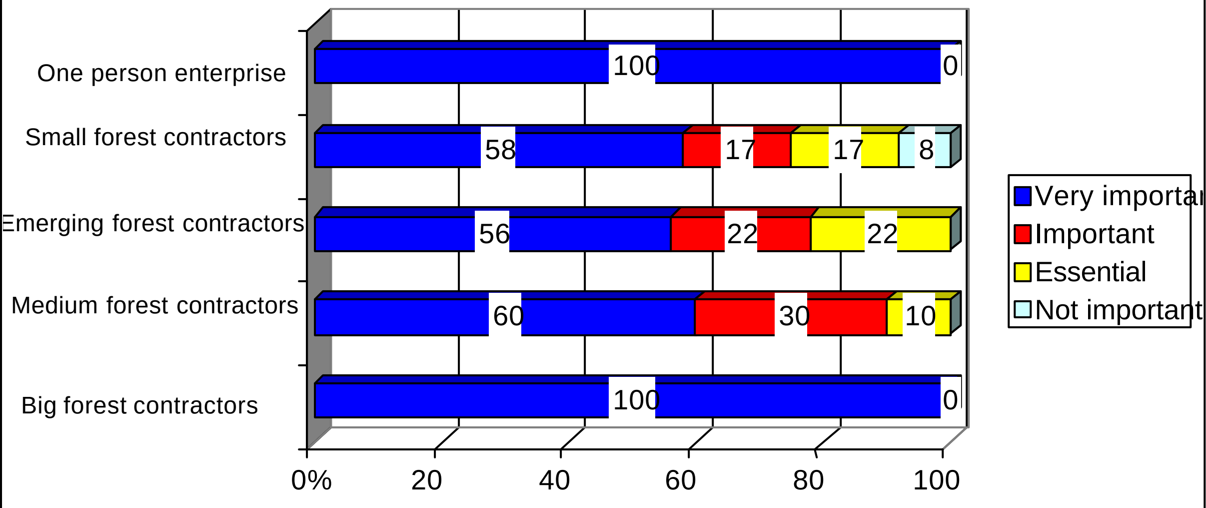
With the forestry restructuring taking place, there are several opportunities, which can benefit and dis-benefit different actors. Consequently, winners and losers emerge in the scene, with various capacities to respond to the newly found situation.

The survey also provided an opportunity for contractors to suggest ways to improve productivity, competitiveness and efficiency of outsourcing in South Africa. The areas include:

- training of contractors
- numbers of contractors
- regulation
- information dissemination

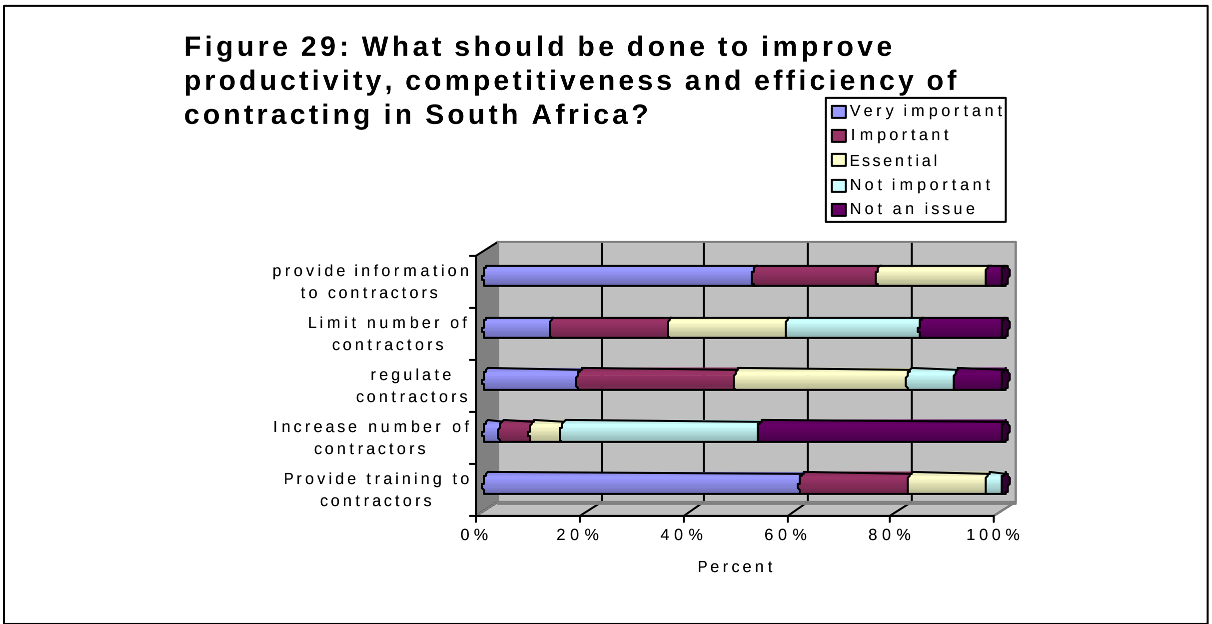
The training of contractors is seen as a critical area for improvement. An overwhelming majority (82%) of forest contractors indicated that training should be provided to contractors. A noticeable number of contractors felt that it was <u>not</u> important to increase or limit the number of contractors. Some 76% of contractors saw the provision of information as critical for their growth and competitiveness. Two important insights can be teased out here. First, there is a need to provide training to contractors. Secondly, there is a need to provide adequate and relevant information to contractors. Although the South African Forestry Contractors Association provides these services, contractors felt that there is a need for improvement.

Figure 28: The importance of the provision of training to contractors



Asked what should be done to improve the productivity, efficiency and competitiveness of forestry contracting, the overwhelming majority identified education as very important (60%)

and important (20%). Only 3 % did not think the provision of education to contractors as important. Although some growers do provide various types of educational support, there is a need for massive injection of resources. With the establishment of the skills development legislation, the newly established SETA for forestry is likely to play an important role.



It is highly unlikely that the trend towards outsourcing can be reversed. The best possible options are to examine creative partnerships, which should benefit growers, contractors, workers and communities. Some of these types of relationships have already been started. The challenge is to document such examples and establish ways of replicating them elsewhere. A greater focus by the growers, contractors and unions on using agreements to initiate reforms is needed. The following are key requirements for successful creative and innovative partnerships.

First, it is important to provide adequate information about the extent and nature of contracting in the forestry sector. Such information should be comprehensive enough to allow for early identification of potential problems within forestry contracting. As such, this could empower various actors to respond appropriately. There is a need to build a knowledge base of the dynamics of outsourcing in South Africa. There is dearth of information, and most studies have relied on anecdotal evidence, which at best is suspect, and at worst unreliable.

Second, awareness around legislation, which impacts on contracting, is uneven. There is a need to provide educational programmes directed at growers, contractors, workers and communities. The clarification of roles of different actors within the forestry sector is very important.

Third, the provision of training, access to capital, and markets are critical for the successful of forest contractors, especially small and medium enterprises. The provision of appropriate skills is even more relevant, and the establishment of the SETA for the forestry sector could play a role in this regard.

Conclusion

Over the past decade or so forestry contracting has increased dramatically in South Africa. The size of the forest contractor firms is growing and it is becoming a more complex sub-sector of the forestry sector. The importance of provision of information about the sector has been emphasised, so has the need to relevant training for contractors. The merit and demerits of contracting should continuously be reviewed. Contracting is here to stay, and the importance of understanding the economic, political and environmental context under which it operates should be understood within the context of South Africa in transition.

There is a need to develop a human resource development strategy for forest contractors. This could be linked with the mandate enshrined in the Skills Development Act. This study has also demonstrated the need for a systematic provision of information on forestry contracting. The challenges facing forestry contracting requires a systematic documentation of the changing character and profile of contractors in the forestry sector. This would allow various actors to respond to the challenges from a position of knowledge. A regular survey of the changing dynamics of forest contractors in South Africa would be invaluable. Nonetheless, such regular surveys should be followed by indepth interviews with growers and contractors.

Evidence in this study indicate that there is emerging a vocal chorus of voices who argue that the contracting model is not the panacea it is often made to be. The management of contract requires skilled regulators, adequate legal frameworks and effective monitoring systems. Current capacity in all these areas is extremely limited.

The findings of this study point to a need for short, medium and long term strategies. In the short-term, contractors should improve levels of wages. However, small and medium forest contractors are unlikely to do so in the absence of lucrative contracts, which offer better opportunities. As for growers, in the short-term they could continue to expand their services to small and emerging contractors and not only focus on well-established forest contractors. The medium-term objectives could be the provision of loans/capital, and relevant educational programmes to forest contractors. The long-term objectives should focus on creating sustainable partnerships.

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Annex A: Survey results in Tables

Table 1 What position do you hold in your company?

Position	Frequency	Percentage
Director	7	18
Manager	3	8
Owner	25	64
Other (e.g. public relations officers and personal assistants)	4	10
Total	39	100

Table 2 Position held by firm classification

Forest Contractor Classification	Director	Manager	Owner	Others
	%	%	%	%
Big commercial concern (over R10 million capitalisation)	0	100	0	0
Medium commercial concern (R5-R10 million capitalisation)	9	0	82	9
Emerging commercial enterprise (R2-5 million capitalisation)	42	18	42	0
Small commercial enterprise R100 000 to R2 million capitalisation)	8	0	69	23
One person enterprise or less than (R10 000 capitalization)	0	0	100	0
TOTAL	18	8	63	11

Table 3 In which forestry is your firm located?

	Sample size	Percentage
Western Cape	0	0
Southern Cape	0	0
KwaZulu-Natal	11	27
Zululand area	8	20
Mpumulanga North	12	30
Mpumalanga South	8	20
Northern Province	0	0
Eastern Cape	2	5
Total sample	40	100

Table 4 How long has your company been in existence for?

Period	Sample size	Percentage
Less than two years	5	13
Two to five years	7	19
Over five years	26	68
Total	**38**	**100**

Table 5 How would you classify your company in terms of the legal status?

	Sample	Percent
Pty. Ltd	6	16
Close Corporation	27	70
Partnership	1	3
Business Trust	1	3
Proprietor	2	5
Other	1	3
Total	38	100

Table 6 How would you classify your enterprise?

Classification	Sample size	Percentage
Big commercial concern (over R10 million capitalisation)	1	3
Medium commercial concern (R5-R10 million capitalszation)	12	31
Emerging commercial enterprise (R2-5 million capitalisation)	12	31
Small commercial enterprise R100 000 to R2 million capitalisation)	13	33
One person enterprise or less than (R10 000 capitalisation)	1	3
TOTAL	40	100

Table 7 What is your turnover per annum?

Annual turnover	Sample size	Percentage
Below R100 000	0	0
R100 000 - R1000 000	8	21
R1000 000 – R5000 000	16	41
R5000 000 – R10 million	13	33
R10 million +	2	5
	39	100

Table 8 Contractor classification by turnover

Forest Contractor Classification	R100 000 to R1million	R1million to R5 million	R5million to R10 million	R10 million plus
	%	%	%	%
Big commercial concern (over R10 million capitalisation)	0	0	100	0
Medium commercial concern (R5-R10 million capitalisation)	8	0	75	17
Emerging commercial enterprise (R2-5 million capitalisation)	25	50	25	0
Small commercial enterprise R100 000 to R2 million capitalisation)	31	69	0	0
One person enterprise or less than (R10 000 capitalisation)	0	100	0	0
TOTAL	21%	41%	33%	5%

Table 9 How many employees do you have in your company?

Number employed	1995 %	1996 %	1997	1998	1999
0	0	0	3	0	0
1-100	53	44	44	56	46
101-200	27	44	25	14	16
200+	21	12	28	31	38
Total	100	100	100	100	100

Table 10 What proportion of your employee's fill the following categories?

Category	Less than 10 %	10% to 20 %	21 % to 50 %	More than 50%
Owners	100	0	0	0
Managers	76	3	3	0
Supervisors	76	18	0	6
Skilled (drivers and operators)	35	33	13	20
Unskilled	13	10	77	0

Table 11 What specific services do you get contracts on?

	Sample	Percentage
Harvesting	27	68
Short haul	15	38
Long haul	8	20
Management contract	10	25
Silvi-culture	21	53
Auditing	2	5
Other (e.g. fire fighting and road maintenance)	2	5

Table 12 What is a normal duration for contractual obligation?

Duration	Sample	Percentage
Seasonal	10	27
Less than three years	14	38
More than three years	11	30
Other	2	5
Total	37	100

Table 13 Duration of contract by classification of an enterprise

Forest Contractor Classification	Seasonal	Less than 3 years	More than three years	Other
	%	%	%	%
Big commercial concern (over R10 million capitalisation)	100	0	0	0
Medium commercial concern (R5-R10 million capitalisation)	30	30	30	10
Emerging commercial enterprise (R2-5 million capitalisation)	17	17	50	33
Small commercial enterprise R100 000 to R2 million capitalisation)	33	42	25	0
One person enterprise or less than (R10 000 capitalisation)	0	0	100	0
TOTAL	28	39	31	3

Table 14 How is performance in the contract monitored?

Variable	Sample size	Percentage
Penalty or incentive clause	1	2
Output and performance	21	40
Duration	4	7
Regular review sessions	16	30
National Contractors Audit	11	21

Table 15 Performance monitoring by forest contractor classification

Forest Contractor Classification	Penalty or incentive clause	Output and performance	Duration	Regular review sessions	National contractors audit
	%	%	%	%	%
Big commercial concern (over R10 million capitalisation)	0	100	0	0	0
Medium commercial concern (R5-R10 million capitalisation)	0	40	20	40	0
Emerging commercial enterprise (R2-5 million capitalisation)	0	33	0	67	0
Small commercial enterprise R100 000 to R2 million capitalisation)	0	75	0	0	25
One person enterprise or less than (R10 000 capitalisation)	0	0	0	100	0
TOTAL	0	50	7	36	7

Table 16 What kinds of remuneration are provided to your employees?

Type	Sample	Percentage
Salary, pension plus health insurance	15	42
Contract linked performance	21	58

Table 17 Method of remuneration by forest contractor enterprise classification

Forest Contractor Classification	Salary, pension and health insurance	Contract linked performance
	%	%
Big commercial concern (over R10 million capitalization)	100	0
Medium commercial concern (R5-R10 million capitalization)	36	64
Emerging commercial enterprise (R2-5 million capitalization)	50	50
Small commercial enterprise R100 000 to R2 million capitalization)	36	64
One person enterprise or less than (R10 000 capitalization)	0	0
TOTAL	43	57

Table 18 What on-going educational programmes or support do you provide to your employees?

Type of support	Sample size	Percentage
Executive management courses	5	13
Personal management	4	10
Functional management	10	25
Adult Basic Education	10	25
Bursaries and loans to employees	6	15
Secretarial	4	10
Technical	9	23

Table 19 What is the average wage of the following occupational classes per month in your enterprise?

Category	R1-R250	R251-R500	R501-R1000	R1001-R2000	R2001 - R3000	R3001+
Manager	0 %	0 %	0 %	6 %	12 %	82 %
Supervisor	0 %	0 %	15 %	60 %	15 %	15 %
Skilled	5%	0 %	32%	47%	13%	3 %
Semi-skilled	0 %	18%	68%	5%	8%	0 %
Other	0%	42%	37%	16%	5%	O%

Table 20 Average wage of occupational class by size of enterprise

Average wage of skilled workers by enterprise classification	R0-R500	R501-R1000	R1001-R2000	R2001-R3000	R3001+
	%	%	%	%	%
Big commercial concern (over R10 million capitalisation)	0	0	0	0	100
Medium commercial concern (R5-R10 million capitalisation)	0	9	82	9	0
Emerging commercial enterprise (R2-5 million capitalisation)	9	18	36	36	0
Small commercial enterprise R100 000 to R2 million capitalisation)	8	44	44	11	0
One person enterprise or less than (R10 000 capitalisation)	0	100	0	0	0
TOTAL	5	32	46	14	3

Table 21 What proportion of your labour force is the following?

	Disabled %				Women %				Historically disadvantaged %			
	>10	10-50	<50	none	>10	10-50	<50	none	>10	10-50	<50	None
1999	43	3	3	50	9	47	32	12	0	3	76	21
2000	51	3	3	43	8	45	32	16	5	3	71	21

Table 22 Are you aware of the following legislation?

Category	Sufficient and adequate	Very much aware	A bit acquainted	Not much	Never
	%	%	%	%	%
Labour Relations Act	32	38	19	5	5
Employment Equity	28	25	22	14	11
Skills Development Act	31	25	22	14	8
Constitution of South Africa	31	11	26	23	9
Competition Act	26	14	9	23	29

Table 23 Awareness of Labour Relations Act

Awareness of Labour Relations Act	Sufficient and adequate	Very much aware	acquainted	not much	never
	%	%	%	%	%
Big commercial concern (over R10 million capitalisation)	100	0	0	0	0
Medium commercial concern (R5-R10 million capitalisation)	50	20	20	0	10
Emerging commercial enterprise (R2-5 million capitalisation)	25	58	8	8	0
Small commercial enterprise R100 000 to R2 million capitalisation)	25	33	33	8	0
One person enterprise or less than (R10 000 capitalisation)	0	100	0	0	0
TOTAL	33	39	19	6	2.8

Table 24 In your enterprise what is the proportion of sub-contracting?

	Frequency	Percentage
0 %	29	73
1-25%	11	27
Total	40	100

Table 25 What proportion of your services do you sub-contract?

Year	0	1-25	26+
	%	%	%
1996	87	10	3
1997	80	17	3
1998	77	23	0
1999	67	30	3
2000	63	34	3

Table 26 What is the process which you use when you sub-contract?

	Sample size	Percentage
Go out on tender	6	25
Contact the South African Forestry Contractors Association	2	8
Head-hunt people and help them establish their enterprises	5	21
Use database of preferred contractors	3	13
Consult and involve communities in the process	8	33

Table 27 Rank the following characteristics in their order of importance; you are looking for when making a decision about selecting a sub-contractor?

Characteristics	Very important	Important	Essential	Not important	Not an issue at all
	%	%	%	%	%
Professionalism	73	18	9	0	0
Lowest cost provider	15	40	25	20	0
Empowerment and potential	16	47	21	5	11
Government regulations	25	35	25	10	5
To focus on core business	26	37	26	11	0
Local knowledge of the market	26	53	11	11	0

Table 28 What do you consider to be the benefits of out-sourcing services?

Variable	Very important	Important	Not important
	%	%	%
Empowerment of emerging contractors	25	64	11
Creation of jobs	39	47	14
Cut costs for big enterprises	35	52	14
Follow global trends	24	52	21
Allow for companies to focus on core business	59	38	3
Improve efficiency	79	14	7

Table 29 What do you consider to be the role of the following?

	Regulation	Promotion and education	Marketing	Job creatio n
	%	%	%	%
SETA (Sector Education Training Authority)	23	63	0	13
Government	56	6	6	32
Private sector	0	24	30	45
Civil society	13	30	0	53

Table 30 What should be done to improve productivity, competitiveness and efficiency of outsourcing in South Africa?

	Very important	Important	Essential	Not important	Not an issue at all
	%	%	%	%	%
Provide training to contractors	61	21	15	3	0
Increase number of contractors	3	6	6	38	47
Regulate contractors	18	30	33	9	9
Limit the number of contractors	13	23	23	26	16
Provide information to contractors	52	24	21	0	3

Table 31 The importance of the provision of training to contractors

Importance of the provision of education to forest contractors	Very important	Important	Essential	not important
	%	%	%	%
Big commercial concern (over R10 million capitalization)	100	0	0	0
Medium commercial concern (R5-R10 million capitalization)	60	30	10	0
Emerging commercial enterprise (R2-5 million capitalization)	56	22	22	0
Small commercial enterprise R100 000 to R2 million capitalization)	58	17	17	8
One person enterprise or less than (R10 000 capitalization)	100	0	0	0
TOTAL	60	21	15	3

Table 32 Role of the forestry Sector Education Training Authority

Role of forestry SETA	Regulation	Promotion and education	Job creation
	%	%	%
Big commercial concern (over R10 million capitalization)	0	100	0
Medium commercial concern (R5-R10 million capitalization)	25	63	13
Emerging commercial enterprise (R2-5 million capitalization)	25	63	13
Small commercial enterprise R100 000 to R2 million capitalization)	18	64	18
One person enterprise or less than (R10 000 capitalization)	0	100	0
TOTAL	21	66	14