

**Organisational Democracy and  
Economic Viability in Producer  
Cooperatives in the Western  
Cape Region of South African  
and in Zimbabwe: Case Studies  
and Comparative Analysis**

by

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## Abstract

This study is a sociological analysis of participatory-democratic organisations in 'third world' contexts. Firstly, it assesses the degree of participatory democracy in each enterprise studied. Secondly, it explores whether cooperative development is a process. Thirdly, it assesses the applicability of existing theory in the field for organisations in 'third world' contexts. The data used is predominantly qualitative, though quantitative information is utilised. Qualitative data is gathered from in-depth interviews using semi-structured questionnaires, observation and the examination of primary sources. Empirical information is analysed in the light of theoretical constructs reviewed and practical constraints identified by other researchers in the field. The key construct is an 'ideal-type' participatory-democratic organisation.

Significant findings include the following: (a) cooperatives in 'third world' contexts are formed and joined primarily for material reasons; (b) specific constraints include a severe lack of basic education among cooperators, relationships of dependency between co-ops and service organisations, and a 'survival' consciousness among cooperative members; (c) the nature of relationships between cooperatives and service organisations have significant implications for co-op development; (d) there is a relationship between organisational structures and viability as an economic unit and (e) members in different positions in the enterprise have different conceptions of cooperation.

The study concludes that cooperative development is a process involving different stages characterised by different degrees of participation in decision-making, viability, organisational development and cooperative consciousness.

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## List of Abbreviations

ACTWUSA	Amalgamated Clothing and Textile Workers' Union of South Africa
ANC	African National Congress
BC	Buthisizwe Cooperative
CACU	Central Association of Cooperative Unions
CC	Cotton Cloud
CCC	Cooperative Coordinators' Committee
CDM	Cooperative Development and Marketing
CMCU	Central Mashonaland Cooperative Union
CORDE	Cooperation for Research, Development and Education
COSATU	Congress of South African Trade Unions
CSFS	Collective Self-Finance Scheme
CSK	Cape Spinning and Knitting
CSO	Cooperative Service Organisation
CUSO	Canadian University Service Organisation
CWB	Catholic Welfare Bureau
EC	Executive Committee
ESKOM	<i>Elektrisiteits Kommissie</i>
FSC	Fencing Services Cooperative
GA	General Assembly
GAWU	Garment Workers' Union
GLEB	Greater London Enterprise Board
ICOM	Industrial Common Ownership Movement
IDC	Industrial Development Corporation
ILO	International Labour Office
IPP	Icom Pilot Training Programme
ISCOR	Iron and Steel Corporation
LBC	Launisma Brickmaking Cooperative
LE	Launisma Enterprises
LRS	Labour Research Services
MAG	<i>Montagu en Ashton Gemeenskapsdiens</i>
MAWU	Metal and Allied Workers' Union
MC	Management Committee
MCC	Montagu Carpentry Cooperative
MCD	Ministry of Cooperative Development
NACTU	National Council of Trade Unions
NGO	Non-governmental Organisation
NUM	National Union of Mineworkers
NUMSA	National Union of Metal Workers' of South Africa
NUWCC	National Unemployed Workers' Coordinating Committee
OCCZIM	Organisation of Collective Cooperatives of Zimbabwe
OCS	Overberg Cooperators' Service
PAC	Pan-African Congress
PAWCO	Phalaborwa Workers' Cooperative
PC	Planning Committee
PDO	Participatory Democratic Organisation
SA	South Africa
SACNET	South African Cooperative Network
SACP	South African Communist Party
SACTWU	South African Clothing and Textile Workers' Union
SALB	South African Labour Bulletin
SALDRU	South African Labour and Development Research Unit

SAPPI	South African Pulp and Paper Industry
SATS	South African Transport Services
SAWCO	Sarmcol Workers' Cooperative
SAYCO	South African Youth Congress
SBDC	Small Business Development Corporation
SCAT	Social Change Assistance Trust
SEDCO	Small Enterprise Development Corporation
SHADE	Self-Help Associates for Development Economics
SO	Service Organisation
SP	Spinning Project
SS	Sheep Shop
TECNICA	Institute for Technology and Development
TST	Technical Support Team
UDF	United Democratic Front
UK	United Kingdom
USA	United States of America
UWC	Unemployed Workers' Committee
UWM	Unemployed Workers' Movement
UWU	Unemployed Workers' Union
WECUWU	Western Cape Unemployed Workers' Union
WM	Weekly Mail
ZANU PF	Zimbabwe African National Union (Patriotic Front)
ZCC	Zuurbraak Carpentry Cooperative
ZIMBANK	Zimbabwe Bank
ZIMFEP	Zimbabwe Foundation for Education with Production
ZIMPRO	Zimbabwe Project
ZIPRA	Zimbabwe People's Revolutionary Army
ZISCO	Zimbabwe Iron and Steel Corporation

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## I. Introduction

The stimulus for research into cooperative forms of organisation in South Africa (SA) has come from two major sources. One is the growing recognition of the extent of unemployment and a consequent interest in survival mechanisms of the unemployed in the context of limited state social welfare. The other is a growing interest in the response of organised labour to repeated mass retrenchments in the context of industrial restructuring. These responses include attempts by trade unions to create jobs for retrenched workers through the establishment of producers' cooperatives. Such action on the part of trade unions is linked to their attempts to keep retrenched workers organised.

The struggle of labour against restructuring should be seen in the context of the extended economic crisis facing this country. Among the key participants have been the independent black trade unions. This struggle in combination with the independent unions' emphasis on industrial democracy has raised critical questions about relationships between capitalists, labour, management and the state. These questions have contributed to laying a basis for ideas and practices for building industrial democracy and, eventually, socialism. Cooperative forms of organisation can be seen as possible ways of creating jobs, albeit in a limited way, while at the same time contributing towards building industrial democracy, social democracy and socialism.

The stimulus for this research comes from an interest in both survival mechanisms of the unemployed and various forms of industrial democracy. More specifically, our interest is in the cooperative form of work organisation as implemented among the unemployed.

### ***A. Local Debates***

The issues predominant in local debates on cooperatives echo those raised internationally (ILO: 1988). These include mainly

- (a) the nature of cooperatives;
- (b) their social and economic potential;
- (c) the roles of the state and trade unions in supporting co-ops and
- (d) economic viability in co-ops.

In the light of limited local experience of cooperative organisation, more recent debates are concerned with the possibilities and limitations of co-ops as partial solutions to unemployment and vehicles of social transformation (Philip: 1988; Etkind: 1989; Jaffee: 1990; Lupton: 1991). Furthermore, in the light of new political developments in South Africa and discussions around post-apartheid social and economic policy, the role of cooperatives in the economy has been placed on the agenda for future policy.

This work attempts to contribute mainly to debates about the nature of cooperative development and possible implications for the role of support structures including service organisations, the state and trade unions. Considering that the main issues

around cooperatives are intricately linked, however, this work also contributes something to the other debates listed above and currently in progress.

### ***B. Focus of this Work***

Various types of co-ops are to be found in SA, namely, agricultural marketing co-ops, consumer co-ops, credit unions, and producer co-ops. This work focuses exclusively on the development of producer cooperatives among the marginalised population of SA and Zimbabwe. More specifically, this work is concerned with processes of organisational democratisation with an emphasis on participatory democratisation. A key underlying assumption is that successful cooperatives, like any other type of economic venture, have to be economically viable. In this regard we focus briefly on economic viability of the co-ops studied.

The two key goals of a co-op include economic success and democratic organisation. From a sociological perspective, the organisational form of a co-op must perform two roles: firstly, it must support and not hamper economic viability; secondly, it must be of such a nature as to justify the name 'cooperative'. Indisputably, economic viability is the fundamental priority of a co-op, for without economic viability, there can be no co-op. It is important to recognise, however, that the form of democratic organisation adopted has significant implications for success as

a cooperative economic unit. Hence the focus in this work on democratic organisation in co-ops.

In addition, considering that both South Africa and Zimbabwe are characterised by predominantly capitalist social relations, this work is concerned with the development of producer cooperatives in capitalism. Hence we will not refer to such ventures in market and/or state socialism.

This work is a sociological analysis of cooperatives as participatory-democratic organisations (PDOs). It is not an attempt to provide a political economy of co-ops in SA and Zimbabwe. For this reason, the theoretical chapter of the dissertation is specifically concerned with (a) participatory democratic organisation and (b) cooperative development as process. This chapter does not attempt to provide a history and context for the emergence of cooperatives.

The analytical feature of this dissertation places it firmly within the discipline of sociology, specifically, within the sociology of democratic organisation. The strength of this work is thus in its contribution to an analysis of cooperatives as participatory-democratic organisations and not in the economic analysis of such enterprises. The latter task is best left to economists, however, the two approaches must ultimately be integrated to provide a comprehensive picture of co-op development.

Finally, this work is specifically concerned with the development of co-ops as PDOs in a 'third world' context. This context is

seen as one characterised by

- (a) low *per capita* incomes;
- (b) low levels of skill and education;
- (c) illiteracy and innumeracy;
- (d) relatively high levels of structural unemployment;
- (e) low levels of technological development and
- (f) severe shortages of capital and skills.

### **C. Objectives**

The objectives of the dissertation are twofold. Firstly, we wish to assess the degree of participatory democracy in each of the enterprises studied. Secondly, we wish to explore whether cooperative development is a process involving various stages of development with different degrees of democracy and economic viability. These objectives are important since they have direct implications for cooperative organisation and development, and for the kinds of services required and provided to such enterprises.

### **D. Key Concepts and Questions**

In our attempt to attain these objectives, we begin with a focus on theories of democratic organisation. We also note brief theoretical insights on cooperative development as process. This theoretical focus enables us, firstly, to develop concepts with which to understand the empirical material. The key concept developed is participatory-democratic organisation (PDO). We attempt to develop an 'ideal-type' model for this type of organisation. For this purpose we present a critical focus on

existing theoretical literature on PDO. The key authors referred to include ICOM (1987), Rothschild and Whitt (1986), Abell (1981), and Bernstein (1976; 1983). Secondly, Brecker's (1988) theoretical insights enables us to explore whether cooperative development is a process.

Finally, a focus on theory enables us to pose specific questions to the empirical material. There are two sets of key questions to be explored. Each set relates to our respective objectives.

**Set A:** With reference to our first objective we ask the following:

- (a) To what extent are the co-ops under study democratic in their practices?
- (b) Are these enterprises progressing towards democratisation?
- (c) Do the cooperatives studied have the potential to develop into organisationally effective and economically viable PDOs in the long-term?
- (d) Is there a relationship between the specific organisational structure of an enterprise and its economic viability?

**Set B:** With reference to our second objective we ask the following:

- (a) Is cooperative development a process involving different stages with different degrees of democracy and economic viability?
- (b) If so, what are the stages of development of the enterprises under study?
- (c) What are the criteria which characterise these stages of development?
- (d) What are the implications for cooperative organisation, development and services?

## ***E. Procedure for Examining the Questions: Case Studies and Comparative Analysis***

In response to the first set of questions we examine specific aspects of organisation within the enterprises through the use of in-depth case studies. We return to these aspects below. The comparative analysis of the enterprises studied leads us into a Our response to the second set of questions. The final section of the dissertation directly addresses these questions.

Considering the exploratory nature of this research, in-depth case studies are useful in providing qualitative information for examination. Furthermore, the examination of broadly similar enterprises which exhibit specific differences is enriched by comparative analysis.

### ***1. Case Studies***

In order to answer the questions in Set 'A' above, we begin by providing for each enterprise some historical background to the processes at play in its emergence and formation. This contextual and historical information serves to help the reader understand specific issues, problems, and processes discussed in the empirical material presented on each enterprise. We proceed to examine, firstly, internal organisational features with a specific focus on organisational structures, management, and decision-making. Secondly, we study relationships between the co-ops and other organisations, specifically service organisations

(SO's). Following this, we concentrate on economic viability in the enterprises and complete each case study with a focus on cooperative consciousness.

The themes selected for analysis in each of the case studies thus include

- (a) internal organisational features;
- (b) relationships between the co-ops and other organisations;
- (c) economic viability and
- (d) cooperative consciousness.

Here we provide some justification for choosing these themes and present a definition of a producer cooperative.

#### ***a) Internal Organisational Features***

A producer cooperative is essentially an alternative form of social, work and economic organisation, that is, alternative to authoritarian and bureaucratic forms of organisation generally found in conventional private and public enterprises. In the light of this specific nature of cooperative organisation, a focus on internal organisational features is in order.

##### **(1) Definition of an 'Ideal-Type' Co-op**

For the purposes of this work we define an 'ideal-type' producer co-op as a form of participatory-democratic economic and work organisation in which the members are simultaneously the owners, managers and workers. In PDOs the members participate in planning, organising and decision-making. Such enterprises are

an ideology of organisation even though many people do not realise it" (Anonymous: 6). So, people constitute organisations. What they do is the practice of the organisation. It is the dialectical relationship between form and practice which makes for a successful producer cooperative.

### **(3) Definition of a Successful Producer Cooperative**

We would agree with Ehrlich (1979: 100) that "judgements of organisational effectiveness [success] depend on one's social [and political/power] position" in relation to the organisation. For example, the organisational success of a producer cooperative from the point of view of most donors and/or service organisations would be seen primarily in terms of quantitative economic success - whether revenues exceed costs. A political organisation would define such success mainly in terms of a co-ops links to the opposition movement in SA. A cooperator would define the success of a co-op in terms of the extent to which their work in that co-op improves their material conditions and thus enables them to raise their standard of living.

We would argue that there are two crucial demands on a producer cooperative. Firstly, in order to be successful as an economic unit a co-op has to prove to be economically viable. An economically viable co-op performs competitively in the marketplace, controls its costs, and effectively manages and invests its resources over the short, medium, and long term

(ICOM, 1987: 1). If a co-op does not succeed in delivering the material goods required by its members it has failed as an economic unit. Secondly, in order to be successful a producer co-op must survive as a democratic organisation. The survival of any form of organisation depends on the reproduction of that organisation.

Essentially, then, the effectiveness of a co-op as a form of social organisation or, expressed differently, its success is determined, most importantly, by its ability to deliver the material goods required by its members, and by its ability to reproduce itself as a democratic organisation.

People cannot eat politics, and gross revenue tells one nothing about distribution. In terms of one's subjective evaluation of the success of a cooperative both economic success and political affiliation are important. In terms of the process of development of a co-op, however, economic success is a more fundamental issue and logically prior to political affiliation. A co-op which is not fundamentally successful has failed as a co-op and, in fact, does not exist and therefore cannot affiliate. In this respect we would agree with Samuels (1988: 6) who states that "[t]o use the cooperative as a place for encouraging political awareness and sensitivity is noble in itself and should be retained as a priority. It will be problematic though if the basic needs of the members are not met appropriately".

A co-op which can provide for the material needs of its members would be seen to be successful by its members and also by potential cooperators in the community. In addition, a successful co-op which practices democracy would be seen to be even more effective. Furthermore, a successful co-op which practices democracy would be of more social and political value / use to the broader opposition movement in SA than one which is simply said to exist for the purposes of political legitimacy.

In terms of our definition of a producer cooperative as a form of social organisation constituted of active human agents we could argue the following: Firstly, a notion of what a producer cooperative is supposed to be is an insufficient condition for the justification of the existence of a co-op. The people who constitute the cooperative structure need to engage in cooperative activity in order for a cooperative to be said to exist. "Social life is essentially practical" (Marx: Theses on Feuerbach: 285). Similarly, social organisation is essentially practical. Secondly, cooperators need to conceptualise the notion of what a co-op is supposed to be in order for them to begin to practice cooperation.

The social and production relations of organisation experienced by people in SA are essentially capitalist, ageist, racist, and patriarchal. In order for people to engage in cooperative production and social relations they need to unlearn the aforementioned relations of organisation and to learn new cooperative

relations of organisation. The process of cooperative activity should inform the notion of what cooperation involves, and vice versa. People learn as they do; put differently, people learn through experience. Hence, one requisite for organisational effectiveness / success among co-ops is that cooperators not only understand cooperation but also practice it. "To take over and run a complex organisational structure requires both theoretical understanding and practical experience; the two are not separable, they form a praxis" (Anonymous: 7).

Organisational effectiveness / success is also defined in terms of the degree of goal achievement. The goals of an organisation being, presumably, "what the organisation through its policy-makers is trying to do" (Erhlich, 1979: 100). With regard to cooperative and/or participatory-democratic forms of organisation effectiveness/success also depends on the degree to which all participants have been involved in formulating the goals of the organisation. In this respect a further requisite is that member participation be real rather than token. By this we mean that members be involved in day-to-day decision-making to the extent that it does not affect efficiency, as well as in decisions regarding policy-making. In order to participate effectively, however, members need to be informed about issues relating to their enterprise. They need to be sufficiently powerful and confident to articulate their ideas and, they need to trust their own thinking. Democratic participation can only take place when each participant is powerful. Furthermore, a co-op needs

mechanisms / structures to ensure efficiency, member participation, control, and accountability.

### ***b) Relationships with other Organisations***

An examination of relationships between cooperatives and service organisations is likely to shed light on types of support rendered, methods employed when giving support, and effects of support. The latter is significant in evaluating the role of SO's in promoting democratisation and economic viability in cooperatives.

### ***c) Economic Viability***

Economic viability is the fundamental priority of a co-op. Considering that producer co-ops emerge mainly in periods of economic and socio-political crisis, people form and join enterprises to provide for their material survival in times of crisis. If a co-op does not succeed in delivering the material goods required by its members, it has failed as an economic unit, and as a cooperative.

It is important to note that any type of economic enterprise which is not economically viable will not survive unless there is agreement that it merits ongoing subsidisation. In this sense, producer cooperatives are not unique; instead such enterprises are confronted with problems similar to those experienced by

other kinds of enterprises, for example, capitalist enterprises. Furthermore, an economically viable cooperative performs competitively in the marketplace; controls its costs; effectively manages and invests its resources over the short, medium, and long term (ICOM: 1987: p. 1); is able to reproduce itself over the long term and is self-sustaining. In the light of these criteria we assess the economic viability of the enterprises under study.

#### ***d) Cooperative Consciousness***

Finally, the development of a cooperative consciousness among cooperators is an integral part of cooperative development. Among

the underlying assumptions in this regard are

- (a) that the experience with which people enter a cooperative has an important influence on the development of their cooperative consciousness;
- (b) that actions and consciousness are, however, limited and/or enhanced by the particular socio-political and historical context;
- (c) that cooperative consciousness cannot develop simply through imposing cooperative forms upon people or through exhorting people to be cooperative;
- (d) that people have to have to have experienced a successful co-op (successful in terms of providing for their material needs) for them to come to accept fully a cooperative consciousness; and
- (e) that, simultaneously, in order for people to build a successful co-op, people need, not a fully formed, but some conception of cooperation.

On the basis of these assumptions, we examine cooperators' previous work experiences and perceptions of their cooperative. This examination raises significant questions about the state of the enterprises under study.

## **2. Comparative Analysis**

In the comparative analysis presented after the case study material, the same themes selected for the case studies as listed above are chosen for comparison. This allows for continuity in the dissertation. The comparative work and the insights developed from field observation and participation allow us to add to Brecker's (1988) theoretical insights on cooperative development as process. These additional insights, presented in the final chapter, in some cases confirm, in other cases modify, and in yet others enhance the received theory presented in chapter one. Furthermore, Brecker's theory of stages of co-op development is enhanced by the theoretical insights gained from the empirical work for this dissertation.

## **F. Structure of the Dissertation**

The structure of the dissertation is as follows: In volume one, the first chapter commences at the general level of theories of democratic organisation and of co-op development as process. It proceeds towards a focus on specific practical constraints faced by co-ops in capitalist environments. The chapter closes with possible ways of overcoming and/or dealing with these constraints and with an attempt to show the relevance of theory for our empirical work on South Africa and Zimbabwe. Chapter two provides

both a general context for the emergence of co-ops and the specific context of co-op formation in SA today.

Volume two of the dissertation, namely, chapters three, four, and five constitutes the South African case studies. In corresponding order, the enterprises studied are the Langa Spinning Project (SP) serviced by the Catholic Welfare Bureau (CWB); Launisma Brickmaking Co-op (LBC) and Buthisizwe Co-op (BC) serviced by the Unemployed Workers' Movement (UWM) at the time of research; and Montagu Carpentry Co-op (MCC) serviced by the Montagu and Ashton Community Services Organisation (MAG).

Volume three begins with chapter six which concentrates on the Zimbabwean case study, namely, Fencing Services Co-op (FSC) serviced by the Collective Self-Finance Scheme (CSFS) and the Zimbabwean government department, the Ministry of Cooperatives. Following this, chapter seven presents a comparative analysis of the co-ops studied. Finally, chapter eight presents the research findings and conclusions to the questions in Set 'A' on p. 6 about the degree of participative democracy. This chapter also presents the theoretical insights gained in the field, the basis for our conclusions to the questions in Set 'B' on p. 6 about cooperative development as a process. In this final chapter we attempt to integrate the received theory and the empirical work done for the dissertation.

# Chapter One

## Theories of Democratic Organisation

### I. Introduction: Explanation and Justification for Theory of Democratic Organisation

#### *A. The Starting Point of Most Authors in the Field*

Most of the literature on cooperative organisation starts off with a general history of forms of cooperation all over the world. This history does not trace processes of development in cooperation. Instead, the focus is mainly on people who initiated ideas of cooperation, and on whether or not these ideas were successful when put into practice in various historical periods and social contexts.

This history generally refers to the writings of William Thompson (1775-1883), an Irish theoretician. It is held that Thompson inspired workers to establish their own organisations through which savings could be invested in cooperative villages with their own local industry. Robert Owen's (1771-1858) theories and experiments in new forms of ownership and control in Britain, and the subsequent founding of the first 'successful' cooperative society in 1844 by the Rochdale Pioneers, are usually seen as central to the history of the British cooperative movement. It is, however, sometimes acknowledged that before Owen's theories and experiments, workers in Britain had already attempted to form organisations similar to cooperatives. In this regard, it is claimed that since the late eighteenth century, artisans, in

particular, had an established tradition of setting up organisations for the purposes of promoting unity and cooperation among themselves. Furthermore, workers formed benefit societies to enable them to assist one another in times of unemployment, strikes, illness, or other crises (GLEB: undated; SALDRU: undated).

The general history of early cooperative activity has been relatively well documented (Balawyder: 1980; Bailey: 1955; GLEB: undated; Webb: 1914.). From this general history, one gathers that cooperatives of the eighteenth and nineteenth centuries emerged essentially as an economic and political response by workers to the social upheaval caused by the process of industrialisation. Unemployment as a consequence of the mechanisation of tasks, and poverty as a result of the unequal distribution of wealth were among the symptoms of the social upheavals of the time. Furthermore, there seems to have been a lull in cooperative activity during the first two-thirds of the twentieth century. During the last two decades, however, there has been a significant world-wide re-emergence of producers' cooperatives and of the recognition of their potential contribution to working towards industrial democracy in which workers are the owners and employers. Today, over five hundred million people are involved in the global cooperative movement. Cooperative enterprises exist in all countries and in every type of economy. Whereas in some countries (Yugoslavia, for example) the cooperative sector is the largest economic institution, in

most countries such enterprises remain marginal to the economy (ILO, 1987: 2, 3).

### ***B. A Different Starting Point***

In this work we have chosen to begin with an overview of developments in the theory of participatory-democratic organisation. We also note valuable theoretical insights on cooperative development as process. One of the reasons for this starting point relate to questions of methodology and epistemology:

The process of producing knowledge necessarily involves abstraction. This is because the evidence before one is not self-explanatory. In order to interrogate the evidence it is necessary to formulate specific questions to ask. It is impossible, however, to ask all the possible questions one could ask about a situation. Thus, one has to choose the particular questions to ask out of all the potential questions. Further, the questions one asks will influence the evidence one chooses to answer those questions. The process of choosing questions, and thereby choosing evidence, cannot be arbitrary. One has to have some criteria for selecting questions and evidence. The only way to develop such criteria is through processes of abstraction and providing a theoretical framework.

Such processes involve developing concepts which express, at a theoretical level, qualities which are common to a range of objects, processes, or situations. This process of formulation of concepts is itself a process of dialogue between conceptual development and empirical studies. The abstractions one develops thus do not come out of one's thumb. They are based on previous engagements with empirical material. The theory referred to in this work has developed in a dialectical process of interaction between theoretical and empirical work. This work is in itself essentially part of this dialectical process. Through this work, we are thus engaging both with existing theoretical material and with a new body of empirical evidence. In this way we hope to contribute to the process of producing knowledge, specifically, knowledge related to cooperative organisation.

The second reason for starting off with theory relates to more practical issues: Firstly, we define a cooperative as a form of participatory-democratic economic and work organisation which is alternative to capitalist and bureaucratic forms of such organisation. This definition calls for some indication to what we mean by participatory democracy, and to the practical significance of such forms of organisation. Hence the need to focus on theories of participatory-democratic organisation.

Secondly, in SA democratic forms of organisation, including democratic work organisation, have become a priority among the dominated. With specific reference to work organisation, high and

increasing levels of unemployment have forced people to come up with means to deal with this social situation; thus, questions of 'how to do it better' arise. Dealing with co-ops which have emerged in a context of high unemployment and minimal welfare provisions on the part of the state, immediately raises the question of democratic organisation. Furthermore, among the cooperatives studied in the Western Cape, democracy is predominantly defined in terms of what it is not: in co-ops there are no white bosses; there are no managers and supervisors as in the factories. This points to a need to define what democracy *is* and *what it actually entails* in the context of a cooperative. Hence, again, the need to focus on theories of participatory-democratic organisation.

Furthermore, there is nothing specific to SA that prevents one from using existing theories of participatory-democratic organisation developed elsewhere. SA may be unique in some ways, but it is essentially a human society. Thus, to the extent that one can apply any theory to SA, one should be able to apply a theory of participatory-democratic organisation.

It is important to note that the theory does not tell us what the practical implications are of participatory-democracy. It does, however, provide one with concepts with which to begin to explore questions which lead us to understanding such implications.

In the light of this justification for the need to focus on participatory-democratic organisation as a concept, we start with an overview of some of the existing literature on theories of participatory-democratic organisation (PDO). More specifically, we focus on theories of PDO with specific reference to cooperative forms of organisation since this is the general focus of the dissertation. It is important to note that most of the theory referred to in this review has been developed out of empirical work in cooperatives. The theory is thus directly relevant to the subject of our study. Some of this literature is, however, essentially in many of its assumptions, inferences, and conclusions.

A review of the existing theory is seen to be necessary in order to develop questions which we will pose to the empirical evidence provided by the field research. Further, the empirical evidence we provide is too specific and insufficient for the purposes of generalising and theorising 'from scratch' as it were. Thus, instead of developing a completely new theory, it is more appropriate to start with the existing body of work. This starting point allows us to identify the strengths and weaknesses of the existing theory and to examine its applicability to the Southern African situation. Through this process it is hoped that we can contribute to the development of the theory.

### ***C. The Procedure to be followed***

In our review of the literature on theories of PDO, we begin with the argument that there is no single model for PDO (ICOM: 1987) and proceed to highlight the weaknesses of this argument. We continue by focussing on the work of Rothschild and Whitt (1986) who attempt to develop a model for PDO by comparing the ideal characteristics of such organisations with those of bureaucratic organisations. We then identify the strengths of this work and the limitations of the model with reference to the specificities of the Southern African context. The work of Abell (1981) is our next focus. This author develops principles of democratic organisation which can be used as guidelines for cooperatives. His broader definition of participatory democracy is of relevance to our work and tends to overcome the limitations of the model provided by Rothschild and Whitt (1986).

From this general and abstract focus on a model for PDOs and on principles of democratic organisation, we move to a more specific issue, namely, necessary conditions for effective participatory democratisation. In this regard, we draw on the work of Bernstein (1976, 1983). He suggests six minimally necessary conditions for effective and sustained participatory democratisation. We proceed by discussing each of these conditions. This discussion is followed by a focus on problems, as noted by Bernstein, with the practical implementation of some of these conditions and possible solutions suggested by the author.

Following the exposition of theories of participatory democratic organisation, we proceed by presenting Brecker's (1988) theoretical insights on cooperative development as a process. These insights are based on the Zimbabwean cooperative experience. With reference to each of the works reviewed, we point to its relevance for the dissertation.

In the light of the history of cooperative organisation, tainted mainly by failure, we proceed to focus on practical constraints on such forms of organisation in capitalist environments. As will become apparent, several authors have identified similar constraints in this regard. For analytical purposes, these constraints are separated into external and internal constraints.

A common theme in these constraints highlights the need for 'education for democracy' and for support structures which could help overcome some of the constraints to PDO in the context of a capitalist social environment. A focus on the respective roles of education and competence in cooperative organisation, of experience and cooperative consciousness, and of support structures, is thus in order.

#### ***D. Co-ops under Capitalism***

All capitalist production presupposes essentially coercive social relationships between employer and employee - people are forced by lack of access to economically significant means of production

to work for a wage, at times under hard and degrading conditions. This coercion is especially visible in early capitalist production. With the development of more complex forms of capitalist production, and worker resistance, both 'hidden' and open, capitalists realise the importance of hegemony in the workplace: *consent* from workers is imperative for increased productivity. Hence, the emergence in advanced capitalist societies of various forms of worker participation: employee-shared ownership, quality circles, codetermination, and so on.

Cooperative production, on the other hand, ideally begins with mutual consensus, or at least the desire for consensus. Some co-ops, however, start off with coercion: members or potential members often have no other choice for employment but to join a co-op or some such self-help project.

The level of capitalist development in a society will influence the political, economic, and ideological context in which cooperatives emerge. Co-ops in Western Europe, Britain and the USA have thus arisen in different political, economic, and ideological contexts to those in Eastern Europe, or South Africa and Zimbabwe. For this reason one cannot uncritically 'apply' theory based on the practical experiences of cooperatives in the West to co-ops in Eastern Europe and/or Africa. Co-operative theory must incorporate categories and variables which can handle significant *differences* in the overall context, as well as the general similarities.

### ***E. Our Approach***

Because of this, we have chosen a specific method in approaching cooperatives in South Africa and Zimbabwe. Before going into the field, the researcher was equipped with knowledge, both theoretical and empirical,<sup>1</sup> of co-ops in Europe, Britain and the USA. The researcher thus had a general awareness of issues facing co-ops. Recognising the importance of the specificities of the South African and Zimbabwean contexts, however, field experience was allowed to inform the theory.

### ***F. The Purpose of this Chapter***

The purpose of this chapter is not to develop a coherent theory of all the issues confronting cooperatives in a capitalist environment. Indeed, this would be a colossal task. Instead, part one of this chapter is aimed at developing concepts with which to understand the empirical evidence, and developing questions to pose to the evidence. Part two of the chapter identifies and discusses some of the key practical issues facing cooperatives in capitalist environments.

In sum, in this chapter we move from the general conceptual question of what participatory-democratic organisation entails to

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<sup>1</sup> That gained from secondary sources.

a range of more specific practical issues regarding the practice of participatory-democracy in a capitalist environment.

## II. Part One: Overview of Theory of Democratic Organisation

### A. Introduction

This section identifies themes in the theoretical literature on democratic organisation. These range from general conceptualisations of democratic organisation to its more specific aspects including

- (1) theories of cooperative/democratic organisation;
- (2) theoretical insights on cooperative development as process;
- (3) conditions facilitating and constraining democracy;
- (4) the role of education in the democratisation process;
- (5) the importance of experience and the development of a democratic/cooperative consciousness and
- (6) the role of support structures.

### B. Theories of Cooperative Organisation

#### 1. 'No Single Model': ICOM

We begin by examining an ICOM<sup>a</sup> publication, *No Single Model - Participation, Organisation, and Democracy in Larger Co-ops* (1987). This work is based on co-operator and trainer experience gained during an ICOM Pilot Training Programme (IPP) which involved four larger,<sup>b</sup> economically successful cooperatives based in London, UK. The aim of IPP was to clarify existing

<sup>a</sup> International Common Ownership Movement.

<sup>b</sup> Larger co-ops are defined in this work as having more than twenty members (ICOM, 1987: 15).

models of co-op organisation and to develop new models, with specific reference to issues of participation, growth, economic survival, and management (ICOM, 1987: 3). ICOM's argument involves some crucial underlying assumptions which must be tested. Firstly, cooperative development is viewed as a process. Secondly, co-operative success is defined in terms of economic performance and participatory democratic organisation. Thirdly, co-op members must be well-informed in order to participate effectively (ICOM, 1987: 1, 2).

None of these crucial assumptions, however, are clearly explained and/or developed. Among the tasks of this dissertation are thus (a) to justify the description of cooperative development as a process, (b) to define the 'successful co-operative' clearly, and (c) to explain why co-op members must be well-informed.

The ICOM work emphasises the *diversity* of forms of participatory democratic organisation and management. In addition, the participatory and managerial impact of *specific* historical developments, membership compositions, and economic environments are regarded as crucial. On the basis of this emphasis on diversity, the authors conclude that there is no single model for democratic organisation and management in larger co-ops.

In spite of this emphasis on diversity, however, the work does reach some 'general' conclusions:

(a) no single model of co-operative success and organisation exists:

[w]hile it is relatively straightforward to measure commercial performance, there are as yet no objective measures for 'cooperative success' (p. 91);

[t]here are no clear guidelines to follow or models of good practice to which the cooperative can aspire (p. 93);

(b) larger co-ops require more complex organisational structures and must be open to structural change as they grow; these co-ops are likely to experience difficulty with participatory decision-making because

[i]ncreasing size makes it difficult for every member of the workforce to have a direct voice in the running of the cooperative (p. 95);

(c) management is important for the commercial success of a co-op; co-ops must therefore move away from

the rigid trap of consensus [management on the basis of one person one vote] if they are going to grow and succeed (p. 96).

Nevertheless, it is argued that cooperators themselves, if given the opportunity, are perfectly capable of learning to manage.

Networking with other cooperatives is seen as an effective training method in this regard. All of these conclusions are certainly *potential* elements of a 'general model' at some level, but the authors do not pursue this.

### *a) Weaknesses of ICOM*

Because of this failure, there are major weaknesses in ICOM's work. Firstly, ICOM does not achieve its goal, to develop new models of cooperative organisation and management. This occurs despite clear indications of some common elements in the experiences of the four co-ops under IPP training. Secondly, the authors conclude that co-ops must move away from consensus management if they want to grow into successful enterprises, but do not offer any guidelines to alternative forms of management for co-ops. Thirdly, ICOM's case study material clearly indicates that difficulties with member participation in larger co-ops do not prevent cooperators from developing structural mechanisms to deal with such difficulties; and yet the authors fail to generalise from this practical experience. A fourth weakness is the argument that there are no measures for cooperative success - surely *something* must justify use of the descriptive term 'co-operative'? The source of these weaknesses is ICOM's failure to articulate the theoretical implications of the common practical experiences of the co-ops under study, and their inconsistent and limited 'definition' of a successful co-op (refer to ICOM, 1987: 1, 2, 94 for the latter).

In our view, these authors confuse real, practical *paths* to democratic organisation, management, and success with theoretical models of these processes. At the level of practice, we agree with the authors that no single model of these aspects of cooperation 'exists' - models never 'exist' in practice. We are

of the view, however, that modelling is possible - indeed inevitable - at various levels of abstraction. Some such 'model' is implicit in the very act of defining and studying a 'co-operative': what else justifies the categorisation? One can only assess co-operative practice by conceptualising what a 'co-op' is, what 'participatory democratic organisation' entails, what 'co-op management' involves, and what 'cooperative success' means, even if this understanding is modified or rejected in the process of analysis. This implies that at the most general level of abstraction there *must* be a single 'model'. In fact, a general model of cooperative organisation and specific models of each aspect of cooperative work are both necessary and useful for the purposes of differentiating co-ops from other forms of enterprises.

In spite of the above criticisms, ICOM's general findings are valuable, some of which will be followed up.

The remainder of this chapter attempts to develop a theoretical approach or model of cooperative organisation to be tested in empirical work. We begin with the theory presented by Rothschild and Whitt (1986) and proceed to consider the work of Abell (1981). This sequence allows us to progress from the former authors' uni-dimensional view of cooperative organisation to Abell's more realistic theoretical insights.

## 2. *Rothschild and Whitt*

Unlike ICOM, Rothschild and Whitt (1986) make a first step in the development of such a model.\* Their work is partly in critical response to the arguments of Michels, namely, that organisational democracy inevitably leads to bureaucracy and oligarchy. The book examines the nature, possibilities, and limits of *direct* democracy in cooperative organisations. It is based on empirical research done in collective organisations involved mainly in the provision of services: a 'free' school, a law collective, a 'free' clinic, and a newspaper collective. The authors develop a theory of democratic organisation and indicate how this theory applies to a wide range of directly democratic and related organisations.

The book has two main aims. The first is to construct a model of the organisational properties of cooperative organisations. The second is to identify the conditions that undermine or support what is seen by the authors as the most essential characteristic of cooperatives: participatory democratic decision-making procedures (1986: 2). Meeting these goals involves two central arguments. The first is a comparison of participatory democratic organisations (PDOs) with bureaucratic organisations. The second consists in testing the authors' central hypothesis, that the creation of organisational democracy is *conditional* (1986: 3).

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\* We call it a first step since this work has severe limitations, especially for Southern Africa, which we point out in the coming paragraphs.

These arguments are based on both empirical evidence and related field research work by others.

*a) A Theory of Democratic Organisation*

Rothschild and Whitt's (1986) theory of democratic organisation is based on one of Weber's forms of rationality, namely, substantive or value-rationality, as opposed to the formal-legal-rationality which forms the basis of bureaucracy and of Weber's theory of bureaucracy. Thus, whereas the basis for authority in a bureaucratic form of organisation is formal-legal-rationality, authority in a cooperative is based on substantive rationality.

The ideal, polar forms of bureaucracy or democracy are never achieved except at the level of abstraction. "In practice, organisations are hybrids" (1986: 50). In the light of this the authors develop an ideal-typical model for participatory-democratic organisations, thereby adopting a Weberian approach to organisations. The purpose of this model is to "delineate the form of authority and the corresponding mode of organisation following from value-rational premises" (ibid.). This approach, they argue, will facilitate understanding of participatory-democratic organisations not only in terms of their differences from conventional bureaucratic organisation (what they are not), but in terms of their unique characteristics (what they are in their own right).

It is further argued that the use of an ideal-type allows us to classify actually existing organisations along a continuum (1986: 50). This avoids forcing a particular categorisation upon an organisation; instead, it allows features within an organisation to determine its 'type' in terms of the model. This approach allows one to speak of 'degrees' of participatory-democratic organisation. This feature of the theory is significant for our purposes in view of the second objective of this work: to explore whether cooperative development is a process involving various stages corresponding to various degrees of democracy and economic viability.

Rothschild and Whitt identify eight distinguishing characteristics of participatory-democratic organisation and/or collectivist organisation in contrast to the general features of bureaucratic organisation. These concern authority, rules, social control, social relations, recruitment and advancement, incentive structure, social stratification, and differentiation. We will consider each in turn and provide critical comments afterwards.

#### **a) Authority**

In a bureaucracy, authority resides in individuals by virtue of their office and/or expertise, and is manifested in the form of hierarchical organisation. Individuals in such organisations are ultimately accountable to universally defined and fixed rules implemented by those in office. By contrast, in participatory-democratic organisations (PDOs) authority is vested in the

collectivity as a whole. Authority is sometimes, though rarely, delegated. Furthermore, delegated authority is only temporary and subject to recall. Ultimate accountability/compliance is to the consensus of the collective which is at all times open to negotiation.

#### **b) Rules**

Rules in bureaucracies are formalised, fixed, and universal. Decisions are made on the basis of these formally written rules and regulations. In PDOs, however, stipulated rules are minimal and decisions are taken primarily on an ad hoc basis.

#### **c) Social Control**

In bureaucracies social control over organisational behaviour at the bottom of the hierarchy occurs mainly through direct supervision and standard rules and sanctions. At top levels such control is exercised through the selection of ideologically homogeneous personnel. On the contrary, in PDOs social controls are primarily based on personalistic or moralistic appeals and the selection of ideologically homogeneous personnel at all levels.

#### **d) Social Relations**

Social relations in bureaucratic organisations are essentially impersonal. These relations are based on the roles of individuals in the organisation and are segmental and instrumental. Such

relations in PDOs are wholistic, personal, and of value in themselves.

**e) Recruitment and Advancement**

In bureaucracies individuals are employed on the basis of their specialised training and formal certification of such training. In addition, employment constitutes a career with promotion based on seniority and achievement. In PDOs, however, employment is based on friendship, social-political values, personality, and informally assessed knowledge and skills. In such organisations there is no concept of career advancement nor is there a hierarchy of positions.

**f) Incentive Structure**

In bureaucracies remunerative / monetary incentives are primary, whereas in PDOs such incentives are secondary with normative and solidarity incentives being primary.

**g) Social Stratification**

Social stratification in bureaucracies is based on differential rewards in the form of prestige, privilege, and power on the basis of positions in office. The organisational hierarchy legitimises inequality. On the contrary, PDOs are egalitarian with reward differentials, if any, strictly limited by the collective as a whole.

## **h) Differentiation**

Bureaucracies are characterised by maximal differentiation in the division of labour with clear distinctions between mental and manual work, and between administrative and performance tasks. In addition, there is maximal specialisation of tasks and functions with technical expertise exclusively held by experts. In PDOs, on the other hand, there is a minimal division of labour with the mental/manual division reduced and the administrative and performance tasks combined. Tasks and functions are usually generalised with all individuals involved in all tasks at some time. This contributes to the demystification of expertise in such organisations (1986: 62, 63).

## ***b) A Model for Participatory-Democratic Organisation***

On the basis of their comparative analysis as summarised above the key features of the authors' ideal-type model for participatory-democratic organisation can be summed up as follows:

- (a) authority is vested in the collective as a whole with the possibility of temporarily delegated authority subject to recall;
- (b) minimal rules with decisions taken mainly on an *ad hoc* basis;
- (c) social control and organisational cohesion is primarily based on personalistic and moralistic appeals and the selection of ideologically homogeneous personnel;
- (d) social relations are essentially wholistic and personal;
- (e) there is no hierarchy of positions; employment is based on political beliefs and informally assessed knowledge and skills;
- (f) material incentives are secondary while normative and solidarity incentives are primary;
- (g) egalitarian compensation and rewards or strictly limited reward differentials, and
- (h) a minimal division of labour.

Among the many strengths of this work is the authors' recognition of the need for a model for PDOs (unlike the ICOM work discussed above) for the following valid reasons: to provide firstly, a model toward which PDOs can aspire and secondly, one by which they can evaluate their impact and success (1986: 72). A further strength is their success in actually producing such an ideal-type model. Furthermore, the implications of this ideal-typical model for practice, namely, that such organisations are 'hybrids' on a continuum of degrees of democracy is a strength in itself.

### *c) Limitations of this Model*

This model, however, in its ideal-typical form, has serious limitations especially when dealing with co-ops in 'third-world' contexts such as SA and Zimbabwe, and also for larger co-ops in all contexts.

Firstly, for larger co-ops delegated authority, clearly defined rules, planned and clearly divided decision-making processes, and a clear division of labour with corresponding rewards, are often necessary, if not crucial, for the purposes of efficiency and survival in a capitalist market. Secondly, with reference to co-ops in 'third-world' contexts where people form or join co-ops mainly for material reasons, organisational cohesion is primarily materially based rather than 'moralistic' as suggested by the model. In addition, employment in such co-ops is also mainly materially based (based on the need for employment) with

political beliefs of prospective members being a secondary issue. The common political experiences of members and prospective members of co-ops in such contexts, for example, unemployment and retrenchment, are essentially material as opposed to the ideological commonalities expressed in the model.

Thirdly, in the context of this predominance of material factors in the formation and cohesion of co-ops in 'third-world' contexts, material incentives are primary with normative and solidarity incentives taking second priority. Finally, many 'third-world' societies are characterised by a highly unequal distribution of basic education and skills. This means that current and prospective co-op members in such societies are often unskilled, illiterate, and innumerate, with very little education. In this context, education and training is crucial for long-term co-op success. In the meantime, a clear division of labour is also necessary. Economic and organisational efficiency demand that members perform functions for which they are most suited, including 'mental' tasks.

A further basic assumption contributing to the weakness of this theory and model is that maximising efficiency is not an important objective for cooperatives. Furthermore, the theory allows for delegated authority, however, the authors fail to develop this idea, to provide practical examples of it and to indicate possible variations in such forms of authority. In addition, the Weberian concept of substantive rationality upon

which it is claimed this theory is based also remains undeveloped.

In the light of these limitations of the ideal-typical model for PDOs presented by Rothschild and Whitt (1986), this model is not universally applicable. Instead, both their theory of democratic organisation and the model which they provide are limited to small cooperatives formed primarily for ideological reasons and comprised of members who are affluent, well-educated, often skilled, and often with no family responsibilities. Furthermore, the theory is based on the assumption that direct democracy and consequently, decision-making by consensus through a one person one vote system is the *ideal* form of organisation for *all* co-ops irrespective of their size and the context in which they exist.

More basically, the authors assume that democracy is the only goal and need of a cooperative. They ignore both economic goals and needs and the need for good management.

These limitations of the theory and the resulting model of organisation are reflections of the limits within the empirical material on which this work is partly based: service cooperatives formed mainly for ideological reasons and comprising members motivated mainly by such reasons and who are generally affluent and well-educated.

### 3. Abell (1981): Principles of Democratic Organisation

Abell (1981), goes beyond the work of Rothschild and Whitt (1986). He provides one with a broader definition of direct democracy: "a situation of one participant one vote on all organisationally relevant decisions - or a fairly extensive system of representational (or delegate) democracy" (1981: 262). He also sets out five principles underlying the concept of democratic organisation:

- D.1. The principle of *political equality*: the principle whereby all members of the organisation have the right to participate directly, on the basis of one person one vote, in all decisions affecting the organisation.
- D.2. The principle of *representation*: the principle whereby members have the right to surrender all or part of their rights as embodied in D.1 to chosen representatives or delegates.
- D.3. The principle of *specific or special competence*: the principle whereby it is recognised that certain decisions call for specialised skills and thus become the proclivity of those with such skills.
- D.4. The principle of *efficiency*: the principle whereby it is recognised that the concept of goal fulfillment is the *raison d'être* of the organisation (Abell, 1981: 262/3).

In relation to these four principles the author notes that the question arises as to how D.2 to D.4 should, in a democratic organisation, constrain D.1? In this regard he states that democratic theory suggests a further principle, namely, "that the decision to surrender decision making autonomy through representation, competence or efficiency should itself be subordinated to principle D.1" (Abell, 1981: 263). This decision is arrived at democratically and he calls it a "meta-decision" (ibid.). Thus a fifth principle is added:

D.5. The principle of *meta-democracy*: the principle whereby D.1 is used to determine how D.2 to D.4 may be allowed to constrain D.1 (ibid.).

The author further notes that communication - defined as "the generation and transmission of information" (1981: 262) - is necessary within a democratic organisation for the purposes of coordination, control, and political participation (1981: 263).

#### **a) Implications of Abell's Definition of Direct Democracy**

Furthermore, Abell (1981) points to the implications of the above definition of direct democracy, the five principles of democracy, and the need for communication for democratic organisation. These are,

- (1) that hierarchy is compatible with organisational democracy;
- (2) that hierarchy reduces costs;
- (3) that with an increase in the number of tasks in an organisation due to its growth and increasing complexity, the advantages of hierarchy increase;
- (4) that "there is no reason to suppose a democratic organisation will operate with a consensus" (1981: 263) and
- (5) that one should not equate democratic organisation with the demise of hierarchy (1981: 264).

#### **b) The Value of Abell's Contribution**

Abell's (1981) conceptualisation of participatory-democratic organisation moves away from the limits of consensus decision-making and allows for a combination of direct and representative democracy through delegation. It recognises the need for a division of labour in both decision-making and manual tasks for

the purposes of efficiency, an aspect of cooperative organisation perceived as 'unimportant' by Rothschild and Whitt (1986). These aspects of Abell's conceptual framework are significant in that they enable one to deal with general features of both larger and smaller cooperatives and with co-ops characterised by a high disparity in skill and education among their membership, as is the case in 'third world' co-ops. Further, these conceptual tools allow us to expand and modify the continuum of organisational forms as presented by Rothschild and Whitt (1986: 71). The strength of this conceptual framework is that the locus of authority is still ultimately based in the organisation-membership as a whole - a central requirement for democratic organisation.

In similar vein to Rothschild and Whitt (1986), Abell (1981) also focuses exclusively on the democratic goal of organisations. He does, however, present a more realistic view. For the purposes of this work Abell's (1981) principles of democratic organisation are used as guidelines for cooperative organisation. In this regard, degrees of democratic organisation within the co-ops under study and indications to increasing democratisation in these enterprises are evaluated against these principles.

Having dealt with conceptual issues of democratic organisation, we move on to more specific, practical issues. Bernstein's (1976, 1983) *minimally necessary conditions* for effective participatory

democratisation provide a good starting point and offer concrete conditions to be tested empirically.

#### ***4. Necessary Conditions for Effective Participatory Democratisation: Bernstein (1976, 1983)***

Bernstein (1976, 1983) attempts to build a model of the internal political dynamics of workplace democratisation: 'political' referring to questions of authority, decision-making, worker and management rights, and access to power (1983: 10). His work is based on the practical experiences of several economically viable enterprises engaged in varied degrees of worker participation in decision-making. The model he provides consists of six minimally necessary conditions for effective participatory democratisation: necessary not only individually but as a combination of elements. One of Bernstein's major findings is that "[a]ny empirical case of workplace democratisation with less than this minimal group [of conditions] failed to sustain itself for more than a few years" (1976: 498). These conditions are:

1. Participation in decision-making, whether direct or by elected representation.
2. Full-sharing with employees of management-level information and, to an increasing extent, management level expertise.
3. An independent board of appeal in case of disputes (composed of peers as far as possible).
4. A particular set of attitudes and values (type of consciousness).
5. Guaranteed individual rights (corresponding, it turns out, to the basic political liberties).

6. Frequent feedback of economic results to all employees (in the form of money, not just information) (1983: 9).

We proceed to discuss each of these conditions in turn.

### *a) Participation in Decision-Making*

Bernstein (1983) argues that various degrees of worker participation can be distinguished along three dimensions:

- (1) the *degree* of control employees enjoy over any single decision,
- (2) the *issues* over which that control is exercised, and
- (3) the *organisational level* at which it is exercised (1983: 47).

Further, there is a continuum of degrees of participative decision making ranging from a suggestion box to joint management and through to self-management (1983: 48). These varying degrees of participative decision-making relate to the extent to which workers have control of decisions. For example, the suggestion box technique allows workers no control over any decisions while in self-management workers enjoy full control over all decisions. The kinds of issues over which workers have control, that is, the scope of their participation, can range from their immediate work-situation through the functions of the enterprise to the major policy-making and goal-setting activities of the enterprise (1983: 52, 53). The organisational level at which workers exercise such control, that is, the domain of their participation, can range from control at shopfloor level to the level of the board of directors of the enterprise (1983: 54).

The author's view of degrees of participation along a continuum is in line with his view of workplace democratisation as a dynamic process of transformation toward greater democracy (1983: 4).

#### *b) Sharing Information*

The author argues that sharing technical and economic information of the enterprise is a further condition for democratisation: "firms committed to democratisation....actively establish mechanisms to keep all participants informed and to assist their utilisation of this information" (1976: 499) (emphasis added). Such mechanisms include the distribution of written reports on the performance of each department and on the state of the whole enterprise, among others. This refers to *availability* of information. Just as important a factor, however, is the participants' ability to deal with the necessary information (1976: 499). This points to the need for special training to preface and/or accompany any consciously implemented plan of democratisation. Referring to the USA, he notes that outside of on-the-job training, changes within the basic educational system is probably necessary to facilitate workplace democratization. Furthermore, he argues that the experience of democratisation itself can develop participants' abilities to understand and utilise the required information. The success of this process in any specific case depends partially on the degree of commitment among workers' leaders and the firm's managers to developing all

participants' business expertise and participatory skills (1976: 499, 500).

### *c) Independent Judiciary*

An independent judicial procedure is necessary when dealing with participants' disagreements with the implementation of decisions made collectively. Such a procedure has three functions:

- (1) the settlement of infringements on rules in a just manner;
- (2) upholding the basic political rights of participants and
- (3) protecting the constitution of the firm from violation by any member, manager or managed.

The fulfillment of these functions requires that the judicial system be independent of all parties in the firm. It is, further, important that this impartiality be real in the eyes of the managed and that they have the last say over matters in order to promote their confidence in the fairness of the system. Such advanced forms of democratisation are still rare. Among the most common sanctions applied in democratic firms are warnings and temporary suspensions from privileges, with expulsion being a last resort (1976: 504).

### *d) A Participatory Democratic Consciousness*

Practical experiences of democratisation indicate that particular attitudes and values are necessary for effective participation by

both those who work and those who manage in the joint operation of an enterprise. In this regard, certain traits function together to equip participants with an ability to formulate policy and a capacity to resist manipulation. The major traits include receptivity to new ideas, self-reliance, a capacity to compromise, a questioning mind, an ability to think critically, an ability to conceptualise differences between means and ends, an expectation of multiple causation, a long time sense, and an ability to actively organise (1976: 505/6).

Furthermore, in addition to the above-mentioned traits adequate for the general membership of a firm, those in leadership and/or management positions require specific traits. These include egalitarian values, reciprocity, an awareness of own fallibility, leading and managing on the basis of merit, explanation, and the consent of the general membership, confidence in fellow participants and a willingness to listen and to delegate responsibility, and a policy of educating the general membership and providing open access to information (1976: 508). In sum, the consciousness of those in leadership positions in a participatory-democratic firm must be that of leaders "not only [as] decision makers, but also *educators*, not only managers but also *democratisers*" (ibid.: 507). Thus, the responsibility of leaders and managers in such firms "is not only to accomplish the economic task of the enterprise but also to develop the participants' ability to be more democratic" (ibid.). This is best achieved through the daily behaviour of the leaders and

managers through their interaction with the rest of the general members with reference to both mundane manual and general policy tasks (ibid.).

The traits mentioned above represent tendencies toward which people actively involved in the self-management of their enterprise have been seen to develop (1983: 93). In cases where both the managed and the managers have developed a democratic consciousness, that is, a consciousness comprising the relevant traits, the quality of relations in the firm can be said to be 'more cooperative' than those prevalent in conventional enterprises. Cooperation, however, does not imply the absence of conflict. Instead, it reduces conflict polarised into capitalists' and workers' interests (1983: 100).

#### *e) Guaranteed Individual Rights*

Practical examples of attempts at workplace democratisation indicate that beyond the need for participants to have access to firm information and an ability to use it, they must be protected against retaliation for using the information to criticise current and/or proposed policy. Such protection must be absolute, agreed upon by both managers and the managed, and guaranteed in writing with the ultimate guarantor of these rights being the managed (1983: 79, 80). In addition, they must be free to differ with fellow participants on current issues (1976: 501). Further,

a system of participatory democracy must be supported by all rights commonly associated with political democracy:

freedom of speech and assembly, petition of grievances, secret balloting, due process and the right to file appeal in cases of discipline, immunity of rank-and-file representatives from dismissal or transfer while in office, and a written constitution alterable only by a majority or two-thirds vote of the collective (1976: 502).

This system of rights is both politically necessary for the participants and "cybernetically valuable" (1976: 502) for the enterprise as a whole. For instance, free speech does not just protect individuals, it also provides the enterprise with a diversity of views regarding its performance (ibid.). These rights also imply the right of worker-members to form or belong to a trade union.

#### *f) Guaranteed Return from the Surplus*

Considering that people generally take on employment in order to receive income, it is not unusual for them to demand a share in any surplus produced when participation results in higher productivity. Irrespective of the form of this return beyond wages - whether as individual annual bonuses or a collective requirement, for example, a creche - certain guidelines need to be followed if it is to support the democratisation process. Considering that such return has particular motivating effects on participants the guidelines are significant.

Firstly, "the return *must be directly related to what the [members] themselves have produced and can control*" (1976: 510). Secondly, it must belong to the members by right. If such return is allocated arbitrarily, it can be manipulative and paternalistic, in this way reducing the values of reciprocity and responsibility crucial to participatory democracy. Thirdly, such return from the surplus must be made to the whole group of participants, including managers. Rewarding the group as a whole promotes and strengthens group solidarity. On the contrary, individual rewards divide workers on the basis of competition and bolster the manager-worker division (1983: 64). Group rewards also help worker- and manager-members to see that they are dependent on one another for future income, hereby facilitating the convergence of management and worker goals (1983: 67).

Fourthly, this economic return must be separate from the basic remuneration. This is necessary because return on the surplus fluctuates with the performance of the firm and thus provides feedback from changing productivity and profits. If such fluctuations "fall above a secure, guaranteed level of income, then the return can retain all its reinforcing aspects for democratisation" (1976: 511). Fifthly, the return has an important function, beyond its monetary character, as an "informational feedback" (ibid.). If the return is allocated frequently, that is, monthly or quarterly, it informs participants of the immediate results of their efforts. Thus, when the surplus declines, it is a signal to look for problems

causing this; when it rises, it indicates the relative success of their joint effort (1976: 511).

### *g) Ownership*

Bernstein's (1976) analysis of empirical cases indicates that formal ownership can facilitate democratisation but is not absolutely necessary. On the other hand, there are entirely worker-owned firms which lack democracy. These findings question the common assumption that private ownership must first be abolished before workers' power can increase (p. 512).

The concept of ownership involves a package of rights and functions:

legal title to property, control over how that property is to be used (that is, its management), the right to dispose of that property, and first claim on any income accrued through use of that property (such as profits from production) (1976: 512)

Two of the six conditions identified by Bernstein (1976) as minimally necessary for democratisation contain rights conventionally reserved to owners. The first condition, participation in decision-making, makes an inroad into the owner's right to *manage* the firm at his/her sole discretion, and the condition of economic return on the surplus violates the owner's right to have *first claim on the surplus*. Among various forms of non-private ownership are nationalisation, worker take-overs through purchasing a firm, community ownership through the

state, employee shared ownership, individuated common ownership, and collective common ownership.

In addition to identifying the above necessary conditions for effective participatory democratisation, Bernstein (1983) points to possible problems with some of these conditions and offers possible solutions. We now turn to these problems and solutions.

#### *h) Necessary Conditions: Problems and Possible Solutions*

In relation to sharing technical and economic information, Bernstein (1976) raises potential problems with the practical implementation of this condition and suggests possible solutions. Among these are the problem of industrial secrecy: assuming that workers' control is implemented in a market economy, firms may need to prevent certain technical information and future financial plans from being available to other firms in order to retain a competitive advantage. A possible solution is for management to suggest what should be withheld and for workers to have ultimate power to release such information.

A further problem is a reluctance on the part of managers to abandon their former habits of prerogative and secrecy. The author notes that "[t]his is especially likely in the early stages of democratization when old habits and fears are still governing a great deal of managers' (and others') behaviour" (1978: 500). Part of the solution, he notes, "lies in the

106) can begin this process. The maintenance of such a consciousness requires that participatory-democratic behaviour be reinforced in practice. Such reinforcement or, on the other hand, the erosion of the process of gaining a democratic consciousness, can be influenced by external factors such as the dominant culture in the society, the ideology underlying the education system, and the natures of the technology employed and the labour process engaged in the enterprise concerned (Bernstein, 1983: 106/7). For example,

Blauner found that craft industries (like printing) and continuous-process work (like petro-chemical operations) are conducive to participatory consciousness. On the other hand, machine-tending jobs and assembly-line work tend to breed attitudes of cynicism, low self-esteem, and fear - attitudes which would inhibit the worker from taking part in democratisation (Blauner, 1964, cf. Bernstein, 1983: 107).

In addition Bernstein (1983: 503) notes that one of the key problems with the implementation of members' guaranteed individual rights is the conflict between individual and collective rights, and the difficulty with finding a careful balance between these principles. One means of finding such a balance is a supporting system of adjudication, one of the necessary conditions for democratisation mentioned in the section above.

With regard to ownership, Bernstein (1983) states that whatever the form of non-private ownership, consideration of its effect on the economy as a whole and the well-being of the general population is important. In this regard the state may be involved

"to assure regulation of the firms in the interest of the overall good. But too great an accumulation of economic control in the hands of the state can lead to inequities and injustices. The other extreme - little or no state control over worker-owned firms - can create parochialism or enterprise selfishness, as Yugoslavia has noticed. Also in a purely market run economy, development may become imbalanced" (1983: 514). The integration of "intrafirm aspects of worker participation in management with the macroeconomic questions of planning, market, and social role of the enterprise" (1983: 515) is thus important. This subject is, however, beyond the scope of this work.

#### *i) The Value of Bernstein's Contribution*

Bernstein's (1983) necessary conditions for participatory democratisation as well as the problems with implementing some of these conditions are significant for our study. One of the tasks of this dissertation is to examine the extent to which these conditions exist within the co-ops under study. This entails identifying both the conditions present and those absent in these co-ops. Such an examination will enable us to evaluate the possibility of these co-ops developing into sustained and effective participatory democratic organisations over the long-term. A further task is to identify the problems experienced by each of the enterprises under study in its attempts, if any, to implement any one of the necessary conditions highlighted by

Bernstein (1983). These tasks are dealt with during the course of the dissertation.

When considering democratisation and organisational development as processes, it is questionable whether *all* Bernstein's conditions are *necessary at one time* in order for an organisation to be participatory and democratic in the long-term. This questions whether Bernstein's necessary conditions are *minimal* or *maximal*.

#### ***6. Theoretical Insights on Cooperative Development as a Process: Brecker (1988)***

Thus far we have focussed on theories of democratic organisation based on cooperative experiences in advanced industrial society. These theories have been concerned mainly with models of, and principles and conditions for participatory democracy. Here we shift to Brecker's (1988) theoretical insights on cooperative development as a process involving various stages development. Unlike the previous theorists dealt with in the literature review, Brecker's insights are based on cooperative experiences in Zimbabwe, a developing society. These insights are a valuable step with which to begin our examination of co-op development as a process. Here we give an exposition of Brecker's contribution in this regard. In the final chapter of the dissertation we show how these insights are enhanced by our empirical work.

expanded production [n]or [are they] capable of adequate planning towards this end" (1988: 8).

For Brecker, non-viable co-ops require different kinds of support from pre-cooperatives. Such co-ops, he argues, require assistance in (a) sustaining their members during economic crises; (b) skills training and (c) establishing credit-worthiness. He further argues that providing such assistance

is a delicate task requiring specialised attention to assist them [non-viable co-ops] in the transition from subsistence to market production (1988: 8).

### *c) The Potentially-Viable Stage*

According to Brecker (1988: 8) cooperatives at this stage of development have overcome the basic weaknesses of pre-cooperatives and non-viable co-ops. He argues that potentially-viable co-ops are more capable of planning towards producing a surplus because these enterprises have "established a minimum level of management capability" and of organisational and production structures required to achieve sufficient surplus from planned productive activity.

For Brecker, such enterprises are actively engaged in production for the market. The major problems facing potentially viable co-ops are related to enterprise growth and discrimination from conventional financial institutions. This discrimination causes such co-ops to have difficulty in obtaining the necessary finance and technical assistance needed for development. He argues that

in many cases, the financial requirements of co-ops at this stage of development are outside the scope of individual service organisations and/or donor agencies (Brecker, 1988: 8).

The author further argues that co-ops at this stage of development need more specialised training and more sophisticated management skills. These needs call for specialised services and support structures which are able to assist such co-ops in making their crucial transition into completely viable, fully-fledged cooperative enterprises (1988: 9).

#### ***d) The Fully-Fledged Cooperative Stage***

For Brecker (1988: 9), cooperatives at this stage of development are capable of obtaining financial assistance on the open money market in the form of credit, loans, and/or bank overdrafts. Such enterprises are profitable and economically viable in the long-term.

#### ***e) The Value of Brecker's Contribution***

Brecker's insights with reference to cooperative development as a process are enlightening and useful for the purposes of analysis. His insights enhance and confirm existing theories on democratic organisation. In the light of (a) Rothschild and Whitt's (1986: 50) conceptualisation of PDOs as 'hybrids' along a continuum of degrees of democracy and (b) Bernstein's view of workplace democratisation as a dynamic process of transformation toward

greater democracy (1983: 4), Brecker's (1988) identification of specific stages in cooperative development is well founded. Significantly, his argument that co-ops at specific stages of development require specific types of services and support is particularly enlightening.

### **III. Part Two: Constraints on Cooperative Organisation**

In practice, the ideal form of participatory democracy / cooperative organisation can only be approximated. It cannot be attained in its entirety. Moreover, from the history of cooperative organisation it is evident that once some form of PDO is established there are several obstacles to its survival. This points us to constraints on participatory democracy / cooperative organisation and to the need to reproduce or sustain such organisation. While constraints to cooperative development are often due to the circumstances in which PDOs arise and the environment in which they operate, they also derive from practices within the organisations themselves. On the basis of these respective origins of such constraints we focus on 'external' and 'internal' constraints for analytical purposes. In this way we attempt to highlight some of the major constraints on cooperative organisation. The material in this section is drawn from the works of Rothschild and Whitt (1986: 64-71), Gamson and Levin (1984), Cornforth (1989), and an ILO report on cooperatives (1988: ch. 6).

Rothschild and Whitt (1986) draw our attention to some constraints: time, emotional intensity, non-democratic habits and values, environmental constraints and individual differences. Gamson and Levin (1984) point to the absence of a common culture of democratic work, a lack of democratic norms for decision-making, and a lack of appropriate skills. The work of these authors is based on empirical studies of co-ops in the USA. Cornforth (1989) draws on empirical studies of co-ops in the UK, France, Italy, and Spain and focuses specifically on barriers to the formation and growth of such enterprises. The ILO report, on the other hand, focuses on constraints specific to co-ops in East, Central and Southern Africa.

#### ***A. External Constraints***

##### ***1. The Marginality of Cooperative Sectors in Capitalist Economies***

Cornforth (1989: 110, 114, 115) notes that in western industrialised countries today, cooperatives are being formed at a time when capital (in the form of financial and productive resources) is highly centralised, and when decisions about the allocation of capital are dominated by large corporations and the state. In such a context, small enterprises such as co-ops are generally limited to sectors dominated by large firms or to sectors which serve fragmented and extremely competitive markets. This limitation further restricts the ability of small firms to gain control over market conditions. Moreover, opportunities to

move out of the small business sector through enterprise growth are low considering that expanding small firms are often taken over by larger ones. Like most small businesses, then, co-ops are often formed in highly competitive, low capital intensive, and marginal sectors of the economy. Consequently, their potential for growth is often thwarted.

On the other hand, considering recent international developments in political economy, specifically, processes of informalisation and moves towards 'flexible specialisation' in the post-Fordist era, small-scale enterprises may very well occupy the centre stage in future economic development. The concept 'flexible specialisation' refers to changes in the organisation of economies and production from Fordist mass production to the growth of economic activities and structures with organisational adaptability and technical innovativeness.

Among the key features of 'flexible specialisation' are

- a) a move away from rigid mass production of standardised goods on assembly lines using semi-skilled labour, towards a more craft-like tradition with emphasis on innovativeness, quality and adaptability and the production of diversified goods;
- b) the flexible use of new technology and of labour;
- c) a move away from specialised tasks and skills to multi-tasking and multi-skilling;
- d) workers are given more responsibility and management becomes less hierarchical;
- e) the growth of regional economies specialising in particular products and operating as integrated economic systems;

- f) the placing of small firms at the centre of economic development;
- g) an emphasis on the clustering of small firms; and
- i) a shift in the attitude towards labour from labour as a cost to be minimised to labour as a resource whose potential should be maximised (Kaplinsky, 1990b: 6, 7; Rogerson, 1991: 18 - 20).

The argument is that small enterprises with flexible production techniques incorporating multi-skilling are more resilient to market changes than large, mass-scale, deskilled Fordist production techniques. The seminal work on this subject is that by Piore and Sabel (1984).

## *2. Absence of Ideology of Democratic Organisation*

Non-democratic habits and values are a further constraint on cooperative organisation. This constraint is embedded in people's previous experiences of organisation at school, at work, and at home in the context of a predominantly bureaucratic, capitalist, and patriarchal form of social organisation. In the case of cooperatives operating in such societies, cooperators' everyday experiences outside of work are, more often than not, contradictory to the way they ought to behave at work. This disjuncture between the ideology of cooperative organisation and the context in which cooperatives exist makes it difficult to sustain cooperation thereby constraining the development of such forms of organisation.

For any form of social organisation to function and survive, "there must exist a common set of norms, values, and expectations about organisational functions and operations that are accepted by all or most of the members of that organisation" (Gamson and Levin, 1984: 223). Unlike the well established ideology at work in conventional capitalist enterprises which is reinforced by institutions and practices beyond the workplace (school, family, media), the ideology necessary to sustain the democratic workplace is relatively undeveloped. To the extent that there is an ideology of democratic organisation, it is presented as a rejection of conventional forms of organisation and control. Generally, such rejection is accompanied by an acceptance of broad, abstract notions of equality, democracy, and freedom. There is as yet little concrete understanding of appropriate behavioural norms for democratic workplaces, leaving many such enterprises in a state of anomie. As a result, PDOs are often unable to deal with behaviour destructive to their survival (Gamson and Levin, 1984: 223-227).

### ***3. Absence of an Appropriate Legal Structure***

The lack of a facilitative legal framework within which co-ops can operate is a key constraint for co-ops in most countries. With specific reference to East, Central, and Southern Africa, cooperative legislation is often inherited from colonial times and thus is generally outdated and irrelevant to the prevailing conditions and requirements of cooperative development in these

regions. Furthermore, the predominance of agricultural cooperatives in countries in these regions has resulted in legislation biased towards such enterprises and yet applied to all types of co-ops. Like most legislation, cooperative laws are written in obscure language rendering them inaccessible to most African cooperators who, more often than not, are illiterate. In addition, the incongruence between cooperative legislation and its practical implementation on a daily basis is a further constraint to cooperative development. Finally, such laws often stipulate conditions for registration of cooperative societies without considering economic viability as one such condition. This often leads to the formation of co-ops with little or no chance of survival (ILO 1988: 106, 107). The failure of such enterprises has contributed to the history of generally negative conceptions of co-ops among ex-, and potential cooperators in these regions.

With reference to Britain, Cornforth (1989: 113) notes that the legal system concerning business is geared mainly to meet the requirements of conventional capitalist firms and is often unsuited to the needs of co-ops. In addition, the main piece of co-op legislation in Britain, the Industrial and Provident Societies Acts, is designed primarily to meet the requirements of friendly societies and consumer co-ops thereby excluding producer co-ops. In this way, producer co-ops which are in the minority among cooperative enterprises are left with little or no legal support.

#### ***4. Discrimination against Co-ops***

The practices of conventional financial institutions generally do not cater for cooperative forms of organisation and the problems specific to them. This often leads to the exclusion of co-ops from opportunities for financial support resulting in severe economic constraints to their development and growth. And, often co-ops have to deal with conventional capitalist enterprises for supplies or sales transactions. In the context of a competitive capitalist market and a predominantly capitalist environment the politics of dealing with such enterprises can constrain the development of a co-op. For example, suppliers can delay and/or withhold supplies (Cornforth, 1989: 113). This points to the vulnerability of co-ops in a hostile environment.

#### ***B. Internal Constraints***

##### ***1. Time***

Drawing from their empirical work in collective organisations Rothschild and Whitt (1986: 64, 65) note that democracy takes time and that this is one of its major constraints. Often the large amount of time spent in meetings leaves little time for the tasks of the organisation. This leads to inefficiency and hinders the process of reaching the objectives of the organisation.

## ***2. Absence of Democratic Organisational Structures, Norms, and Procedures***

With specific reference to decision-making, Gamson and Levin (1984: 230) note the lack of democratic norms and cooperators' lack of experience of such processes given the predominance of authoritarian forms of organisation in broader society. They also note cooperators' limited experience with democratic organisation and the consequent absence of skills and knowledge necessary for effective democratic participation, for example, the productive use of meetings.

The authors further point to an absence of structure in such organisations and a tendency to minimise the importance of administrative and managerial tasks. This tendency is often manifested in managers' complaints that they have "responsibility without authority" (Gamson and Levin, 1984: 233). Cornforth (1989: 111) also notes that the ideology behind cooperation often leads co-ops to deny the legitimacy of management and to underestimate the value of management skills.

In addition, Gamson and Levin (1984: 231) point to the legitimate exercise of authority and obtaining accountability from members as common problems in democratic decision-making. They note that while conventional forms of organisation are "usually relatively clear....about who has responsibility for what [, democratic work organisations can rarely make this claim" (Gamson and Levin, 1984: 231). Part of this problem lies in participants' confusion.

between responsibility and authority. In PDOs, the emphasis on minimising differences in power and influence often leads to a reluctance in giving legitimate authority to a specific position or individual(s). This lack of clarity, confusion and reluctance is linked with a general absence of structure in PDOs. One of the consequences of these constraints is an unequal distribution of influence in favour of more articulate and better educated participants, and ineffective managerial practices. (Gamson and Levin, 1984: 232, 233).

### *3. Interpersonal Conflict*

Rothschild and Whitt (1986: 65) argue that, in the context of a collective characterised by face-to-face relationships and a need for consensus, intense conflict among members can constrain participatory / cooperative organisation. The authors maintain that conflict "is a structurally induced, inherent cost of participatory democracy" (1986: 66). In our view, conflict becomes a constraint mainly when it is viewed as something negative and when there are no mechanisms to deal with it constructively. With appropriate mechanisms for dealing with conflict and with a view of conflict as inevitable, but not necessarily negative, among humans with different ideas and interests, it does not have to be a major constraint to participation. The reality lies somewhere in between, namely, that conflict can be potentially constructive or destructive.

Approaches of participants and mechanisms for resolving conflict tend to determine whether it will be constructive or destructive.

Gamson and Levin (1984) support our view on conflict. These authors view conflict as "a central feature of democratic decision making" (p. 235) since participatory democracy is designed to allow for freedom of expression. The question confronting democratic workplaces, however, is "how to treat such conflict as a normal part of the decision-making process by using it in a productive way to explore and select among alternatives" (ibid.). This question is raised in response to practices within co-ops aimed at suppressing conflict. Such practices derive from general conceptions in broader society of conflict as a negative phenomenon - essentially non-conformist/deviant and uncooperative. Such conceptions and practices, however, are incompatible with democratic decision-making. With freedom of expression as an essential feature of democracy, conflicting points of view are bound to become manifest. The suppression of disagreements within the context of PDOs is more likely to be a constraint in the long run. "Thus the goal of a democratic organisation should not be to suppress conflict, but to welcome it and use it productively....[Hence it is] necessary to create a format in which conflict and its resolutions are *expected* [my emphasis] and can be addressed systematically" (1984: 236).

This brings us back to the need for democratic organisational structures, norms, and procedures, specifically, the productive

use of meetings (Gamson and Levin, 1984: 236). In close association with the productive use of conflict is the productive use of membership meetings. In PDOs membership meetings represent the central locale for raising, addressing, and resolving problems confronting the organisation, and for decision-making. Cooperators', unfortunately, often lack experience in utilising meetings to these ends. Often an over-reliance on and ineffective use of meetings in PDOs engender irresolution, ('I cannot proceed unless I check with everyone'), apprehension, ('You can't proceed before consulting with the group'), and cynicism ('All we ever do is have meetings') (Gamson and Levin, 1984: 237). The productive use of meetings entails planning an agenda, setting a time limit for addressing each item, and effective facilitation of the discussion (ibid.).

#### ***4. Individual Differences in Skill and Experience***

Individual differences among co-op members arise as a result of people's different skills, education, experience and knowledge. Such differences often give rise to inequalities of influence within democratic organisations. In such organisations, however, unequal influence based on expertise can be checked through the authority of the organisation as a whole. Such influence based on more intangible attributes such as ability to articulate ideas and no fear of taking responsibility, however, is more difficult to check and tends to persist in PDOs when all participants are not equally competent.

## ***5. Lack of Appropriate Skills***

The constraint of inappropriate skills in most co-ops originates mainly in the reasons for their formation: to secure employment in the face of firm closure; to provide employment in times of crisis; and to create a work environment based on democratic principles. It is only by rare coincidence that co-ops end up with exactly the right combination of people skilled in the various tasks and activities they must perform (Gamson and Levin, 1984: 238). This constraint is further reinforced by a general tendency among co-ops to disregard the need for skilled people. This is especially prevalent with regard to managerial and administrative skills. In addition, the general practice of pay parity in co-ops tends to make it difficult for such enterprises to attract people with appropriate skills. Furthermore, co-ops often lack the resources to train existing members to fill positions requiring specific skills (1984: 239-241).

## ***6. Finance***

Some cooperative principles, for example, a limited return on capital (which restricts the rate of return on dividends and the increasing value of shares), and shareholding restricted to members only, impose constraints on methods by which such enterprises can raise funds. Consequently, most co-ops are forced to rely on loans and reinvested profits for the purposes of

investment. A dependence on loan finance usually results in high debts among most co-ops while it often takes a few years for small enterprises to reach the stage when profits are actually produced. Furthermore, often co-op members are from the unemployed and thus have little or no money or assets against which bank loans can be secured. This is one reason why co-ops start off with meagre capital structures. Moreover, once co-ops begin to expand, difficulties in raising finance capital through issuing equity increase (Cornforth, 1989: 110, 111). The initial under-capitalisation of most co-ops effectively excludes them from access to other forms of finance such as credit facilities and loan finance. These factors hinder the development of co-ops as economic units.

### *7. Internal Limits to Growth*

Co-ops often indicate some ambivalence towards growth.

Commitments to democracy, and more specifically, direct democracy often lead co-ops to limit their size in order to facilitate decision-making processes (Cornforth, 1989: 113). Often this commitment to direct democracy is the obverse of a rejection of hierarchy.

The constraints listed above point to the need for education on the operation and requirements of an economic enterprise, for example, why growth and financial soundness is indispensable. Most of the constraints highlight the need for education for

democracy/cooperation which embodies both the values and practices of democracy. Furthermore, the importance of a support network in sustaining such values and practices, and in providing shared resources, services, ideas, training, and personnel also emerges from the above section. Such networking is especially important in the face of a hostile socio-political and economic environment, both in terms of providing support and in terms of building a social force sufficiently powerful to challenge legal and other constraints. We proceed to address these issues in the rest of this chapter.

### ***C. Role of Education and Competence in Cooperative Organisation***

Szell (et al, 1989: v) note that with the trend towards more participatory work environments has emerged the need to consider the issue of creating and maintaining education and competence sufficient for the purposes of sustained and viable democratic organisation. In this section we look very briefly at the role of education and competence in the advance of more democratic organisation.

For the purposes of defining the concept 'education' as used in this work we refer to Motsumi's distinction between education and training (1988: 3). He points out that training and education are not quite the same thing: training involves acquiring saleable skills required for a specific task, for example, book-keeping;

education, on the other hand, is more general and much broader than training and includes acquiring new knowledge especially about the context (economic, political, ideological) in which a co-op exists. The hypothetical example he cites is that of a cooperator who has not experienced going to the bank and thus does not know what s/he is supposed to do in a bank. Once this cooperator, however, has been educated about banks and the services they offer, banks can become useful in his/her daily life (p. 3). It is in this broad sense, both practical and theoretical, which we use the concept 'education'. With regard to 'competence' we refer to Heller's definition (1983, cf Avasthi, 1989: 322): 'competence' includes skill, experience, know-how, and access to information.

From the above definitions it is clear that education, competence, and training are intricately linked. For it is "self-evident that competence is gained primarily through education, be it formal education or the self-education of direct experience and reflection" (Blyton, 1989: 301).

### ***1. Education: 'Political' Requisite for 'Real' Democracy***

Writing on the experiences of South African co-ops, Etkind (1989) notes that "[l]iteracy and numeracy are essential *political* questions - their absence attacks the very roots of democracy" (p. 59). These roots are embedded in "the democratic self-determination of the producers themselves" (Wood, 1988: 22 cf

Etkind, 1989: 59). Without such basic skills, "it may be possible to preserve the appearance of democracy but not its substance" (Etkind: 1989: 59). Furthermore, "[t]o fail to educate... is to fail in the political task of a co-op" (Etkind, 1989: 59). In addition, it is our view that beyond the basic skills of literacy and numeracy, co-op members require conceptual skills in order to understand the interrelated functions of their enterprise. Such skills are important in enabling cooperators to make informed decisions and to effectively challenge and control those to whom they may delegate certain tasks and decisions. Moreover, depending on the political dynamics within a certain co-op, a few more educated and/or more competent co-op members can monopolise certain knowledge and information. This would lead to a dependence on such members, in this way inhibiting the self-determination of others, and thus failing in the 'political task' of the enterprise. Hence the central role of education and competence among all co-op members, alongside training in marketable skills.

According to Szell (et al, 1989: 12), self-management is only possible with few experts, and in the context of a *general level of competence among participants* (emphasis added) which is maintained through continued education; it is this maintained competence which facilitates effective control by participants.

Thus "[t]he 'right consciousness' is not sufficient for participation, workers' control, and self-management" (ibid.:

12). Instead, a general level of competence in combination with the 'right consciousness' is necessary for effective cooperation. Put differently, the subjective condition for cooperation - the 'right consciousness' - without the objective condition of a specific level of education, competence, and skill on the part of all the producers is insufficient for effective cooperation.

## ***2. Education as Dialogue and the need for Continued Education***

Vanek (1977) supports the argument of Szell (et al, 1989) for *continued* education and points to some practical ways of implementing such continuity.

Vanek (1977) emphasises the importance of continuous education throughout the existence of the firm even if it is in altered forms. This gives new members a chance to learn the rules of the game and allows old members to remain in "continuing living contact with the enterprise" (p. 23). This facilitates all members' constant contribution, through dialogue, to shaping the enterprise, and facilitates enterprise adaptation to change. Continuous education is thus necessary for the continuity of the firm as an organisation.

In sum, education is a political requisite for 'real' democracy. Acquisition and effective use of education and competence among participants in democratic organisations has an important role in facilitating participants' control over fellow-members endowed

with specialised knowledge, and to whom specialised tasks are most likely to be delegated. There is thus an important link between education, competence, and control. There is also an important link between education, competence, and effective decision-making, for education and competence are required if participants are to make informed decisions about their enterprise. In addition, the *continued* education of participants in democratic organisations is necessary for the *maintenance* of control and effective decision-making. Continued education also provides for continuity of skills and competence in an organisation, thereby indirectly contributing to the continuity of the organisation itself. Alongside training, education and competence thus have a central role in sustained and viable democratic organisation.

#### ***D. Experience and Cooperative Consciousness***

Historically, cooperatives are formed in times of hardship and struggle. There are intricately linked internal and external factors which contribute to the emergence of co-ops during times of struggle. The external factor which predominantly leads to the formation of co-ops all over the world is mass unemployment. This social phenomenon gives rise to internal reasons for the emergence of such enterprises, namely, personal hardship as a result of unemployment and a particular psychological condition induced by such hardship. Bate and Carter (1986: 60) refer to the

ideas and actions which arise out of such psychological conditions caused by hardship as "ideational factors".

Bate and Carter (1986: 60) give us some valuable insight into people's initial frame of reference to cooperation. Writing on producer cooperatives in Britain, they argue that apart from environmental factors contributing to the emergence of cooperatives there seem to be "immediate and personal considerations" involved in people's decision to form or join a cooperative. Our experience in the field confirms these authors' observation that 'personal hardship' - unemployment, retrenchment, firm bankruptcy - is a recurring and underlying reason for the emergence of co-ops and for people's decision to join a co-op. Furthermore, the authors' concept of 'ideational' factors proves valuable in identifying factors which contributed to cooperators' predisposition to forming and joining the co-ops which form the basis of this study.

The authors further argue that

Personal hardship may be one of the necessary conditions but it is not sufficient in itself; it is important to identify the particular psychological condition induced by hardship which may predispose people to choose the cooperative path (Bate and Carter, 1986: 60).

They claim that a variety of "ideational" factors are involved in people's predisposition to form or join a co-op (ibid.: 60).

These factors can include (a) people's ideological commitment to particular political or religious beliefs which might find

expression in their attempt to establish a form of work organisation which conforms more closely to those beliefs, (b) people's experience of alienation when engaged in traditional forms of work organisation, and/or (c) people's experience of a strike and/or retrenchment and the psychological effect of such experience upon those involved. Whichever one of the aforementioned factors it may be, Bate and Carter state that

it is important to emphasise that 'ideational' is broader than 'ideological': cooperatives are by no means exclusively dominated by people committed, for example, to radical, anti-capitalist principles, or to some wider intellectual movement. Bitterness, resentment, and insecurity are in themselves quite capable of exercising considerable influence over people's minds (1986: 60).

'Experience' is thus an important factor shaping the consciousness of those involved in cooperative organisation. More specifically, experiences in broader society previous to participation in a cooperative provide points of reference to cooperation at the micro-level (at the level of the firm) and shape the development of a cooperative consciousness at this level. Such experiences or broad points of reference usually result in the definition of cooperation in terms of 'what it is not'. On the other hand, over time, experiences of participation in a cooperative organisation which result in the success of such organisation provide the basis for the development of a cooperative consciousness, at the level of the workplace, defined in terms of 'what cooperation is'.

We argue with reference to cooperators' previous experience that actions and consciousness are limited by the socio-political and historical context in which they exist. On this basis, *cooperative consciousness* at the enterprise level cannot develop simply through exhorting people to be cooperative. People have to have experienced a successful co-op (successful in terms of providing for their material needs) for them to come to fully accept a cooperative consciousness. Simultaneously, in order for them to build a successful co-op, people need **some** frame of reference to cooperation. Broader experiences are thus necessary in the initial conceptualisation of cooperation at work, while experiences specific to cooperation at the workplace are imperative in the formation of a cooperative consciousness at this level.

Other authors on the broad subject of workplace democracy (Pateman, 1970; Bernstein, 1983; Gamson and Levin, 1984; Rothschild and Whitt, 1986; Greenberg, 1986) also emphasise the role of experience, practical and/or ideological, in the development of a cooperative ideology and consciousness. Unlike our **argument**, however, which is workplace-specific, these authors, in particular Pateman (1970), argue that in the context of capitalist social relations people's experience of cooperation, participation, and democracy at the workplace serve as important learning grounds for such values and practices at a broader societal level.

## ***E. The Role of Support Structures in Cooperative Development***

### ***1. Importance of Support Structures***

In the light of the range of economic, ideological, and organisational constraints faced by co-ops in capitalist society several authors (Cornforth, 1989; Rothschild and Whitt, 1986; Gamson and Levin, 1984; Greenberg, 1986; Thornley; 1981) point to the importance of a cooperative support network. Writing on co-ops in the UK, Cornforth (1989: 122) argues that the development of a significant cooperative sector is only possible if it has its own support structure to meet the sector's specific needs, to encourage mutual support among co-ops, and to facilitate the mobilisation of public and political support. Rothschild and Whitt (1986: 128) suggest that collective democratic organisations that maintain an identification and link with a broader social movement are less likely to lose sight of their original goals. In the same vein Gamson and Levin (1984: 243) note that networking among co-ops at both regional and national levels is an important means by which democratic workplaces can combine to share scarce resources, ideas, skilled personnel, and training programmes. Writing on the Plywood Cooperatives in the USA, Greenberg (1986) concludes that

without powerful countervailing forces to the market mechanism....[w]ithout a working class party, a cooperative or egalitarian culture, a socialist ideology, a revolutionary movement, or a government committed to economic democracy....[that is,]....without a conducive context, self-managed enterprises might well survive and prosper, but they are not likely to play a significant role within a movement for social change (p. 168).

Finally, Thornley (1981: 108) concludes that cooperatives closely linked with trade union and cooperative movements, engaged in trade links beneficial to both supplier and customer, and which have developed an integrated structure of production and distribution have been generally more successful than those operating in isolation.

In addition to this broad acknowledgement of the need for support networks, the empirical evidence provided by the experience of self-management in Yugoslavia, the kibbutzim in Israel, the Mondragon Cooperatives in Spain, the Scandinavian and Italian cooperative movements, and the Breman confederation of self-managed firms in the Netherlands reinforces the view that cooperative support structures are vital to the sustained success of cooperative enterprises.

## *2. Possible Functions*

Cornforth (1989: 115) is one among few authors on the subject who goes beyond simply identifying the importance of support structures for co-ops. He points to some possible functions of such structures and suggests that such functions can be divided into three main areas: 'externally' directed functions aimed at improving the environment in which co-ops operate; functions directed 'internally' by providing services required by co-ops;

and functions aimed at maintaining and extending the support structure itself.

He argues that the first major externally directed function of support structures is to develop a strong worker cooperative movement with links to other social movements, the local community, and political organisations which share similar ideals. The second function is to ensure that co-ops are treated fairly and thus not discriminated against by other institutions such as banks and the state. More specifically, in relation to the state, support structures ought to ensure that co-ops are treated fairly in legislation. The third function is to promote the idea of cooperation in broader society (1989: 116).

Among the internally directed services of support structures Cornforth (1989) highlights the provision of advice and assistance in the operation of cooperative enterprises to existing co-ops as well as to those in the process of formation. The latter form of assistance is particularly important considering that most people forming co-ops are relatively inexperienced at operating their own business and at working in a cooperative setting. A second important service is the identification of training needs in co-ops and ensuring that such needs are met. Thirdly, support structures should encourage and facilitate links between co-ops in an attempt to centralise functions and, often scarce, resources.

Examples of functions that can be effectively centralised in the material interests of co-ops are the purchase of raw materials, marketing finished products, and negotiating contracts. Resources that can be centralised to this aim include financial resources and specialised skills such as accounting, market research, and so on. The centralisation of such resources through networking among co-ops can be beneficial in providing protection from broader market forces. A further major role of support structures is to examine trends in the broader economy in order to facilitate optimal market entry, product choice, and production decisions by co-ops.

Finally, support structures should help provide suitable forms of finance for co-ops. This entails enhancing access to conventional sources of finance such as those provided by banks and assisting in the development of a co-op bank through which such enterprises can use their own funds (Cornforth, 1989: 116/7). The bank of the Mondragon Cooperatives, as well as the Cooperative Self-Finance Scheme (CSFS) in Zimbabwe which forms part of our study, are examples of cooperative organisations providing such services.

In this work, the importance of support structures is acknowledged. Our specific focus in this regard is on the implications of some of their functions and methods of support for cooperative development.

### **3. *Methods of Providing Support and the Dilemmas which come with them***

Cornforth (1989: 118) further points to two basic methods or approaches to providing support to co-ops: (1) the 'top-down' method, and (2) the 'bottom-up' method. These constitute basic approaches towards 'development' and are commonly known among people in the field of development and/or community work. This distinction refers to the nature of the relationship between the support structure and the co-op(s) receiving support.

The key features of the 'top-down' method are (1) the idea of forming a co-op comes from the support structure; (2) the people involved in providing support play a direct role in initiating and developing the enterprise and provide the absent skills; and (3) these initiators work with the leaders of the cooperative who eventually take over their role. By contrast, the key features of the 'bottom-up' method are (1) the idea for forming a co-op originates among the potential cooperators; (2) the role of those providing support is to facilitate and assist the cooperators in developing the skills required to run their enterprise; and (3) those providing support work with the entire group (not just the leaders) in the process of co-op development (Cornforth, 1989: 118/9).

The predominant approach among those involved in development work in the UK is the 'bottom-up' one. It is argued by supporters of this approach that the success of a cooperative depends mainly on

the commitment and involvement of its members based on their voluntary decision to embark on such a venture, and that success is unlikely among co-ops initiated by development workers. Similarly, it is argued that developing democratic practices among cooperators is more difficult in a context where the development worker makes most major decisions (1989: 119). The failure of several co-ops formed by 'top-down' methods has reinforced this view (Thornley, 1981: 87).

In theory, this distinction between the desirable and less-desirable approach is useful in pointing to possible pitfalls in co-op development. In practice, however, Cornforth (1989: 119) rightly argues that it may not always be possible or desirable to uphold a purely 'bottom-up' approach. Often in the context of immediate needs to create and/or secure employment, for example, in the case of worker take-overs, a direct role on the part of people in support structures in planning the development of a co-op and negotiating with external agencies might be necessary. In the light of this observation the dilemma facing support structures is thus to provide useful advice and assistance, without hijacking the initiative for forming the co-op from the potential cooperators and without fostering dependency on the part of the co-op. This is in tandem with Szell's (1989: 10, 11) suggestion that the intervention of outside experts be aimed at 'help for self-help' in the context of a long-term, intensive relationship of confidence between the outside agency and those concerned.

Aside from the practical difficulty of a purely 'bottom-up' approach, there are further problems with it. One of these is that support structures tend to promote the idea of cooperation and then wait for groups to approach them for help. This often leads to an ad hoc process of co-op development resulting in the formation of many small co-ops in a diverse range of sectors. In addition, since support structures are often financed through public funds, particularly in the UK, they then feel obliged to service all these types of co-ops. The formation of co-ops in a wide range of sectors in combination with the obligation on the part of support organisations, which often have limited resources, to help all those who request assistance often results in the formation of barely viable co-ops which are highly susceptible to changes in the economic climate and environment Cornforth (1989: 120).

According to Cornforth (1989: 120) "the dilemma facing Cooperative Service Organisations (CSOs) in the UK is how to develop an integrated [cooperative] sector, which will require planning and coordination, given [the] small size [of co-ops] and [their] decentralisation and without incurring the problems associated with [the] 'top-down' [approach to development]". He suggests some ways of resolving this dilemma: (1) promotion of the idea of cooperation within selected, suitable, and viable sectors only; (2) building trading links between existing co-ops concentrated in specific sectors; (3) building informal links

between co-ops on a social level, or concentrating such enterprises in particular areas in an attempt to develop mutual assistance and trading links; and (4) to institutionalise cooperation between co-ops through a contractual relationship between each co-op and their central bank as is the case with the co-ops in Mondragon, Spain (1989: 120).

In addition to the 'top-down' and 'bottom-up' methods of providing support, Cornforth (1989: 121) points to decentralised and centralised methods. The author notes that co-op support in the UK is highly decentralised. This is mainly as a result of the predominant source of funding to CSOs coming from local government, and the effects of the 'bottom-up' approach highlighted immediately above. The key advantage of decentralised support is the availability of support in a large number of areas and a wide range of industries. The disadvantages, however, are that local CSOs seldom have sufficient staff, skills, and financial resources to help develop large co-ops. Further, there are seldom sufficient co-ops in one sector in an area to develop an economically integrated sector. More centralised support, such as regional support structures for the purposes of complementing the work of local CSOs is one way of resolving the deficiencies of decentralised support.

In addition to the dilemmas facing CSOs on the basis of the methods they choose when providing support, such organisations face a further dilemma: CSOs generally have to serve more than

one set of interests. With reference to the Mondragon co-ops, for example, the bank has to serve the interests of the member co-ops as well as those of the community which invests in the co-ops. In the UK CSOs which are funded by the government have to serve the interests of the co-ops as well as those of the state. Often the interests of the parties concerned are contradictory leaving the CSO in a dilemma. Furthermore, over time a conflict of interests may arise between already existing and potential co-ops. In this regard, the resources of CSOs in terms of skills, staff, and finance need to increase with the growth of a co-op movement (Cornforth, 1989: 121).

#### ***4. The State as a Support Structure***

The extent to which the state supports and/or fosters cooperative development and the relationship developed between the state and co-ops varies extensively from society to society. Rothschild and Whitt (1986: 167) suggest that logically, the state can take four stands in relation to co-ops: (1) it may attempt to repress co-ops, (2) it may be indifferent and inactive with regard to their development, (3) it may encourage and facilitate the formation of individual co-ops, or (4) it may be directly involved in forming and supporting such enterprises.

It is our view that each of these possible approaches on the part of the state to co-op development depend on the nature of the state itself, the history of political struggle in the society

concerned, the level of industrial development and the extent to which the contradictions of such development have begun to be manifest, the balance of class forces, and the political strength of the co-op movement in relation to these forces.

At this point it is revealing to note examples of state support for co-ops and the benefits of such support to both the state and the co-ops concerned. We begin by looking at Thornley's (1981) work which deals briefly with the role of the state in relation to British co-ops in comparison to the situations in France and Italy. According to Thornley (1981: 130), most of the recently developed British co-ops, particularly those established in the mid- and late seventies, have received state aid in various forms. These include direct aid from the central government, aid from central government channeled through independent bodies promoting co-ops, and aid from local authorities. The author argues that as a result of this state assistance the number of co-ops in the UK has increased since 1980. Many of these recent ventures, however, have collapsed and those still in operation are not commercially sound.

Judging from Thornley's examination of the state's job creation programmes, among the unintended consequences of government support for co-ops has been the containment of possible resistance by unemployed workers through keeping them in touch with 'the disciplines of work' (Thornley, 1981: 114).

The author further argues that though state assistance to co-ops has been negligible in comparison with that given to private enterprises, it has been significant for the development of co-ops in Britain. Of the approximately 300 co-ops registered in 1980 more than 100 had received direct and indirect assistance from the state. Apparently the number of jobs created and/or saved because of state intervention reached 900 in total. This amount is equal to more than half of all the jobs created in co-ops since 1970.

Despite this increase in the number of jobs created, however, the author argues that the future of producer co-ops in Britain is very uncertain since state assistance to co-ops has been far too inadequate to enable them to be of any distinct and lasting value to economic development (1981: 111 - 130). She further notes that British co-ops have been highly dependent on state funds and have been supported by "the mechanism of pump-priming" (1981: 176). This mechanism has been used by the state in some cases to support commercially unsound enterprises, and can be perceived as a waste of financial resources. Despite some of the negative unintended consequences of state support, the author maintains that the future of the British co-op movement depends heavily on continued state assistance (1981: 174).

In support of her emphasis on the need for state assistance, Thornley (1981) points to the experiences of co-op movements in Italy and France. In contrast to the situation in Britain, she

notes, the state in France has supported co-ops as viable commercial enterprises rather than as part of job creation programmes. This support has come in the form of the provision of markets for co-ops since 1888 for products and services essential to the economy. This support in combination with the practice of giving state contracts to co-ops, has been provided on the basis of the economic performance of the enterprises. In addition, the French government has set up a co-op bank to provide more substantial sources of finance for both new and expanding co-ops. Further, the central government has helped develop an effective legal, administrative, and financial framework within which co-ops can operate and has seldom provided direct financial aid to such enterprises. This support has been a major factor in the success, survival, and growth of the co-op movement in France. Furthermore, the efficiency and reliability of these enterprises made them suitable for the provision of infrastructure for the economy - houses, roads, bridges, and so on (Thornley, 1981: 131-150).

With reference to Italy, the author highlights the fact that co-ops here have been supported by political parties since the last century. The three major co-op federations in Italy are each closely linked to a different political party. Though state support of co-ops in Italy has been more limited than in France, it has come in the form of loans on favourable terms to co-ops and the provision a legal framework (Thornley, 1981: 151-167).

Rothschild and Whitt (1986) draw our attention to the supportive political role of the Basque Nationalist Party, affiliated with the trade union movement of the region, in establishing a cooperative economy in Mondragon in the context of the Spanish Civil War. The authors also point to the contradictory role of the Polish state in promoting co-ops for job creation and ultimately attempting to take control of them. State control of the co-ops in Poland eventually led to members' decreased motivation to work. The authors also note the contradictory practices of the Khuomentang political party in China in the 1930s: this party established several credit, agricultural, and producer co-ops in the 1930s until these enterprises began to threaten the economic position of the party's political support base - urban and rural property owners; on this note the party withdrew its support for co-ops and became antagonistic toward them (1986: 172/3). From the historical experiences of state support for co-ops in France, Italy, Spain, Portugal, Poland, and China, Rothschild and Whitt (1986) conclude that

Both capitalist and socialist societies want to capture the economic benefits of cooperation, but they want to control it. For the capitalist country, an economically vital cooperative sector would compete against private enterprise; for the socialist country it would compete against state enterprise. Because worker cooperatives are neither fish nor fowl, they can make both sides edgy. At the same time, they cannot be rejected easily by either side (p. 177).

Finally, the authors conclude that the role of the state in promoting co-ops can only be limited. This is so since the experience of co-ops in the countries studied (by Rothschild and Whitt, 1986) and elsewhere suggests that the democratic character

of such enterprises can be maintained only if they are grass-roots formations. The state can only facilitate their development through the provision of loans, contracts, start-up funds, technical advice, and/or tax incentives. Co-ops themselves should build federations to provide each other with mutual support in their efforts towards self-help. Considering that democratic control is an essential feature of cooperation outside agencies like governments, banks, unions, and/or service organisations have the potential to restrict the autonomy of a co-op and its members (1986: 177).

While the formation of cooperatives in Western industrialised societies is linked specifically to the need for jobs, co-ops in developing countries have been given a somewhat broader function: that of social and economic development. In a report on cooperatives in East, Central, and Southern Africa the ILO (1988) notes that the role of governments in the promotion of co-ops and the relationship between the state and co-ops is of fundamental importance in the African context. In the light of a general recognition, especially among developing countries, of co-ops as instruments of social and economic development, particularly in the rural areas, co-op development has been incorporated as part of most national development programmes in the regions. According to ILO recommendations regarding co-ops in independent developing countries, governments in such countries ought to formulate and implement policy under which co-ops receive economic, financial, legal, technical, and other forms of aid and encouragement. The

reality, however, is that most countries in these regions indicate some level of state interference in co-ops as opposed to encouragement. Such interference ranges from open hostility, through indifference, to paternalism which often entails direct state involvement in the management, supervision, and control of such enterprises. Moreover, economically unsuccessful co-ops are generally ignored and kept in operation artificially through large state subsidies. A positive approach on the part of governments in these regions towards co-ops is apparently rare.

The Director-General of the ILO has noted that

[t]here is ample evidence that cooperatives are becoming increasingly subject to government intervention and in some countries are completely controlled by the state...the danger...is that...cooperatives may become a governmental instrument and not an instrument of self-help of the people. Indeed, such control defeats the democratic principle on which cooperatives are based (ILO, 1988: 20).

This is confirmed by the studies of Dominelli (1989) in Algeria, and Kamden (1989) in Cameroon. Dominelli's (1989) work focuses on the impact of state intervention on workers' control in Algeria, referred to there as 'autogestion'. This author concludes that

The state was responsible for curtailing the growth of autogestion by physically cutting its size, destroying working class organisation, and diverting resources to the petroleum sector. Moreover, the bureaucratic structures it introduced through the 1972 Agrarian Reforms increased centralised control of the autogestion sector's activities at the expense of democratic decision-making by workers...(1989: 297).

State control over co-ops in Africa is further confirmed by the work of Holmen (1990:39-48, 62). Holmen (1990: 50-52), however, goes beyond identifying the reality of extensive state control of co-ops in Africa, and attempts to provide some reasons for such

action on the part of the state. These are located in the nature of the 'Third World' state which the author describes as overdeveloped and centralised. Among these are external reasons: the inheritance from the colonial period of already autocratic state institutions; the importance of external recognition at the time of liberation often linked to development aid; the effects on class formation (in the recipient country) of methods of providing aid; a heavy reliance on external financial support and advice; the emphasis on urbanisation, industrialisation, modernisation; the perception of a cooperative network as a suitable channel for development; and the resultant need for a bureaucracy to receive and utilise development aid.

Internal reasons for the centralised nature of the state and its resultant control over co-ops, on the other hand, include: the absence of an economically strong 'middle-class' and their resultant 'latching on' to the state bureaucracy for employment; the emphasis placed on making national development plans of symbolic rather than practical value, and often to attract foreign capital and to demonstrate (at the level of rhetoric) state legitimacy; and the perceived need to build a state as a means towards building a nation (Holmen, 1990: 52/3). It is these internal and external forces which contribute to the concentration of power and wealth on the one hand, and to the highly centralised form of the 'Third World' state (ibid.: 53, 54). Furthermore, this feature of the state in this context

contributes to extensive state control of co-ops as part of development programmes which fit into national development plans.

In cases where some form of state support is rendered to co-ops in the East, Central, and Southern African regions, the state, apart from providing a legal framework within which co-ops can form and operate, channels resources through ministries and/or departments for services to co-ops. These include formulating development policies, providing education and training for department/ministry officials, budget preparation for co-ops, auditing, accounting, and management services, and in the case of the production of cash crops, central marketing authorities have been established. Further services that governments may provide include the provision and/or improvement of rural infrastructures, agricultural extension services, supply of seeds and other inputs, banking services, and credit facilities. Furthermore, governments can influence co-op development through their fiscal policy and foreign exchange regulations (ILO, 1988: 19-21).

Considering the effects of increasing state intervention in co-ops in these regions on the one hand, and the importance of the services the state can provide to co-ops in the interests of their development, the relationship between the state and co-ops is a central issue. We would agree with Rothschild and Whitt (1986) that the role of the state can only be limited. The experience of cooperatives in Africa as documented by Holmen

(1990), Kamden (1989), and Dominelli (1989), shows that too much state involvement can smother co-ops. All the state can really do as a support structure is to provide a context - legal, economic, and political - conducive to co-op development.

#### ***F. Significance of this Chapter***

Part one of this chapter is directly linked to the empirical work for the dissertation presented in later chapters. This part develops concepts with which to understand, and questions to pose to the empirical evidence. In this regard, Abell's (1981) principles of democratic organisation and Bernstein's (1976; 1983) necessary conditions for effective participatory democracy enable us to test the degrees of democracy and participation in the enterprises studied. In addition, Brecker's (1988) insights allow us to explore whether cooperative development is a process. The theory is thus directly linked to the objectives identified in the introduction to this work.

Part two is linked to the next chapter on the context in which South African cooperatives operate. Most of the constraints identified in part two are reflected in this context. The focus in part two on education, consciousness and support structures is linked to both the contextual material presented on South Africa and Zimbabwe and the empirical work of the dissertation. Part two of this chapter is thus directly linked to our exploration of

practical implications of participatory democracy in cooperatives  
in 'third world' contexts.

## Chapter Two The South African Context

### I. The Broader Context

#### *A. Introduction*

The aim of this chapter is to provide the specific context within which cooperatives in South Africa have emerged. It therefore provides a brief profile of South African society and proceeds with a general focus on the political economy of SA in the 1970s and 1980s. In the light of the empirical work presented in this dissertation, namely, cooperative activity among the marginalised population of SA, a focus on the 1980s is relevant considering the re-emergence of such activity over the last seven years. The purpose of this chapter is to provide, briefly, the socio-political and economic context in which cooperatives exist in SA.

#### *1. A Brief Profile of SA*

South Africa has the oldest and the most highly industrialised economy in the Southern African region. It has a population of over 31 million, with a majority (about 23 million) of black people. It is the most wealthy and also the most powerful in this region. Wealth, however, is unequally distributed: whites have access to the largest proportion of the wealth, income, economic opportunity, and education, while the poor of SA are mainly black. Nattrass (1988) provides some indices of such inequality. She notes that the distribution of income in SA is shaped by

social divisions according to 'race' and reflected in the occupational distribution which is structured along similar lines. The estimated average per capita incomes per population group in 1980 were: White, R4 026, Asians, R1 615, Coloureds, R709 and Africans, R362 (Nattrass, 1988: 30). Furthermore, whites hold most key positions in the formal sector: "[i]n 1980, they filled 60 per cent of the professional and technical situations, 92 per cent of the managerial and administrative positions, 61 per cent of the clerical jobs and 45 per cent of the sales workforce" (Nattrass: 1983 cf Nattrass, 1988: 30).

A further feature of the South African political economy, although it is in a transitional phase, is the exclusion of the bulk of its working population, blacks, from basic political rights and from participation in the dominant political institutions. These factors have combined to relegate blacks to a subordinate position in the economy and society. These issues have important implications for cooperative development among marginalised communities in SA.

The South African economy is predominantly capitalist, that is, the bulk of productive property is privately owned, with production being for private interests in pursuit of profit, through the employment of wage-labour. In addition, SA has a relatively large public sector, including the parastatals ISCOR, ESKOM, SAPPI, FOSKOR, and SATS. Self-managed cooperative economic activity plays a marginal role in the economy. In addition, the

South African economy is characterised by a very high level of economic concentration, with several large companies dominating most market sectors and large conglomerates operating in a wide range and a large number of sectors. Such forms of economic concentration under capitalism are commonly referred to as monopoly capitalism.

A specific feature of the process of capital accumulation in SA is the effects on this process of social divisions along lines of 'race', and, in turn, the effects of capital accumulation on these divisions. The relationship between racial discrimination and capital accumulation in SA has long been a subject of intense debate. Some economists have argued that racial discrimination hinders the effective operation of the capitalist market and thus hinders the process of capital accumulation in SA (Houghton, 1967; Moll, 1990). Liberal analysts have argued that economic growth would lead to the 'liberalisation' of society and the reduction of racial inequality. Some Marxist analysts, on the other hand, have argued that racial discrimination has been functional to capital accumulation in SA (Legassick: 1974; Wolpe: 1972). More recently, radical analysts have argued that racial discrimination cannot be seen as purely functional to capitalist accumulation. Rather the relationship has been seen as contradictory, changing, and prone to crisis (Posel, 1983; Wolpe, 1988; Saul and Gelb, 1986; Gelb, 1987; Nattrass, 1989).

The intricacies of this debate are not of relevance here. The work of Saul and Gelb (1986), however, is useful for our purposes since it provides a valuable analysis of developments in the South African political economy leading to the 'current crisis', which forms the historical and contemporary context for the re-emergence of cooperative activity among the poor in SA. We do not enter into the details of this analysis here. Instead, we proceed to highlight those aspects of the crisis of direct relevance to the emergence of contemporary co-ops in SA.

## ***B. The Crisis in SA***

### ***1. A Brief Historical Background***

For Saul and Gelb (1986), the key historical event which helped shape SA's 'racial capitalism' was the discovery of diamonds and gold at the turn of the century, and the subsequent development of a migrant labour system to service these industries (1986: 64). The migrant labour system has provided mining industry with a cheap labour supply - a key historical feature of the country's political economy. This system, it is argued, was necessary because of the high costs of mining low-grade ore and the fixed international price of gold over most of this century (Johnstone, 1976).

The growth of an urbanised, exploited and impoverished black workforce encouraged trade union organisation and working class

militancy, beginning with the Durban strikes of the early 1970s. Today, SA is characterised by relatively strong working class organisation with black trade unions at the core of such organisation. Furthermore, in 1987 only 2,6 million of an economically active population of 10,5 million was unionised, that is, just under twenty five percent (Maree & Torres, 1990: 13).

## ***2. The Crisis***

Saul and Gelb (1986: 77) argue that "structural contradictions [influx control, cheap black labour, gutter education, etc.] which...characterise the accumulation process under racial capitalism...were central to the development of the crisis of the 1970s". The authors identify some major elements of the crisis (1986: 71-76):

- (i) A saturated 'white' consumer market leading to a decline in manufacturing profitability and output.
- (ii) Increasing capital-intensity and population growth resulting in growing structural unemployment.
- (iii) A shortage of skilled black labour in relation to demands from industry, commerce and services.
- (iv) State promotion of independent heavy industries (steel, paper) resulting in heavy and inflationary state expenditures, compounded by increased expenditure on defense after the upsurge of political resistance in the 1950s.
- (v) A dependence on foreign capital and foreign exchange to finance imports necessary for further industrialisation.

Saul and Gelb argue that the solution to the economic crisis for the dominant classes is to establish "new conditions for accumulation" (1986: 78) in order to facilitate continued profitability and growth. Essentially, this entails overcoming the major structural contradictions identified above.

Overcoming the structural problems, however, is complicated by the fact that the economic crisis has been accompanied by a major political and ideological crisis - a crisis of social reproduction involving massive popular resistance, grassroots anti-state organisation, and strike action. This social crisis, they argue, poses the most serious immediate challenge to the state. Since the structural problems were directly related to the daily lives of the volatile black working class, overcoming them was not "simply a matter of economic adjustment" (1986: 79). Instead, it entailed also a political and ideological task. Hence the challenge facing the dominant classes is nothing less than the survival of the existing socio-political and economic system.

Of central importance is the fact that the economic and socio-political crisis of the 1970s and the 1980s represents a culmination of the contradictions embodied in class relationships in SA. The uprisings of 1976/77 and 1984/85 are clear manifestations of these contradictions.

Much research has been done on empirical evidence of the crisis (Kaplan: 1987; Cassim: 1987; Innes: 1986; Gelb: 1991; Archer et

al: 1990; Lewis: 1991). Among the empirical indicators is the rise in unemployment from about 20 per cent in 1982 to approximately 30 per cent in the late 1980s. Archer et al (1990: 167, 171) note an increase in the estimated number of unemployed from 3.3 million in 1980 to 6.5 million in 1986. Lewis (1991: 245) notes a 30 per cent estimate of unemployment in 1980 and a predicted estimate of 54 per cent by the year 2 000. Furthermore, Gelb (1991: 1) notes estimates of inflation of over 13 per cent per annum in the 1980s. According to Innes (1986), the country's foreign debt as a percentage of its gross domestic product rose from 8.4% in 1980 to 26.8% at the end of 1984. In similar vein, by the end of 1984, the country's debt equalled 94% of the value of its exports in contrast to 23% in 1980. In addition, 66% of these debts were short-term (Innes, 1986: 292, 297). This made the debt moratorium in 1985 all the more critical in the light of the country's increasing dependence on foreign debt.

#### ***a) Effects of the Crisis on the African Working Class***

Among the general effects of the recession on the African working class are low real wages, rapidly increasing unemployment, and a decline in living standards (Keenan, 1984: 137).

Further, according to Cassim (1987: 542), the crisis has precipitated a high rate of insolvency among firms and decreased output in manufacturing. These processes are associated with a long-term downswing in industrial employment and increasing

overall unemployment in the economy. The manufacturing sector in particular, the country's key generator of employment, has indicated a net decline in employment. From 1980 to 1986, just over 150 000 jobs were created in the formal sector while the labour force grew by about 1,5 million. While 185 000 jobs were created in the public sector over this period, about 30 000 jobs were lost in the private sector. Furthermore, the recession has marked an increase in the trend towards economic concentration with small firms being merged with bigger ones (Kaplan, 1987: 528). This process of rationalisation usually results in a loss of jobs. This makes it extremely difficult for the unemployed to find jobs and for those in jobs to hold onto them. Among the effects of unemployment are economic desperation, a loss of self-esteem, a loss of meaning, structure and coherence in people's lives, hunger, and isolation (Irvine: 1984). These features of unemployment have serious implications for unified working class organisation as well as for the development of cooperative enterprises.

### ***C. Organising the Unemployed: A Response to Unemployment***

In a context of structural unemployment, strong possibilities are opened up for struggles within the working class between those with and without work. More specifically, such struggles become real as the threat of unemployment and of almost immediate replacement with 'scab labour' in the event of dismissal is used

to discipline the labour force (Jaffee, 1986: 58). It is in the light of such struggles that some trade unions have begun to organise the unemployed. Such initiatives emerged around the mid-1980s. In this regard, unemployed workers' committees have been established by some unions. These structures are usually organised around issues such as Unemployment Insurance Funds, social security, consumers' and producers' co-ops, education, and skills development among other issues (Jaffee, 1986: 63; SALB, 1987: 36-38).

In 1987 organisations - from the Transvaal, the Western and Eastern Cape, and the Border region - involved in organising the unemployed met and agreed to establish the National Unemployed Workers' Coordinating Committee (NUWCC). The NUWCC is not affiliated to COSATU though it has links with this federation since most unemployed workers are former members of COSATU unions and still see themselves as belonging to the federation. In addition, COSATU has committed itself to supporting a union of the unemployed (SALB, 1987: 37). In its 1987 resolution it committed itself to "systematic support of the recently formed National Unemployed Workers' Co-ordinating Committee to achieve a national organisation and build a cooperative movement that serves the interests of the working class" (Resolution of the Second National Congress of Cosatu, cf. Jaffee, 1988: 3). The process of organising the unemployed is underway in SA.

According to Philip (1988), the strategies of unemployed workers' organisation are threefold: "firstly, they blame capitalist relations and the apartheid government for unemployment, and their long-term solution to unemployment is to end apartheid, and to build socialism; secondly, their organisational priority is to find ways of creating jobs now; and thirdly, they see strategies around welfare, advice and provision of services as a way of building their organisational support and strength" (1988: 33). The author notes that among these organisations' strategies for job-creation, are demands for a ban on overtime, a shorter working week - 40 hours, the public works campaign, and the establishment of cooperative enterprises (Philip, 1988: 34).

To date, the strategies adopted by unemployed workers' organisations have involved mainly ensuring that the unemployed get preferential access to jobs rather than the creation of new jobs. Although such strategies have helped build the organisation of the unemployed and foster unity between the organised unemployed and trade unions, they have not challenged unemployment (Philip, 1988: 35). In the light of this reality, Philip notes that cooperatives have a potential role to play as means of creating jobs. To start a co-op, however, requires resources ranging from financial to technical, as well as organisational and administrative resources and also skills. Often the lack of access to these resources and skills among the unemployed makes it difficult to start a co-op. Where the unemployed have been able to gain access to some of these

generally scarce resources, further limitations have faced them, for example, production for a competitive market dominated by monopolies, lack of access to loan capital for the purposes of expansion, among other limitations. This points to the intensity of the struggle among the unemployed to both find and attempt to create jobs.

***D. Small Business and Informal Sectors: Their Potential Role in Alleviating Unemployment***

Some scholars in SA have emphasised the importance of small business development in its potential to stimulate economic growth, as a means of job-creation and as a means of facilitating black economic empowerment in SA (Nattrass: 1970, 1972, 1985, 1986; Kantor cited in Philip: 1988; Rogerson: 1987). Others, however, argue that the small business sector has limited job-creation potential and point to real and possible contradictions in the former argument (Nattrass: 1990; Khosa: 1990; Lewis: 1988 cited in Philip: 1988).

The growth of the black taxi industry in SA in the 1980s illustrates the enormous potential for growth in the small formal and informal black business sector. A study by Khosa (1990) of this specific transport industry highlights some important factors contributing to its expansion. Nattrass (1990: 217), however, notes that promoters of small business development, particularly government officials and policy makers, often ignore

the fact that most small enterprises do not operate in such favourable conditions and do not possess the same potential for rapid economic growth. She argues, instead, that structural factors make for poor growth prospects among the majority of small (formal and informal) operators. Among these structural limitations are the increasing concentration of capital in SA, the unequal relationship between formal and informal operators as a result of their respective position in the market, and the high cost of credit (Nattrass: 1990, 223-225).

The state's easing of restrictions on African trading rights fits into the position generally held among government circles that the informal sector has great potential as a source of income and employment, and as an alternative for welfare provision. This view tends to portray the informal sector as a cheap solution to SA's unemployment and welfare problems. Nattrass (1990: 220) notes two key problems with this view: the first is that it assumes the formal and informal small business sectors are able to create jobs on a substantial scale, and the second is the use of this perspective to justify and reduce the degree of unemployment in SA. In this regard, people not engaged in formal employment are assumed to be employed in the informal sector, rather than unemployed. So, people engaged in informal economic activity as a means of material survival are seen as employed, economically self-sufficient, and thus fall outside of state responsibility for their welfare. This is so irrespective of the reality of low wages and meagre economic returns which

characterise the bulk of such economic activity in SA (ibid.: 220/1). The average net monthly income for self-employed informal operators is estimated at R534 while the figure for employees in this sector is estimated at R342 (Central Statistical Services, 1990: 44/5).

Nattrass (1990) notes that available evidence on the performance of small enterprises (both formal and informal) suggests a limited potential for employment opportunities and poor remuneration. Dewar and Watson (1981, cf Nattrass, 1990: 222), in their survey of the informal sector in Cape Town, found that only 4 per cent employed over 3 people. Beavon and Rogerson (1982, cf Nattrass, 1990: 222), found that a tiny minority of informal sector operators received incomes higher than the lowest wage scale in the formal sector. Furthermore, Rogerson and Hart (1989: 29) point to the numerical significance of street traders, particularly hawking, in SA's informal economy. In addition, the authors note that the bulk of empirical evidence suggests that hawking is essentially a survival strategy for people forced to eke out a meagre existence in the informal sector.

In sum, small businesses, both formal and informal, seem to have some potential for employment creation. The evidence, however, indicates that this potential is limited. Furthermore, where such potential does exist, in most cases the economic returns, whether in terms of wages or profits, are meagre.

The formation of producers' and consumers' cooperatives amongst marginalised blacks in SA re-emerged in the 1970s and 1980s as a response to growing unemployment and impoverishment. Considering that these enterprises share similar features to informal enterprises, co-ops can be seen as part of the informal sector.

Among the similarities are

- (a) their formation as survival strategies;
- (b) low wages and meagre economic returns;
- (c) their unregulated nature, namely, that co-ops are not licensed, usually do not pay taxes, and do not comply with wage, health and safety, and product standard regulations and
- (d) the lack of official attention paid to such enterprises in terms of a facilitative legal framework and economic policy.

The rise of the De Klerk era in 1990 and the onset of negotiations with the now unbanned African National Congress has, however, influenced processes of developing a post-apartheid constitution and post-apartheid economic policy. In the light of these new political developments in South Africa there may be some hope for cooperatives and other informal enterprises. In its constitutional guidelines, the African National Congress mentions state support for a cooperative sector intended to form part of a mixed economy in South Africa (Jaffee, 1990: 191). Furthermore, Cosatu views cooperatives as 'the real informal sector' (Weekly Mail, December 1988). Finally, ongoing debates about post-apartheid economy and society emphasise the informal sector as a priority on the future policy agenda (Rogerson: 1988; 1991). Gelb (1990) and Kaplinsky (1990) contribute to the discussion on possible contributions of the informal sector to economic

strategy in South Africa. In the light of these developments, cooperatives are likely to receive some attention in the future.

## II. Cooperative Development in South Africa Today

### A. Introduction

The previous section outlined the broader social context in which co-ops in SA have emerged. The focus was essentially historical. This section, on the other hand, attempts to provide an indication of the more immediate context in which co-ops exist. The focus here is thus on the contemporary situation and on institutions and debates that are of direct relevance to cooperative development in SA.

In this section we give the reader a brief overview of the state of co-op development in SA today and provide an outline of key centres of cooperative activity in the country. Furthermore, we focus on the emergence of service organisations involved in both initiating and providing services to co-ops. We proceed to give a profile of co-ops formed among the marginalised population of SA, and highlight the practical constraints facing these enterprises. In addition, we note the broader issues for concern among co-ops in this country. A further issue touched on in this section is the relationship between the state and co-ops in SA.

The history of black cooperatives in South Africa remains undocumented. Ruiters (1990), however, attempts to address this

lacuna. According to Ruiters (1990: 3) blacks have been engaged in cooperative activity since the first decade of the twentieth century. He notes that the earliest reference to such activity can be traced to 1909 (1990: 5). In the context of processes of urbanisation and proletarianisation during the 1930s and 1940s there appears to have been an increase in cooperative activity, with the first black co-op having registered in 1931. This was the *Umzumbi District Bantu Trading Society* (1990: 5, 1, 10). Ruiters (1990: 9) traces the existence of registered black consumer societies mainly in urban areas with several unregistered producer co-ops in operation. A key feature of the history of these co-ops is a lack of state support, and an environment of economic competition and legal harassment.

Since the 1970s, there has been a resurgence of cooperative activity among the marginalised population of South Africa. There is little written material on cooperative activity from the 1970s to the present. Furthermore, the written information available, is scattered and needs to be centralised. The bulk of information on co-ops in this country is at present mainly in primary form. Research in the field has only just begun. Hence there is very little analytical material on the issues confronting producer co-ops. Among the few authors who have published analytical work on the subject are Philip (1988), Etkind (1989), and Jaffee (1988; 1990; Lupton; 1991). Other works are mainly historical and empirical.

The novelty of producer cooperation as an activity and of research in the field, and the scarcity of written information is reflected in the brevity and skeletal nature of this section. Nevertheless, this section does give the reader a picture of cooperative activity in the country today. This should help to contextualise the information dealt with in the case study material presented later in the dissertation.

### ***B. Types of Cooperatives in South Africa***

There are two components to cooperative activity in South Africa: (a) the agricultural marketing co-ops and consumers' co-ops established mainly among white farmers from as early as the 1890s with the sustained development of marketing co-ops since 1922 and, (b) producers' and consumers' co-ops established since the early 1900s among the marginalised population of SA, mainly blacks. The latter component, sometimes referred to as the 'progressive' co-op movement in SA, experienced a resurgence in the 1970s and '80s partly in response to growing unemployment and impoverishment in the face of the economic and socio-political crisis in SA. The focus of our attention is on producers' co-ops in this era.

It is important to note that many cooperatives, today considered to be part of the 'progressive' co-op movement, started off essentially as self-help groups and/or income generating projects. This is especially the case in rural areas where

churches with mission stations, for example, the Moravian and Catholic churches, were actively engaged in initiating such ventures. In many instances self-help groups and/or income generating projects have developed into, or at least laid the basis for producer cooperatives. It is thus difficult, and we would argue, distorting, to ignore the links between such groups and projects and the eventual emergence of cooperative productive activity in SA.

There is no formally established progressive cooperative movement in SA today. Instead, a diversity of producers' co-ops at various stages of formation are scattered throughout the country.

Clusters of co-ops linked to service organisations and trade-unions can be found in most provinces. We proceed with a brief overview of some of the major clusters of co-ops. Since information about cooperative activity is as scattered as the co-ops themselves, this overview is by no means complete. It does, however, give one an outline of key centres of co-op activity in the country.

## *C. Clusters of Producer Co-ops in SA*

### *1. Co-ops Linked to Service Organisations*

#### *a) The Northern Transvaal*

The vicinity of Elim in the Northern Transvaal marks one of the first rural areas in SA characterised by the development of producer cooperative enterprises and a cooperative network. These enterprises emerged in the context of the state's 'homeland' policy; the resultant forced resettlement and removal of people; the process of impoverishment of the reserves; and a dependence, especially among women, on meagre and often irregular migrant remittances. Income-generating projects which later gave rise to a system of cooperative production, provided a means by which mainly women in the area were able to establish an economic base in the local community.

The Tiakeni Textiles Cooperative, the first industrial producer cooperative to be registered in 1980 with the Department of Cooperatives in Pretoria, was among the first co-ops to be established in the Elim area. The cooperatives in this network, namely, Tiakeni, Sasekisa, Twananani, and Thlari, are engaged in craft production. These enterprises are linked to a support-collective for cooperative organisation, Itsidu, established in 1978/9, which receives some of its funding from donor agencies. Collins (1990) provides an account of the history of co-op development and networking in this area.

According to Collins (1990), Tiakeni has been described as a viable producer cooperative since all costs are met from sales, and the co-op has had no donor financing beyond the provision of starting capital and a soft-loan which was repaid over the agreed period. Furthermore, Tiakeni has provided its members with regular incomes which have increased by about 15% per year from 1981 to 1987, while the cooperative's annual turnover increased steadily from R88 376 to R175 669 in 1987 (1990: 40, 41).

Twananani's annual turnover reached R50 000 by 1986. Though monthly earnings in Twananani have increased steadily by about 25% per annum, member income levels remained low ranging from R100 to R145 monthly (ibid.: 82). Monthly earnings per member in Tiakeni were similar to those in Twananani over the same time period (ibid.: 106). Monthly earnings in Thlari ranged from R10 to R65 per member from 1985 to 1986 (ibid.: 98). These figures indicate that even though these small-scale enterprises have provided their members with regular incomes, income levels are generally very low and can thus only serve as supplementary income. In this regard, one could question the viability of these co-ops as economic units for the purposes of providing income beyond supplementary and subsistence levels.

#### ***b) The Eastern Cape***

In the Eastern Cape, more specifically, Grahamstown, a cluster of about seven co-ops, involved mostly in handcrafts, is in

operation at the Old Power Station. Five of these enterprises are producers' co-ops, one is a milk buying co-op, and one is a cooperative management and marketing consultant for the producer groups, namely, Cooperative Development and Marketing (CDM). These cooperatives have been in operation since 1984 (CDM: 1988).

### *c) The Western Cape*

In the Western Cape, groups of co-ops have been established mainly in the township and 'squatter' areas on the outskirts of Cape Town. These co-ops are generally linked to service organisations funded by donor agencies. Some of the clusters of co-ops in this region exist in relation to the following service organisations: the Quaker Peace Centre, Masizakhe, and the South African Labour and Development Research Unit (SALDRU) at the University of Cape Town. In addition, more recently, unemployed workers' organisations such as the Unemployed Workers' Movement (UWM) and the National Unemployed Workers' Coordinating Committee (NUWCC), subsequently merged to form the Western Cape Unemployed Workers' Union (WECUWU), have begun to take an interest in supporting and initiating co-ops. The majority of these co-ops are not economically viable.

Furthermore, in Montagu, a town just north-east of Cape Town, a set of four co-ops, three of which are engaged in small-scale furniture manufacturing, and one involved in providing services to these producer co-ops, has been established. These enterprises

are linked to the Montagu and Ashton Community Services (MAG), a community development organisation. The producer co-ops in this area are potentially economically viable enterprises producing high quality goods for an exclusive market.

It is from among these two sets of co-ops in the Western Cape (co-ops in the 'squatter' areas and in Montagu) that the South African case studies for this dissertation have been drawn. Details of the viability of some of these enterprises will be dealt with in the case studies.

Furthermore, in the Western Cape, embryonic umbrella associations for co-ops, on the one hand, and for service organisations involved with co-ops, on the other, have recently emerged. The purpose and functions of these associations, however, are presently unclear.

## ***2. Co-ops Linked to Trade Unions***

The past seven years, a period during which the contradictions embodied in South African society have come to boiling point, have marked a notable increase in the number of small cooperative and self-help projects established in both the urban and rural areas of the country. Some of these cooperatives have emerged in response to mass dismissals and retrenchments, for example, the *Sarmcol Workers' Cooperatives* (Sawco) and *Zenzeleni* in Natal, the National Union of Mineworkers' (NUM) co-ops in Phalaborwa, and

*Thusanang* near Brits in the Transvaal. These have been among the first such enterprises to be supported by trade unions. The union involved in *Sawco* and *Thusanang* is the National Union of Metal Workers of SA (NUMSA, previously the Metal and Allied Workers' Union (MAWU)); the National Union of Mineworkers (NUM) is involved in the establishment of co-ops in Phalaborwa; and the Amalgamated Clothing and Textile Workers' Union of South Africa (ACTWUSA), subsequently merged with the Garment and Allied Workers' Union (GAWU) to form the South African Clothing and Textiles Workers' Union (SACTWU), founded *Zenzeleni*.

**a) Natal**

**a) The Sarmcol Workers' Cooperatives**

The *Sawco* co-ops are among the most well known groups of co-ops in Natal. The process of setting up these co-ops commenced in November, 1985 during the course of the legal strike at BTR Sarmcol, in Howick, which started in May of that year. The strike was in response to this British multi-national company's refusal to recognise the Metal and Allied Workers' Union (MAWU). The *Sawco* co-ops were formed to support the striking workers and their families, most of whom are part of the Mpophomeni community in Howick.

This group of enterprises consists of a producer cooperative engaged in silk-screening on T-shirts; a co-op providing health

services to the local community; an agricultural co-op which provides food for the local community at reasonable prices, and for the purposes of supplementing strikers' food parcels supplied by the union; a buying co-op; and a cultural co-op involved in the production of plays depicting the strikers' struggles, and a choir.

A key feature of the Sawco co-ops is their direct link to NUMSA. The union raised the capital required to start the T-shirt co-op (the first of the Sawco co-ops), hence, the union owns the capital equipment of the co-op. Furthermore, the co-ops are structurally linked to the union - they are represented on shop steward and local union branch structures. A further unique feature of the co-ops is that they started essentially as strike-support mechanisms, not as job creation programmes. Participation in the co-ops during the strike thus entailed voluntary work. By the second half of 1987, however, the strikers heard that they had lost their case against the company in the Industrial Court. This news marked the end of the strike and a shift in the objectives of the co-ops from strike-support to building economically viable enterprises. This shift in the objectives of the federation of Sawco co-ops was accompanied by a shift in its structure (SALB: 11/4, 1986; Philip: 1988; Bernstein and Ross: 1987).

By 1988, none of the Sawco co-ops were producing a surplus. The T-shirt co-op provided workers with some form of subsistence

while the agricultural and buying co-ops have continued to supplement the provision of food. Both the Sarmcol strike and the formation of the Sawco cooperatives have been relatively well documented. Bonin (1987) is a key work on the strike itself. Philip (1988) is the only available case-study of the co-ops. She examines the historical development of the co-ops and the problems and contradictions experienced during this process (SALB: 11/4, 1986; Philip: 1988; Bernstein and Ross: 1987).

With specific reference to Sawco, Philip (1988: 140) concludes that the co-op's link to NUMSA provides an institutional barrier to its degeneration into a capitalist enterprise because ownership of the means of production is vested in the union. She further concludes that this link serves as a political barrier to degeneration by reinforcing co-op members' identification with the organised working class. For Philip, this ownership structure anticipates a type of social ownership.

At a more general level, Philip (1988: 146) concludes firstly, that co-ops have some potential, albeit limited, to provide jobs for the unemployed and secondly, that co-ops are essentially a means for survival. She further concludes that if such enterprises are to survive in the long-term, they would require various forms of support from the democratic movement in SA (1988: 161).

## b) Zenzeleni

In 1988 ACTWUSA discovered that Frame Group, the largest employer in the Southern African textile industry, intended to retrench three thousand workers from its workforce of twenty-two thousand. These retrenchments were to take place over three years in response to rationalisation and restructuring processes in the local textile industry. In the light of this retrenchment scheme, ACTWUSA negotiated an agreement with the management of the Frame Group to establish a job-creation project for the workers facing retrenchment. Hence the formation of *Zenzeleni* in February, 1989. The Frame Group Company agreed to make available R2,5 million to the union for the establishment of *Zenzeleni*, essentially a union-owned and -controlled cooperative. The cooperative employs three hundred workers and is engaged in clothing manufacture, specifically, T-shirts for Cosatu affiliated unions and workwear such as overalls. It is regarded as the largest co-op in both Natal and South Africa (Employment Law: 1989; Cormack: 1990; Workteam: 1990; Lupton: 1991).

Workteam (1990: 6-10) points to some of the problems and struggles in the co-op around ownership and worker-management relations. These relate mainly to the structure of the enterprise as union-owned and -controlled. The co-op's major supplier is Frame Group. Furthermore, the enterprise has been running at a loss mainly because of a decline in the market, specifically the solidarity T-shirt market. Among the strategies adopted by the enterprise in response to this market decline has been to obtain

large tender contracts with Edgars and Anglo American Corporation among other enterprises.

This strategy marked the co-op's entry into the clothing manufacturing market. This, in turn, had contradictory implications for Zenzeleni's relationship with the trade-union movement:

an increase in the cooperative's share of the market heralded a decrease in that of its competitors, some of whom employed union members (Lupton, 1991: 7).

Lupton (1991: 10) concludes that Zenzeleni's experience of close links with a trade-union raises concern about the role and extent of trade-union involvement in co-ops. He argues that

[t]rade-unions, by virtue of their status as working class formations directed at struggling against capital and management, are placed in a contradictory situation when they become owners of the means of production. For Zenzeleni, ownership clearly rests with the union and not with the worker members. The possibility therefore exists for a divergence of interest between members of the cooperative and the union (1991: 10).

Furthermore, he concludes that Zenzeleni's experience presents a future government with the challenge of providing institutional support for co-ops (1991: 10).

## **b) Transvaal**

### **a) The NUM Cooperatives**

According to Kate Philip, the projects coordinator for the NUM, this union has helped ex-miners to start co-ops in the Northern

Transvaal, the Transkei, Lesotho and Swaziland. These ex-miners were dismissed from Foskor after the mineworkers' strike in 1987.

Thus far, the only NUM co-op on which some documentation exists is the Phalaborwa Workers' Cooperative (Pawco) which produces T-shirts. This co-op was formed after battles between the residents of Namakgale and the police during the miners' strike. Pawco started with fifty members in March 1988, almost three years after the dismissals. Due to practical constraints such as skills and capital shortages, the co-op struggled to survive initially. After education workshops on the specific skills requirements of the co-op, however, operations have improved:

Since the start of 1989, PAWCO has been financially self-sufficient; it has paid back the loans given by NUM, it has paid wages consistently, and the wage rates in the co-op have steadily increased. Workers earned an average of R400 a month over the last five months, and were able to pay themselves R1 000 Christmas bonus. All 50 members now work full-time" (Philip: 1990 (b)).

The NUM's support for co-ops is linked, firstly, to the need to develop a local economic base in the rural areas from which most of its membership is drawn. The development of a local economic base is seen as necessary for the purposes of creating jobs locally, in part, an attempt to lay the basis for halting the migrant labour system, historically the key feature of the South African mining industry. Secondly, in the light of likely future mass retrenchments in the mining industry, and NUM's limited resources to deal with the resulting level of unemployment among its members, co-ops are a potential form of job creation. Philip

notes that it is hoped that NUM's practical experience in building such models of job creation can provide a basis for policy formulation (Philip: WM, 17-08-1990).

According to Philip, NUM's policy on co-ops stresses the need for co-ops to develop into economically viable enterprises, capable of surviving in a market economy and providing their members with job security and regular incomes. She notes that NUM co-ops have already had some success in reaching this goal: the Phalaborwa Workers T-shirt Printing Co-op (Pawco), with a membership of fifty people, has been able to pay better wages than the minimum in the mining industry, for more than a year (Philip: WM, 17-08-1990; SALB: 14/7, 1990).

#### **b) Thusanang**

The *Thusanang Cooperative* was initiated in 1984 by the Unemployed Workers' Committee (UWC) in Brits, a decentralised industrial area about ninety kilometres north of Johannesburg. This Committee was formed in the aftermath of two strikes: one at B&S Engineering and the other at Autocable. The workers at both these factories were organised by the Metal and Allied Workers' Union (MAWU) at the time. These strikes and the subsequent dismissal of the entire workforce at B&S are significant in understanding the workers' solidarity out of which the cooperative emerged. MAWU challenged B&S in the industrial court and won the reinstatement of only 275 workers. This victory was, however, short-lived as

the company closed down one of its plants shortly afterwards, leaving most workers unemployed once again. In the light of this closure and the scarcity of jobs in the area these workers, still highly organised, decided to create their own work by forming the co-op (Jaffee: 1987; 1988).

The co-op started with three production units: a sewing co-op run by about fourteen women; a fencing co-op run by five men; and a brickmaking co-op, also operated by five men. Most of the time these economic activities had been unable to produce a surplus. Among the major problems of the enterprises were a severe lack of starting and working capital, a limited local market for their products, lack of education and training and inappropriate technology (Jaffee: 1987; 1988).

In the context of these problems, democratic organisation in the enterprises was being eroded. One of the ways in which this process manifested itself was in increased gender-based conflict among the members. As a result, the production units separated within about eighteen months. With a view towards expansion, the brickmaking enterprise employed casual labour at low rates of pay. Jaffee (1988) provides a detailed analysis of this process of degeneration of the enterprise. She attributes this degeneration partly to the breakdown in the relationship between the union and the workers engaged in these enterprises (1988: 37).

The struggles and problems experienced by *Thusanang* are similar to those in most co-ops, both locally and internationally. For Jaffee (1988: 39), despite these problems, the experience of the *Thusanang Cooperative* suggests that in the context of extreme poverty, high unemployment, limited social welfare, and oppressive formal work environments, co-ops can provide some benefits. These include, firstly, enabling people to regain control over their lives through collective support; secondly, developing new skills; and thirdly, providing centres of debate about new forms of work organisation. She further notes that union involvement in establishing co-ops for the unemployed can only be considered in the context of a union commitment to funding, skills training, political education and supportive services (1989: 40).

As will become apparent later in the dissertation, this brief overview of cooperative activity in SA shows that unlike in Zimbabwe, SA has little historical experience of comparable co-ops to draw from. The history of cooperative activity among marginalised communities in SA is essentially in the making at present.

The one reference of cooperative activity we do have in SA is the formation of consumer co-ops and agricultural marketing co-ops among Afrikaners during the early 1920s and 1930s. The consumer co-ops were established mainly as means of relieving poverty among the poor, while marketing co-ops essentially provided a

mechanism by which big farmers could secure a place in the market to sell their goods at subsidised prices with government support. This situation gave big farmers a monopoly over the market. According to Franks and Shane (1988: 45), during the 1930s, "the cooperative was propagated as a truly Afrikaner organisational form which might ultimately provide economic salvation for the Afrikaner".

#### ***D. The Emergence of Service Organisations***

The increasing emergence of cooperatives over the last six years has been accompanied by the emergence of service organisations involved in both initiating new cooperative enterprises and providing support and services to already existing ones. The activities of such organisations encompass various services: acquiring funds for cooperatives; providing technical, educational, and managerial assistance; assisting in the marketing of products; and facilitating links with other cooperative enterprises and service organisations.

A wide range of organisations support and initiate cooperatives: working class organisations for example, NUWCC and COSATU, and trade unions such as NUM and NUMSA, grass roots community organisations, organisations promoting black business development (for example, the Small Business Development Corporation (SBDC)), multinationals (such as Shell and Mobil), foreign embassies, development agencies, and progressive service groups often

comprised of intellectuals with close links to grass roots community structures. The goals and objectives of these organisations are about as varied as their origins.

Jaffee (1988: 11-13) provides useful distinctions between the range of perspectives and combinations of perspectives among these organisations. These can be summarised as follows:

a) The 'small is beautiful' perspective, held mainly by people in organisations linked to the state and the private sector, sees the cooperative as a form of organisation suitable for marginalised people as a form of income generation on a collective basis. People holding this view have not encouraged the linking of such collectives with broader social movements. Such organisations are mostly concerned with deregulation and the promotion of the informal sector as methods of solving particular economic problems. Examples of such organisations include the Urban Foundation and the Small Business Development Corporation.

b) The second perspective, an incorporationist one, is held mainly by black small entrepreneurs who see cooperatives as possibly playing an important role in admitting excluded and disadvantaged people to participation in the capitalist economy.

c) A third perspective, cooperatives as a means of uniting the working class, sees co-ops as creating links between the employed and the unemployed. This is essentially a defensive strategy for

dismissed workers and is advocated mainly by those organising the unemployed. The offensive strategy within this perspective, held mainly by co-ops linked to trade unions, views such enterprises as potential learning grounds for workers and trade unions in workers' control and democracy. These approaches see cooperatives as potential sites of and for working class control and power in the broader community, and recognise that such enterprises cannot bring about economic and social transformation on their own.

d) A fourth perspective, co-ops for national liberation, views such enterprises as a form of organisation with the ability to mobilise people into the struggle for national liberation in SA. This position is also implicit in approaches (b) and (c) summarised above.

e) The final perspective, co-ops to build socialism, is somewhat value-laden in its assumption that since co-ops are owned and controlled by the producers they represent, in microcosm, the form of socialist society. A further position within this broad perspective holds that cooperatives, if linked to organisations with socialist goals, can contribute to the propagation of socialist ideology.

These perspectives on the long-term goals of cooperatives reflect the various priorities of current cooperative initiatives. It is important to note, however, that irrespective of the diversity of approaches all organisations promoting cooperative activity face

the same structural difficulties presented by the South African social and economic order.

### *E. A Profile of Emergent Producer Co-ops in South Africa*

Philip (1988) attempts to provide a typology of producers' co-ops in SA (Philip: 1988: 161\2). Despite some omissions, the author provides a relatively comprehensive and useful list of the producers' co-ops in SA, their productive activities, their age, membership size, and income per month.

The South African co-ops of the 1970s and '80s are embryonic in character. By 1988 most of them had been in operation for about four to six years. Furthermore, there is little variation in the products of these enterprises. Among the predominant activities are sewing and craft work involving mainly women. There is a tendency of rapid formation accompanied by equally rapid collapse among sewing co-ops. This pattern reflects a tendency for co-ops to be formed without prior market research or economic feasibility studies (Philip, 1988: 79).

In addition, there is a variety of characteristic problems faced by sewing co-ops in SA. Among the major problems are a very limited market and a reliance on domestic rather than industrial machines, adversely affecting viability and output, respectively. With regard to the Western Cape, the increasing number of sewing

co-ops in this region is a reflection of processes of rationalisation and concentration in the clothing and textiles industry, resulting in mass retrenchments of female workers. Members of sewing co-ops with experience in industrial clothing manufacture are generally at an advantage to those women who rely on their basic sewing skills. They do, however, have to compete with both commercial prices and factory-shop prices, that is, shops which sell directly to the public at wholesale prices. Furthermore, SA's clothing industry is highly competitive and exploitative leaving few sewing co-ops able to compete on the terms set by this industry (Philip, 1988: 80).

Extremely tight competition in a limited market is thus a key factor contributing to the rapid collapse of sewing co-ops. Nevertheless, sewing tends to constitute one of the predominant productive activities among co-ops in SA.

The next most common productive activity among co-ops is craft work. While the majority of these enterprises are based in rural areas, their market is located in urban areas with the middle-classes being their target group. With fashions constantly changing, marketing strategies of craft co-ops are often unreliable. Furthermore, retailers often exploit producers by buying goods at very low prices and selling them at much higher prices. In response to such practices, Self-Help Associates for Development Economics (SHADE) initiated the National Craft Association in 1984. This association has 29 affiliates and

provides collective marketing services specifically for craft co-ops (Philip, 1988: 81).

In addition to sewing and craftwork, other productive cooperative activities include brickmaking, fence-making, furniture manufacture, weaving, motor and mechanical repairs, spray-painting and panel-beating, silk screening on T-shirts, toy making, pottery, candle-making, and futon production. There are also a number of burial societies and credit groups. Among the oldest and well known credit unions is the Cape Credit Union League based in the Western Cape.

Furthermore, average monthly income in co-ops as estimated by Philip (1988: 146), is R144 monthly, with R280 representing the highest monthly income. She estimates the average membership of co-ops in SA to be eleven people (ibid.).

Most cooperatives in SA are dependent on external funding while very few have been able to provide their members with living wages. Further, it is a common experience among co-operators in SA to receive irregular income. For members this often means no income for periods of up to five months. This profile of co-ops in SA clearly indicates that co-ops in this country provide low and irregular incomes and involve only a fraction of the masses of unemployed. In the light of this evidence, a focus on the practical constraints facing such enterprises is in order. We thus proceed to highlight some of these constraints.

#### *F. Practical Constraints Facing Co-ops in SA*

This section attempts to give the reader an overview of the practical constraints facing producers' co-ops in SA today. In this regard we draw on particular case studies of such enterprises (of which there are only a few) and highlight the common problems and constraints faced by various co-ops. The South African case studies referred to include the works of Petre (1987), Bernstein (1987), Jaffee (1988), McIntosh and Friedman (1988), Philip (1988, 1990), Cormack (1990), Lupton (1991), and Collins (1990). A further key reference drawn on in this section is the publication by Jaffee (1988).

Among the practical problems raised by these case studies are firstly, a severe shortage of financial resources, more specifically, starting capital; a lack of technical skills in general, and a specific lack of management skills. Among managerial skills one can include entrepreneurial skills, marketing, costing, accounting, ordering goods, conducting meetings, among others. Further constraints are difficulties in penetrating the market; illiteracy and innumeracy; disciplinary problems; a lack of cooperative consciousness; inappropriate technology; a weak competitive position in relation to conventional capitalist commercial, financial, and industrial enterprises; low productivity levels, and in some cases, a lack of organisational experience.

These practical constraints are obstacles to the development of economically viable and democratic cooperative enterprises. The origins of these constraints are embedded in the history and structure of South African society. People most likely to form and/or join co-ops in SA are generally from the economically and politically marginalised population, mainly blacks. In general, these people do not have access to substantial financial resources. Furthermore, the profound lack of skills among co-ops is rooted in the effects of racial capitalism and patriarchal social relations.

These initial constraints faced by co-ops hinder the development of economically viable cooperative enterprises. This often results in a failure on the part of co-ops to provide regular wages. Among the implications of these constraints are a dependence on donor funding and a high failure rate among co-ops.

These severe practical constraints facing co-ops in SA confirm the limited potential of co-ops to alleviate unemployment through job creation. Philip (1988) examines the potential for co-ops to create jobs.

She notes that in the context of high levels of structural unemployment in SA and the immediate need for job-creation, the NUWCC, the Congress of SA Trade Unions (COSATU), and the South African Youth Congress (SAYCO) have expressed support for the

establishment of producers' cooperatives as possible means to create jobs, and simultaneously, as mechanisms for providing forms of work organisation alternative to capitalist enterprises (1988: 2).

Philip (1988: 145, 146) concludes that the potential for co-ops to create jobs is contingent on their economic viability. Her conclusion is based on evidence that none of the co-ops visited by her provided their members with a living wage, some provided irregular income for their members, and one was making a loss at the time. The author further concludes that this evidence, claimed as representative of the economic performance of co-ops in SA, seems to indicate that such ventures have limited potential to provide alternative employment to wage-labour. On this basis she notes that cooperatives in SA serve mainly as a means of survival. She further notes that the extent to which such enterprises can serve as survival mechanisms for the masses of unemployed in SA is debatable. Her estimation of the average membership of co-ops as eleven people supports this conclusion.

Her argument that co-ops have a limited potential to provide employment is further supported by the real experiences of the Sarmcol co-op: The following quotation from a speech by the chairperson of the enterprise is a clear illustration of this limited potential:

But even when we had done all of this [set up several cooperative projects], Sawco involved only a small number of the strikers directly. Even now, in 1988, there are about 80 members of Sawco compared with the

number of strikers, which is 1 000. We realised that it is impossible to create employment for all the strikers - we do not have the resources. From this experience we have understood that co-ops cannot be a solution to the problem of unemployment. There are millions of unemployed people in SA. Co-ops cannot create jobs for all of them, just as we could not create jobs for all our striking members" (Dladla: Chairperson of Sawco: 1988).

In addition to these very specific practical constraints facing co-ops in this country, the historical and socio-political context of their emergence has stimulated a focus on much broader issues. One of the key issues for debate has been the role of co-ops in the broader democratic movement in South Africa. Philip (1988) and Etkind (1989) have dealt with this issue.

### ***G. Co-ops and Socialism***

Working class organisations in SA see cooperatives as both a potential means for job-creation, and means for providing a democratic alternative to capitalist enterprises (Philip, 1988: 2; Jaffee: 1988; Speeches in Jaffee: 1988).

Co-ops are a transitional stage to socialism. If you establish a co-op, in the long run it will topple capitalist industry (SA: a member of the Soweto Local of the UWCC defining the role of co-ops in SA: cf Philip, 1988: 68).

Philip explores the potential for co-ops to fulfill these roles. She starts off on the assumption that "for co-ops to make any contribution at all, they have to be economically viable" (1988: 2). A central theme of her work with regard to the potential for co-ops to bring about socialism is that, in addition to being economically viable, co-ops with this aim are more likely to make

some contribution if they are directly linked to broader forms of democratic organisation in the society. This theme is significant in the light of a general concern among the organised unemployed in SA that co-ops do not become ends in themselves; instead cooperators should continue to identify with a broader political programme (1988: 4).

With reference to the potential of co-ops to contribute toward the process of transition to socialism in SA, Philip (1988: 68) rightly points out that "democratic control of production in co-ops does not in itself pose a challenge to the maintenance of capitalist relations of production at a societal level; co-ops operate within the framework of those relations". A perception of co-ops as 'vanguards of a socialist strategy' (in Philip's terms) essentially ignores the fact that exploitation at work and unemployment is based on the maintenance of class relationships in broader society. A transition to socialist relations of production thus requires processes of intense political struggle against class relations of domination in society as a whole, not merely at the point of production (1988: 69).

In support of her argument, the author quotes England (1987):

Co-ops cannot solve the contradictions of the capitalist state - nor can they adequately pick up the pieces. They cannot LEAD the struggle towards a socialist order. But, in certain circumstances, they may have the capacity to contribute towards that struggle in a meaningful way (England, 1987: 148 cited in Philip, 1988: 69).

The question which logically arises is the following: In what ways can co-ops contribute to the political struggle in SA? In response, Philip (1988) suggests some such ways.

Firstly, the author suggests that cooperative production can be the learning ground for democratically organised production and planning. The latter are processes central to democratic socialism (SA Metal Worker cited in Philip, 1988: 69). The real potential for co-ops to play this role depends, however, on various factors including the size of the co-operative movement (1988: 70). Secondly, she argues that, the growth of a cooperative sector can provide an ideological frame of reference for the support of socialism.

In this regard she further notes that co-ops may be the catalyst for the development of a socialist consciousness. Here she refers to England (1987) who argues that this is the case in Zimbabwe, where both the trade unions and the political organisations are failing to lead the process of socialist transformation.

Thirdly, drawing on the work of Thornley (1981), she suggests that "part of the role of co-ops is to defend the working class from the excesses of capitalism" (Thornley, 1981: 157 cited in Philip, 1988: 71). Co-ops are thus a potential defensive component of a broader political strategy towards strengthening working class organisation (Philip, 1988: 71). Hence the

importance of links between co-ops and broader progressive social movements and processes of democratisation in society.

In sum, then, co-ops cannot challenge capitalist social relations at a broader societal level. In this regard they have limited potential as offensive weapons against the maintenance of these relations, and cannot lead a transition to socialism. On the other hand, however, "co-ops can strengthen the potential of a broader socialist project - by empowering workers, by building the skills needed for democratic control of production and planning, by prefiguring aspects of work organisation under socialism, and by defending the working class from some of the worst ravages of capitalism" (Philip, 1988: 72).

Etkind (1989: 54) supports Philip's (1988) conception of the role of co-ops in social transformation as limited. He notes that the link between co-ops and socialism is only partial and that co-ops are not merely a microcosm of socialist society. Furthermore, he correctly points out that "co-ops are isolated units of production and service which have a negligible impact on society or the economy as a whole" (Etkind, 1989: 54).

The author further argues that co-ops, through their struggle to build the material conditions for real workers' control of the production process, provide important practical experiences from which political lessons about the process and relations of production can be drawn. It is these lessons, he suggests, that

are able to link co-ops to the broader class struggle in SA. He pertinently points out, however, that these lessons are not automatically learnt. Instead, drawing out political lessons from the practical experiences of co-ops requires "conscious political agency" (ibid.: 52).

In the light of (a) increasing local experience of the limited potential of cooperatives as vehicles of social transformation; (b) local experience of the contradictions involved in engaging in successful cooperative activity in the context of competition with capitalist firms (Workteam 10, 1990: 10); and (c) developments in Eastern Europe since 1989 and subsequent debates about the 'collapse' of socialism, working class organisations in South Africa may come to see socialism differently. In turn, they may therefore come to see the role of co-ops in building socialism differently. Considering that these debates are, however, beyond the subject of this dissertation, we do not enter into discussion in this regard.

#### ***H. The State and Cooperatives in South Africa***

An appropriate starting point for an examination of the role of the state in urban-based co-ops would be to consider its role in relation to urban informal economic activity among blacks. This suggestion is made on the basis of a perception of co-ops among marginalised people as part of the local informal economy. Considering that most co-ops are unregistered, unlicensed

enterprises which do not pay tax and are not subject to government regulation, this perception of co-ops is justified.

Earlier in this chapter we mentioned that recent analyses of the South African political economy point to the contradictory and changing relationship between racial discrimination and capital accumulation (Posel, 1983; Wolpe, 1988; Saul and Gelb, 1986; Gelb, 1987; Nattrass, 1989). Among the key contradictions is that apartheid came to make economic growth more difficult over time while, simultaneously, economic growth was undermining apartheid. Two key problems arising from this contradiction are of relevance to the relationship between the state and co-ops in the informal sector:

- (a) as economic growth slowed down and formal employment opportunities decreased, people had to make a living somehow; the only way people could survive was in the urban informal sector;
- (b) in the light of the political and economic infeasibility of the Bantustan strategy the state was forced to change its urbanisation policy; until the time of the Riekert Commission and the implementation of 'orderly urbanisation' blacks were forced to return to the bantustans if they could not find work.

In the context of earlier urbanisation policies, the state's attitude to urban informal activity was repressive. Changes in the state's urbanisation policy reflect a recognition of the permanence of blacks resident in urban areas and of their need for employment and income through urban informal economic

activity. In this regard, Rogerson (1988: 137) notes that until recently, the majority of informal operators faced repression in the face of attempts by national and local authorities to 'keep the cities beautiful'. Since the mid-1980s, however, there has been a shift in state policy on informal enterprise from repression to tolerance (1988: 137).

Politically, one of the goals of this shift may be to encourage African participation, as owners, in the free enterprise system. A second and related goal, however, may be to achieve this effect with minimal displacement of whites in the declining formal sector. In this way the growth of the informal sector would provide a main avenue for African economic advancement, thus allowing managerial positions in the formal sector to continue to be white-dominated, as at present. This shift should be seen in the light of the contradictions arising from racial discrimination and capital accumulation, specifically the infeasibility of the Bantustan strategy.

In the later 1980s there has been a further shift in the state's attitude towards urban informal activity from mere tolerance to encouragement. This is manifested in its privatisation and deregulation policies. The former is aimed at promoting economic growth, reducing inflation, providing entrepreneurial opportunities, and promoting the small business sector. The latter entails the relaxation of regulations governing economic enterprises operating in the market. Among the aims of these

policies is the promotion of the informal sector for the purposes of absorbing some of the unemployed in black communities.

The relationship between the state and co-ops in the informal sector is thus mainly indirect. There is no specific legislation or fiscal policy to support cooperatives. Instead, related changes in the state's policy towards urbanisation and economic growth in the light of the economic and political crisis have provided an increasingly more tolerant, rather than directly facilitative, context for urban informal activity, including cooperative activity.

With reference to the role of the state in co-ops in SA one needs to explain the lack of direct state involvement in cooperative development among the marginalised, mainly black, communities of SA.

Firstly, the majority of cooperators and potential cooperators in SA are from among the black working class and the unemployed. The exclusion of blacks from political representation and the state's efforts to keep its responsibility for the welfare of the black working class to the barest minimum, provides part of an explanation for the state's non-involvement in co-ops as forms of material survival for the unemployed in particular. In addition, in the context of the state's promotion of the free enterprise system and its clearly articulated position that the private sector, and not the state, is first and foremost responsible for

the creation of employment, state support for co-ops would be contradictory.

The state's privatisation and deregulation policies and its recent relaxation of restrictions on black trading rights has, however, in an indirect way, created some space for the emergence of cooperatives. In addition, its emphasis on the role of the private sector in employment creation has encouraged some firms to support and initiate cooperatives. Such support often falls under firms' social responsibility programmes.

Furthermore, in other countries where the state does support cooperative development, the state's ability to continue to rule is generally based more on the consent of the majority of people in the country concerned. Examples of state involvement in co-op development can be found in Italy, Britain, Zimbabwe, and so forth. In SA, on the contrary, although the government has to respond to working class demands to some extent in order to keep the wheels of capital accumulation turning, it does not as yet depend on legitimacy in the population at large nor on their electoral support. Hence the state's non-involvement in cooperative development among the unemployed in SA.

In the light of new political developments in South Africa, however, towards the inclusion of blacks in the political arena through a negotiated settlement, the scenario of indirect and /or non-existent state involvement sketched above is likely to

change. In addition, in the light of an increasing recognition of the importance of the informal sector, including co-ops, in creating jobs for the unemployed, albeit in a very limited way, state attitudes and policy towards the informal sector and co-ops are likely to change. Rogerson (1988; 1991) suggests that in the context of growing unemployment and ongoing debates about post-apartheid economy and society, the informal sector has to assume some priority on the future policy agenda. Furthermore, the recognition of the importance of state supported co-ops by the ANC, points to some recognition of a role for cooperatives in the future South African economy. In this sense there are rays of hope for co-ops in the future.

Following recent developments in thinking about informal sector policy, both locally and internationally (Rogerson: 1991; ILO: 1991), and considering the severe constraints faced by co-ops in this country, a key task of a future state in SA in supporting such enterprises would be to develop and implement a welfare policy geared towards the provision of basic education, health, housing and other infrastructural services. Without such assistance the majority of cooperators will be left destitute. For the **few** co-ops who show some growth potential, future state assistance should be in the form of credit provision, technical and managerial training and improved support networks. The existence of (a) already established service organisations and, more importantly, (b) the increasing involvement of trade unions in co-ops and (c) the increasing local involvement of the

Southern African Cooperative Support Network (SACNET) could provide bases for the development of an institutional framework for channelling state support to co-ops.

Furthermore, in the light of the beginnings of a post-Fordist era and moves towards 'flexible specialisation', policy towards enabling economic development in this direction would emphasise programmes to encourage collective efficiency and innovation amongst integrated small firms, and to elicit state support in creating a favourable environment of such forms of production and economic organisation (Rogerson, 1991: 21, 22). Considering the scarcity of all kinds of resources among co-ops, the idea of collective economic and entrepreneurial activity may be valuable for such enterprises.

Rogerson (1991: 18) suggests that 'flexible specialisation' is a special case of considerable relevance to developing policy approaches for the local informal economy in the 1990s. His optimism in this regard may be valid in terms of the need to foster economies of cooperation between and amongst firms. With reference to skill adaptability and diversity, innovativeness, a higher degree of consent on the part of labour, and the need for less authoritative management, however, this optimism is somewhat shaky. The relevance of 'flexible specialisation' for the South African informal sector should be considered against the latter's background as a skill-starved refuge for the unemployed and

marginalised, many of whom have been systematically prevented from developing technical and entrepreneurial skills.

### *I. Summary*

The economic, political, and social crisis in SA during the 1970s and 1980s forms the historical background to the re-emergence of co-ops among the economically and politically marginalised population. The formation of service organisations accompanied the emergence of co-ops. These organisations have diverse origins and hold a diverse range of perspectives on cooperative development in SA.

Structural inequality and high levels of structural unemployment are among the major factors contributing to the emergence of co-ops. Organisations of the unemployed and the major trade union federation in SA, COSATU, have indicated their support for the establishment of co-ops as means of job creation. In this regard, the potential for small-scale enterprises to provide jobs has been examined. With respect to conventional small enterprises, formal **and** informal, some scholars have pointed to their potential to stimulate economic growth and provide jobs. Others, however, have highlighted the structural limitations to such potential. These limitations have severe implications for cooperative development in SA. Nevertheless, the increasing recognition of advantages of small-scale enterprise, may signify some hope for cooperative forms of enterprise.

Co-ops in SA are embryonic and essentially still in formation. Furthermore, other than established agricultural co-ops, there is no formally established co-op movement in this country. The productive activities of co-ops are concentrated in craft work and sewing and involve mainly women producers. Co-ops generally provide meagre and often irregular incomes, and involve only up to eleven people on average, paying average monthly wages of R144. Furthermore, most co-ops are dependent on external funding often secured by service organisations. Hence there are few co-ops which can be considered viable economic enterprises. Instead, co-ops are essentially means of survival for the unemployed and the destitute.

There are several practical constraints to the development of economically viable and democratic cooperative enterprises. These range from financial to skill and educational constraints. The origins of most of these obstacles are embedded in the history and structure of South African society.

Contrary to expectations in SA that co-ops can both create jobs and lead the process of transition to socialism in SA, the evidence indicates that the potential for co-ops to fulfil these roles is extremely limited. In the light of changing state policy towards informal economic activity, and of increasing recognition of the potential role, albeit limited, of the informal economy,

including cooperative production, in a future South Africa, there is some hope for co-ops in the future.

Following this contextual chapter, we now move on to the empirical work of the dissertation. The next three chapters on co-ops in South Africa point to some of the practical implications for co-ops of the context in which they operate. These chapters indicate that the South African co-ops under study face similar constraints to those identified by other local researchers in the field. The first two case studies presented are prime examples of cooperators in need of welfare assistance. The third case study, by contrast, is an indication of small beginnings in integrated economic enterprises and collective efficiency.

Our fourth case study is a co-op in Zimbabwe. The context of this co-op is provided at the beginning of the relevant chapter.