

**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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## Chapter Three Langa Spinning Project

### I. Introduction

The material in this chapter is based on fieldwork executed in a Spinning Project in Langa, one of the older African townships in the Western Cape. This project was initiated by the Catholic Welfare Bureau (CWB). It is important to note that the project is not as yet a cooperative; instead, it is in the process of being transformed into a cooperative.

The information is drawn from the following sources: (a) interviews with the manager, the supervisor, and four of the spinners, (b) an interview with Mr Templeton, a leading figure in the CWB, (c) minutes of meetings held with the spinners, (d) the CWB Annual Report 1989-1990 and (e) information gathered during visits to the project.

The project is hosted in a building at the St. Francis Xavier Catholic Centre in Langa. It involves fifteen African women engaged mainly in hand-spinning raw wool using wooden spinning-wheels. It was initiated by the CWB in 1982 as an experiment in employment creation for destitute women. A Catholic nun, Sister Alfreda, supervises the spinning while an employee of the CWB, Ms Walker, manages the project.

The Spinning Project (SP) fits into a broader production, distribution and service structure - a broader process of

economic activity under the auspices of the CWB as Cape Spinning and Knitting (CSK). CSK buys the raw wool; the women in Langa spin the wool; the Sheep Shop, a marketing outlet in Green Point, Cape Town, which is run by CSK, buys the spun wool; a dyer employed by CSK dyes the wool and a designer, also employed by CSK, comes up with patterns and colour combinations for jerseys; individual women engaged in production at home knit the jerseys; and the Sheep Shop sells them to the public. At the time of research a second retail outlet was located in Roeland Street, Cape Town. This outlet has, however, been closed down due to both security problems and its unsuitable location for retail trade (CWB: 1990).

Our focus is mainly on the SP and its relationship (a) with the CWB, its initiator, and (b) the Sheep Shop, its supplier, customer, and essentially its employer. Among the reasons for this specific focus are, firstly, that of the various activities within CSK as a whole namely, buying and supplying raw wool, spinning, dyeing, designing, knitting, and marketing, spinning is the only activity in the sphere of production which is done collectively in a shopfloor-type context. Other such activities are executed by individuals in CSK, for example, dyeing, designing and knitting. Moreover, knitting is done at home. A focus on spinning is thus broadly in tandem with the unit of analysis in the dissertation - producer cooperatives engaged in manufacturing. A second reason for this specific focus is that in the case of CSK, after the raw wool has been carded, spinning is

the first stage of the production process. The dyer, designer, knitter, and salesperson are unable to perform their activities if there is no spun wool. In this respect, spinning can be seen as a key activity in the broader production process in CSK as a whole. A focus on spinning is thus in order.

## **Brief History of Spinning Project**

### ***Why Spinning?***

The SP was initiated in 1982 by Peter and Anne Templeton, leading figures in the CWB. This project was started as part of a larger enterprise, namely, CSK. According to Mr Templeton, Elsabetha Rosenworth, owner of a high fashion couturier house in Cape Town, inspired he and Mrs Templeton to learn to spin, to teach others spinning, and eventually to start CSK, the broader economic unit of which the SP is a part. These were Ms Rosenworth's words:

Have you ever thought of establishing some business that was using hand-spun wool and making hand-spun jerseys, because I will buy whatever you make if you can establish it (Interview 2.3).

For Mr Templeton, "having a ready-made market [provided by Rosenworth] was an enormous incentive for [them] to get the [spinning] project going" (Interview 2.3). This initial incentive together with (a) requests for jobs by women at the Langa Centre communicated to the CWB through Sister Alfreda; (b) the CWB's interest in 'experimenting' with employment creation and (c) Mr Templeton's fascination with the Mondragon co-ops and his interest in testing whether the Mondragon model could be

transferred to South Africa resulted in the establishment of CSK and the Langa Spinning Project.

***The Initial Idea: Viable Business to Mondragon-Type Co-op***

The project was started with the idea that a viable business had to be established before it could be transformed into a cooperative along Mondragon lines. The founders decided that after three years of viable financial operation the enterprise would be transformed into a co-op. This decision was influenced by their reading of the South African Co-operative Act in which this yardstick was used to justify the registration of a co-op.

According to Mr Templeton, when the project was initiated, several meetings were held during which the founders explained to those working in CSK that everyone who joined the project would one day own it. Those present at these meetings were mainly knitters and people working in the Sheep Shop. The reason for this being that "they were easier to get at" (Interview 2.3). The first group of spinners were drawn from people who were either epileptic, mentally and/or physically handicapped. For these reasons, the spinners were not so easily accessible when discussing the future cooperative structure of the project.

It is not clear how and when the composition of the spinning group changed from handicapped to non-handicapped women.

Nevertheless, the women who constituted the spinning group at the time of research were not part of the initial discussions about the future of the enterprise. Mr Templeton, however, suspects that the various people who have run the project over the past seven years "might have spoken to [these] spinners [about the future cooperative structure envisaged for the project]" (Interview 2.3).

### ***The Spinning Project Today***

After seven years, the SP is still not a viable economic operation. Although we have no quantitative information to support this, the interviews provide some evidence to this effect. Furthermore, neither the SP nor CSK as a whole, is any closer to becoming a Mondragon-type co-op than it was seven to eight years ago.

According to Mr Templeton,

..we've struggled for the last six years to make it viable. It's not viable. It still is in a state of transition into a successful business. And we won't do anything until we get it there. But we've had six years of what's been running a business and I'm not sure that that's the best way to start a co-op (Interview 2.3).

When asked what the project had achieved over the past seven to eight years, Mr Templeton replied as follows:

At the moment, nothing. I don't think we've [CWB] achieved very much; we're not happy to have a business. It's not our [CWB's] role in life to run a successful spinning and knitting business. We want to have a successful Mondragon Cooperative model. That's the goal that I will only

be happy with. I would strenuously work against anybody who was just going to turn it into a successful business.

It would have to be a *cooperative* business for us to feel that we've done something valuable. A lot of the debates around Mondragon is that it is not possible to transfer that particular model outside of the Basque regions. We believe that it is possible and we would like to experiment with it. So it's [CSK and the SP] an ongoing experiment but nothing of any great value at the moment. A lot of people have been employed on it, it employs maybe up to about forty to sixty people at a time. They're making a living out of it. And you could say that that's a plus. Viable? No not terribly important (Interview 2.3).

Briefly, the original goals on the part of the CWB, firstly, to establish an economically viable spinning and knitting project within three years from its initiation in 1982 and, secondly, to transform this project, once viable, into a Mondragon-type co-op, have not been achieved. Furthermore, despite several failed attempts to make the project viable over the past seven years, the CWB is still willing to pursue the same experiment.

### ***Summary and Discussion***

The SP was initiated by the CWB in an attempt to create jobs. Mr Templeton's idea of first creating a viable business and then 'turning it into a co-op', though well intended, has, unfortunately, not helped to reach the goal of establishing a Mondragon-type cooperative. Among the obstacles to reaching this goal, are firstly, the impossibility of establishing a Mondragon-type co-op among the unemployed in South Africa because of the vastly different historical and socio-political contexts; the absence of community support in the form of financial assistance, as was the case in Mondragon; a severe lack of skills in the SP



as opposed to the engineering skills of the first cooperators in Mondragon; and the differences in the method of initiation: the Mondragon co-ops were not initiated by a welfare organisation but by the cooperators themselves with the assistance of the local community to whom the co-ops were eventually accountable.

A further obstacle is the fact that the range of productive activities which CSK embodies are geographically separated. The spinning is done in Langa, dyeing, designing and selling are done in Cape Town, and knitting is done at individual's homes variously located on the Cape Peninsula. This situation makes it difficult to coordinate the various productive activities. In addition, structural differences among the producers in terms of their positions in the racial structure of South African society provide a historical barrier to cooperation. More specifically, the spinners are African women; the knitters are drawn from both the white and coloured population groups but are predominantly Coloured women; the dyer, designer, and salespeople are Coloured women; and the manager of the project is white.

Considering the particular historical and socio-political context, it is difficult to believe that one can create a Mondragon-type cooperative in South Africa.

## Organisational Structures

### *(a) Working Structure*

The SP has a relatively simple working structure. The spinners constitute a group in the sense that they are engaged in the same productive activity organised in one room. They do not voluntarily constitute a group. Instead, it is as unemployed women who responded to an initiative in employment creation on the part of the CWB that they form a group. There are no clear guidelines on the rights and duties of the spinners. Informal rules revolve mainly around rotating tasks such as cleaning up and making tea. One of the spinners, Adelaide, records the times people report to and leave work. More recently, she also controls the quality of the spun wool. She was chosen by the spinners to do these tasks. Sister Alfreda supervises the spinning. Unlike Adelaide, Sister Alfreda was not chosen as supervisor by the spinners. Her supervisory position is assumed since she is the person to whom the women initially came for work. The supervisor and quality controller are the only two authority figures in the spinning project.

Until January 1989, issues of concern to the spinners were generally dealt with in informal discussions between them and their supervisor. The supervisor communicated the spinners' needs to management which is based at the CWB. It is only since 1989 that monthly general meetings are held. These meetings are generally called by the manager on request from the spinners and

are usually chaired by more articulate spinners in the group. Among the issues discussed at these meetings are wages, production problems, and the respective relationships between the spinners and their customer and manager. The supervisor, Sister Alfreda, the manager, Ms Walker, and the spinners are present at these meetings.

Although the working structure of the SP is relatively simple, it forms part of a broader more complex structure, namely, CSK. The CWB finances the management and operation of CSK. This operation involves six major productive activities, only one of which is spinning. These include (a) management, (b) carding, (c) spinning, (d) dyeing, (e) knitting and (f) marketing and selling the spun wool and knitted garments. The CWB employs a manager, Ms Walker, who is responsible for the management and viability of CSK, including the SP. She is based at the CWB. The process of carding raw wool is contracted out to private firms and/or individuals. The spinners, based at the St. Francis Xavier Centre in Langa, operate as an informal group producing hand-spun yarn. Dyeing the wool is done by an employee of CSK and based at the CWB. The knitters produce completed garments and operate as individuals working from home. These producers are guided by the designer and trainer, both employees of CSK. The salespeople work in the Sheep Shop situated in Somerset Road, Green Point, on the premises of the CWB. While the manager is employed by the CWB, revenue generated by CSK is used to pay spinners, knitters and

salespersons. End of year bonuses for spinners, knitters and salespersons are, however, paid by the CWB.

The production process of CSK begins with buying, preferably pre-washed, raw wool. If not pre-washed, the wool has to be washed first and then carded. Carding can be done either by hand or machine. Once carded, the wool is spun into yarn and dyed. Finally, some of it is sold as yarn while most of it is sold in the form of completed garments.

#### ***(b) Organisation of Production and Labour Process***

The spinners are engaged in hand-craft work. Spinning wheels are arranged in semi-circular fashion around one end of the room with a spinner stationed at each. Carded raw wool is placed in a corner of the room in close proximity to the spinners. Tufts of this wool are collected in preparation for production. The wool is spun into yarn by operating the wheel with one foot while twisting the wool with both hands. Once the wheel is filled with yarn each spinner rolls her yarn into skeins. Each marks her skeins with a color-coded piece of wool. This marking identifies a particular spinner's wool. The skeins are controlled for quality and weighed by using a quality wheel. The quality controller communicates the results of the test to the spinner as soon as possible. Timeous reports on quality help the spinner to identify problems and to know whether or not changes in the spinning method need to be made. The supervisor assists in

monitoring and implementing these changes in order to improve the quality. The yarn is wound onto bobbins and stacked aside for collection and purchase.

### ***(c) Division of Labour in Production***

At times when carding was not contracted out, each spinner hand-carded the wool she would spin. At the time of research, however, when carding was contracted out, the spinners were engaged only in spinning.

At first, with the recent introduction of the quality wheel, individual spinners took responsibility for testing the quality of their own yarn. It was at the spinners' request, however, that this arrangement was changed. An individual spinner was chosen to control the quality instead of spinning. With this change, each spinner is now responsible for the single-faceted task of producing spun yarn, while the quality controller tests the yarn.

In addition to the above, there is a division of management, supervisory and production tasks. The manager orders and buys the raw wool, and arranges for it to be carded. She buys and collects the spun yarn from the spinners, checks the weight of both the raw wool ordered and the spun yarn. She is responsible for selling the yarn. In addition, the manager is responsible for the viability of the project and for ensuring that it provides for

the material needs of the spinners. This entails testing the future viability of the project and keeping an eye on the market.

The supervisor is responsible for the maintenance and repair of the spinning wheels, for providing groceries for tea and for ensuring continued use of the building as a workplace. She arranges the collection of the carded wool. When a spinner falls ill, she participates in production to keep at the target.

With the help of the supervisor, the spinners collect the wool from the carders, they weigh and record this wool, clean it if necessary, and spin it into yarn. They weigh the spun yarn and wind it onto bobbins. The spinners record the quantities, in kilograms, spun by each one. A production list is drawn up for the manager for the purposes of calculating each spinner's payment. The spinners check this remuneration.

#### ***(d) Management and Decision-Making***

Since the establishment of CSK in 1982, the CWB has recruited and employed several managers most of whom had little, if any, experience and skill in operating an economic enterprise. In September 1988, however, Ms Walker, previously marketing manager at Oros Pty. (Ltd.), was recruited and employed as manager of CSK. This can be seen as a further attempt on the part of the CWB to make CSK a viable enterprise. Ms Walker is responsible for the

economic viability of the CSK, including the SP, and for transforming the project into a cooperative.

Historically, since the initiation of the SP, the spinners have had no role in managing the project. According to Ms Walker, one of the reasons for this non-participation of the spinners is that

[the SP] has never moved from the welfare start that it had...the whole effort to market the products and get the shop running took precedence over the cooperative principles [and hence the inclusion of and/or training of spinners in management] (Interview 2.1).

The lack of participation in management is confirmed by the spinners themselves and points to the fact that all decisions are made by Ms Walker, the manager, and implemented by the supervisor, Sister Alfreda:

We never make any decisions about our work; we only do what we are told (Interview 2.4).

We would always wait to get instructions from sister or from whoever paid us (Interview 2.5).

Sister tells us what to do (Interview 2.6).

Evidence of decision-making being in the hands of the manager is provided by the introduction of the quality wheel. According to Sister Alfreda, Ms Walker introduced the quality wheel. The spinners were not consulted in this regard; "it was just brought in" (Interview 2.2). This is confirmed by the spinners:

Our employers said the quality wheel must be brought in (Interview 2.4).

We did not decide about the quality wheel ourselves. It is our employer who came up with the idea (Interview 2.6).

With reference to management and decision-making, there is thus no participation by the spinners. Moreover, the spinners are dependent on the manager for making decisions:

I'm so aware of the fact that they turn around all the time and ask what to do next; or they'll say 'you tell us what to do' (Interview 2.1).

Further evidence provided later in this chapter indicates that Ms Walker, the manager, is solely responsible for managerial decisions and does not consult with spinners in this regard.

### ***Summary and Discussion***

The SP is a small-scale informal enterprise engaged in hand-craftwork. A notable feature of the SP is its history of constantly changing management with managers, mostly inexperienced, recruited and employed by the CWB. The manager, and not the spinners, is responsible for the viability of the SP. This lack of accountability on the part of the spinners for the viability of the project has important implications for their relationship to the enterprise, for its operation, and for its transformation into a co-op. Furthermore, the manager is accountable to the CWB for the viability of CSK and the SP. She is in no way accountable to the producers. This has implications for the relationship between the manager and the spinners, and for the transformation of the SP into a co-op. The supervisor, a voluntary worker, serves as the communication link between the spinners and the manager. There is little direct communication between the manager and the spinners. These specific lines of



communication and accountability have important implications for the transformation of the SP into a co-op.

With reference to the workplace itself, the practice of marking skeins with color-coded wool can be seen as a form of monitoring output and quality. These markings identify each spinner's yarn for the purposes of calculating how many kilograms were spun. Clearly marked skeins indicate immediately who has spun the most. In addition, once the wool has been controlled for quality, the markings give an immediate indication of who has spun good quality wool and who has not. On the one hand these markings are practical for monitoring the production process. On the other hand, one of the unintended consequences of this method is that it divides the spinners into good and bad spinners, fast and slow spinners, and various combinations of these attributes.

With reference to production, at the time when the spinners carded the raw wool by hand, they were not paid for carding. The spinners resisted this because they had less time to spin, resulting in their completion of fewer kilograms per day and thus lower wages. In response to the spinners' complaints carding was contracted out. Similarly, when the spinners tested their own yarn for quality, they stood in queues at the quality wheel, and it took them some time to learn how to use the quality wheel. This meant that time to spin was being lost resulting in lower wages. It is important to note that these changes in the division of labour in production were brought about at the initiative of

the spinners which is ultimately rooted in their material motives: the more you spin, the more you earn.

Payment per kilogram of yarn is evidence that the spinners are engaged in piecework. Fluctuations in wages are thus relative to the number of kilograms of yarn produced. Often productivity is dependent on the quality of the raw wool and whether the wool is already carded or not, variables which are out of the sphere of control of the spinners. In this regard, the spinners are being exploited more especially when they are not paid for cleaning and carding the raw wool.

### **Economic Viability**

#### ***(a) Sources of Finance***

The SP derives its income mainly from the sale of hand-spun yarn and hand-knitted garments. Other sources of income include some contract work and loans and grants given by the CWB. At the time of research, the SP owed the CWB R15 000. This money was borrowed from the CWB to help pay for the spinners' end of year bonuses in 1988.

With reference to expenditure, the SP has no overhead costs. The premises used are provided by the Catholic church and are rent free, and the telephone service is paid by the CWB. Furthermore, the spinning wheels have been supplied by the CWB.

### ***(b) Major reasons for Lack Of Viability***

We have learnt from the brief history that the SP has been unviable for seven years. Among the reasons for this extended period of Lack Of Viability are firstly, failure on the part of the initiators of the project to test the feasibility of spinning as a productive activity; secondly, a lack of management skills, frequent changes in management, and inexperienced management resulting in ineffective purchasing, marketing and costing; and thirdly, failure to plan effectively the economic development of the project.

Furthermore, according to Sister Alfreda, various problems resulted in the SP being unviable for such a long time. Firstly, the spinners were unskilled, they had not spun before, and were being trained by Sister Alfreda, herself not a skilled spinner. Secondly, the raw wool with which they worked was dirty and unwashed. The soiled wool was difficult to card and spin. Often prewashed wool was matted together and difficult to get apart. Consequently, the spun yarn was heavy, of bad quality, and thus not easily marketable. Despite the unmarketability of the yarn, the spinners were being paid for the yarn they had produced and, furthermore, continued to produce bad quality yarn. In addition, since the spinners are paid per kilogram of yarn produced, they tended to spin fast in order to produce as many kilograms as possible so that they would earn more. At the time, the spinners were also carding the wool they would spin, leaving less time for

spinning. Hence spinning had to be done fast, contributing to the bad quality of the yarn.

I used to fight with them to go slow, [to] do it properly, but at the same time they said we want to get a living out of it...[the spinners] were saying [they] must get a living out of it, but we were losing on the other side [when trying to sell the yarn]....The money went down the drain with the dirty wool and they [the spinners] got paid (Interview 2.2).

Among the consequences of the above situation was an accumulating amount of unmarketable yarn in the form of stock. Selling this accumulated stock which amounted to about 1 000 kilograms of yarn, was the key problem with which the new manager was faced in 1988/1989.

#### ***(c) Strategies Adopted by New Manager***

Among the strategies adopted by Ms Walker to deal with this accumulated stock of badly spun yarn were firstly, to attempt to reduce production of yarn by finding other sources of contract work for the spinners. The second strategy was to improve the quality of the yarn by introducing (a) a quality wheel to test the quality, (b) a quality controller, (c) a quality bonus as an incentive for spinners to produce good yarn, and (d) training spinners to spin well. The third strategy was to market the bad quality yarn at cost price. Finding other sources of contract work was difficult. Furthermore, improving the quality of the yarn could not be done overnight, instead this was a process which involved training the spinners and constantly monitoring their spinning methods to make sure they were spinning good yarn.

With regard to marketing, the manager had projected that the accumulated stock would be sold by the beginning of the winter months of 1989. This projection unfortunately proved wrong. Hence, by April 1989 drastic measures had to be taken to stop the production of more yarn.

In May 1989, Ms Walker met the women who operate the Sheep Shop. At this meeting a decision was taken to stop the production of yarn and to pay off the spinners. Ms Walker telephoned the supervisor, Sister Alfreda, and informed her of this decision. The manager then called a meeting with the spinners. At this meeting the spinners were told that there was no longer any work for them because the project had no money to buy more raw wool and the yarn was not selling well. Each of the spinners was paid R200 and they had to find other work. Two of the women who spun well were given other jobs; one rolled and the other washed the yarn at the workshop based at the CWB.

When asked whether the project was closed down since the spinners had effectively been retrenched, Ms Walker replied as follows:

It's making a surplus at the moment as long as we're not ordering [raw] wool; our sales have never been better; but we're still working on this massive backlog [of bad quality yarn]; so as soon as we can liquidate that [yarn], we'll be in a good [position, economically] (Interview 2.1).

Furthermore, for the manager, this period of no production was seen as

an ideal opportunity to initiate....training in...what a cooperative is...so that when [production] start[s] again, they [the spinners] will be more prepared and see [the project] in a different light (Interview 2.1).

According to her, "the project [was] going to be put on a new footing [during this period] which...will be a more realistic and democratic true cooperative" (Interview 2.1). The key tasks confronting her was to sell the accumulated yarn and to transform the project into a cooperative.

Hence, for the month of May, 1989 the spinners were without work. By June of that year, however, the manager started ordering raw wool once again and the spinners commenced work. All the spinners were 'reinstated', except one for whom the manager found another job. According to Ms Walker, sufficient raw wool had been ordered and the spinners were promised work until the end of 1990.

Towards the end of 1989, the spinners' remuneration per kilogram was raised from R12,50 to R15 for well spun yarn, and from R11,50 to R12,50 for badly spun yarn. This increase was introduced by the manager "because their income was not sufficient" (Interview 2.1). The manager, however, doubted the economic ability of the project to bear this increase. One of the reasons for her doubt was that the Sheep Shop was relying on lower priced garments at the time in order to attract customers. There was a high probability that the spinners' end of year bonus would fall away if their remuneration per kilogram of spun yarn was increased. Paying the spinners more per kilogram as well as paying for raw wool would cost the spinners their end of year bonus and may have resulted in cash flow problems:

If we order wool now we can only sell it in six months [meaning] that A lot of money which is spent now we can only recuperate in six months which is going to cost [them] their bonus (Interview 2.1).

For the first time since her involvement with SP, the manager consulted one of the more articulate and educated spinners on this matter:

I said to Zanela we're thinking of putting up [the spinners' remuneration] to R15 per kilogram but what happens if we can't pay them the bonus at the end of the year. She said that they rely on their bonus in order to get back home for Christmas so we can't take it away from them (Interview 2.1).

Costs thus had to be cut elsewhere. In this regard, the manager decided that employees of CSK (such as operators of the Sheep Shop, the dyer and the designer) would not receive an end of year bonus from the CWB as was the case at the time. Instead, these CWB funds would be set aside to finance the spinners' end of year bonus in the event that the project could not bear these payments financially. Further, CSK employees would only be given a bonus if the project warranted it and spinners were to get preference over bonuses paid from CSK funds. The rationale behind this strategy for cutting costs was that other employees of the CSK were generally paid higher monthly wages than that earned by the spinners. For example, the dyer earned about R400 monthly, while the wages of a spinner ranged from about R80 to R200 monthly depending on the number of kilograms spun. Other measures employed included cutting costs on marketing and purchasing raw wool on credit.

#### **D. Summary and Discussion**

The SP is financially dependent on the CWB for its overhead and equipment costs, and for rescuing it when in financial straits:

they can just turn around and say we need more money and more money has been put into it so no one....considered the costs. If the accountant here sees that Cape Spinning and Knitting is not meeting its expenditure he will simply go to Mr Templeton and say we need more money to pay for [CSK] and they would just put it in. It certainly won't come to the attention of the spinners....they are not even involved in the finances (Interview 2.1).

The fact that the SP continues to be unviable despite having no overhead costs raises serious questions about the feasibility of hand-spinning as an economic activity. The absence of overhead costs seriously distorts the costs incurred by the SP and bears no relation to real costs. If the SP were to subtract rent, telephone, equipment, and maintenance costs from its income, it is questionable whether the spinners would have any remuneration at all.

The extended lack of viability of the SP can be attributed, firstly, to a lack of management and technical skills resulting in the continued production of an unmarketable product. Secondly, the CWB as the initiator of the project failed to do a thorough feasibility study before establishing the project.

With reference to the new management, strategies adopted by Ms Walker were implemented without consulting the spinners. This is a clear indication that Ms Walker, rather than the spinners, is in control of decision-making regarding the project and that the



spinners have no say in the operation of the SP, thus confirming the information given earlier in this regard. The retrenchment of the spinners by the manager points to the power relationship at play and has significant implications for the transformation of the SP into a co-op.

Moreover, the spinners' response to their retrenchment points to their powerless position:

We were very depressed about the news that there was no work because we know it's difficult to find jobs. We didn't know how long the money we were given would last...I do not know who decided to pay the R200. We were just grateful to get that amount because we probably would not have got anything anyway. We were actually thankful (Interview 2.4).

We did hear that the wool was not selling in town, so it wasn't a problem really at that time, but we were not aware that it would go as far as us not having a job at all...it was the first time that we heard we would not have jobs. We were not expecting this. We thought that we would continue spinning.

I don't know how the group could have prevented this [retrenchment] from happening. The problem is that we are just spinning here. We don't know what happens to the wool; we don't know what is happening about the sales; we are only told what is happening and we don't know what is happening; we only spin (Interview 2.5).

We were disappointed but there was nothing we could do. Sister [Alfreda] used to tell us that the wool was not selling in town but we were not expecting that we would not have any work...I was only grateful for the R200 because I didn't expect it. I don't know how it was calculated (Interview 2.6).

For the spinners, the termination of production meant no work and no income. The manager, however, saw this period as an opportunity to initiate training the spinners in cooperative practice. These diverse perceptions of the lay-off can be attributed to the different positions occupied by the spinners and the manager, respectively, in the structure of CSK.

Furthermore, on the one hand the spinners were told that the wool was not selling, while on the other hand, the manager noted that sales had never been better. In this regard, the spinners were given contradictory information.

Finally, the manager's power to reinstate the spinners a month later and to promise them work for a year points to their dependence on her for earning their living. This dependence is further highlighted by the fact that by chance, the manager's consultation with one of the more articulate spinners saved them all their end of year bonus. The manager decides not only about the spinners material well-being; she decides on the well-being of all employees of CSK. All the evidence thus indicates that Ms Walker occupies the most powerful position in CSK as a whole.

### **Cooperative Consciousness**

#### ***Previous Work Experiences***

The majority of the spinners were previously either unemployed or engaged in unpaid domestic work at home. The major reason they joined the SP was their need for paid work. They approached Sister Alfreda during their search for work and were recruited by her to spin. Ms Walker, the manager, was previously employed as marketing manager of Oros Pty. Ltd.. Sister Alfreda has always been a catholic nun.

## ***Diverse Understandings of the Concept 'Cooperative'***

The following quotations represent the diverse conceptions of a 'cooperative' among some of the key figures involved in the SP:

### *The Spinners:*

People work together in order to move forward...[the SP] is a co-op because we are all doing the same thing and we are all aiming to get money (Interview 2.4).

I don't know what a co-op is (Interview 2.5).

The whole idea behind my coming here was to do my work; so I just wanted to get my job done and get my money (Interview 2.6).

### *Sister Alfreda, the supervisor:*

I don't have much idea about the co-op. I've never worked for it or in it. The little I know is that we pull together in common; we share in common; it's not mine, it's not yours, it's ours; we work for the same common good; each one must put effort in; common effort; what comes out of it should be commonly shared (Interview 2.2).

### *Ms Walker, the manager:*

I am perhaps not totally committed to cooperatives because I don't know enough about them. I've got to learn about it and I've got to be shown that it can work....I want people to make their own decisions. I want them to grow as people - both in education and in decision-making...I want them [the spinners] to benefit from their labours. I don't want some anonymous shareholder or some board of directors or some management to benefit. [The aim is to build] a successful project which will benefit the workers...I want them to enjoy work (Interview 2.1).

### *Mr Templeton of the CWB:*

The basic principles of the Rochdale pioneers and the methodology of the Mondragon system [are key to Mr Templeton's conception of a co-op]. [In addition] the cooperative model is a hard option...where we're calling out hopefully the best in people. We're calling them to be participators....to be unified in their actions....to be responsible in the way they conduct their financial affairs...that they are conscious of their community responsibilities. That we're all called together and that we must help each other and through this process...we can...become prosperous. But I don't want to become prosperous at your expense, I want it to be a win, win situation.

I just feel that the cooperative harkens back to a much more gentle period, that hopefully we would want to have enough to live on but that we didn't need to take every conceivable cent that we could get...That money was not the beginning and end of it all...That there are other values...community values...cultural values...So I see the cooperative as being a very valuable and a very important tool in drawing some of those old long nurtured human values back again (Interview 2.3).

Some of the spinners have no conception of what a co-op is while for others the main aim of working in a co-op is 'to get money'. The supervisor's conception of a co-op places emphasis on 'exerting common effort for the common good'. Similar to Ms Walker, the manager, Sister Alfreda has little experience of such forms of organisation. The predominant aspects in Ms Walker's conception include decision-making by and benefits for the producers, and a sense of enjoyment at work. Finally, Mr Templeton expresses a romantic and idealistic view of a co-op with material benefits being of secondary importance and community and cultural values being the core purpose for cooperation.

### ***Summary and Discussion***

The diverse perceptions of a cooperative can be attributed to the different roles and positions of those quoted above both in the CSK as a whole, and in broader society. The spinners emphasis on material factors is clearly related to their position as producers in CSK and as unemployed women in need of income, irrespective of the specific organisation of the work

environment. They came to Sister Alfreda for a job; not to join a co-op.

This particular perception has implications for the transformation of the SP into a co-op. The spinners' are merely concerned about their material reward. It makes no difference for them whether they are paid from CWB welfare funds or from the profits made by the project. With regard to co-op development, this implies that the spinners are not concerned about the long-term viability of the project and its development into a self-sustaining economic unit able to provide them with relatively secure income. They are also not concerned about the power relationships they enter into in their quest for income. It makes no difference to them whether they work for an employer or for themselves as a collective.

The spinners' perceptions of the manager and supervisor give one some idea of how they perceive their relationships with these people:

Paddy [Ms Walker] and Sister [Alfreda] are the employers, but they tell us that they are not the employers; [instead,] the project is our own. I don't understand what it means when they say they don't employ us; we do as we are told; we get instructions from Paddy and Sister.

At the meetings they [the employers] tell us about what has been happening [with the sales] and the income we would get and as far as we are concerned we don't understand what they are talking about...They write on the board how much money is made, how much money goes out and so on, so that's the way of making things easy, but still it's actually not necessary at all because we are not going to do anything about it (Interview 2.4).

The fact that the spinners are 'not going to do anything about' or with the information given to them by the manager and supervisor confirms that their main concern is material reward in whatever form it comes. In this regard Ms Walker shows some insight when she says:

I don't think that they can appreciate [that I would like them to enjoy work] because I don't think that they earn sufficient at the moment to even want to have fun. I think that their primary objective at the moment is subsistence. And it's just to earn more money so that they could be a little more comfortable. They could not actually care a stuff about having fun at the moment. And I don't think that they could care about their fellow workers or their community... I don't think that they could, really. I think everything is internally [individually] motivated which I can totally understand. I mean, if I were earning R150/R180 a month, I'd also say stuff having fun, give me more money (Interview 2.1).

The manager's perception is clearly influenced by her responsibility for the economic viability of the project and for transforming it into a co-op, and by her previous experience as manager of private firm. Her emphasis on benefits for the workers are influenced by her previous experience of working in a capitalist firm where shareholders derived benefits. Her responsibility for the viability of the SP, on the other hand, makes it imperative that she takes "a business approach". This conception raises a key question with regard to the development of the SP into a co-op: how does one ensure viability while at the same time ensuring that producers benefit materially? According to Ms Walker,

...if we are serious about a cooperative, it has to be a viable operation which can compete in the market place, but it's also got to be good for the workers. How you can bring those two things together, I don't know, because you can be very viable in the marketplace by not paying them much (Interview 2.1).

The implications of Ms Walker's conception of a co-op raises the key problem of finding a healthy balance between material need, democracy and economic viability.

Mr Templeton's emphasis on values rather than material benefit is based on an idealistic view of the world in which peoples' actions are not at all materially motivated. This conception has serious implications for the reproduction of the project and for its economic viability. A co-op which fails to provide for the material needs of its members will either suffer loss of membership or be left with members who have no other option for survival. People cannot eat values; they need an income in order to provide for their subsistence.

#### **Continuity and Change in the SP: The Process of Transformation into a Co-op**

The process of transforming the SP into a co-op effectively began in October 1989 and extended into the early months of 1990. Ms Walker had recruited a researcher from Saldru, Ms Evelyn Rabaji, and a free lance co-op advisor, Ms Anne Collins, to assist with this process. At a meeting held late in February that year, Ms Rabaji talked to the spinners about the cooperative approach to production and gave a brief introduction to defining a cooperative (Minutes: 22:2:90). Also present at that meeting was Ms Collins.

Among the issues arising at the meeting were (a) doubts on the part of the spinners that they could take responsibility for "the 'real' costs and organisation of the project" (Minutes: 22:2:90).; (b) some spinners "understood the cooperative concept to mean that those who had 'helped' were to be 'kicked out'" (Minutes: 22:2:90); (c) the spinners requested training in typing, bookkeeping and keeping a petty cash float.; (d) whether the transformation into a co-op meant that the spinners should be paid equal wages; and (e) some spinners "saw the introduction of cooperative ideas as a cause of their running short of work for two weeks in November 1989, and January 1990" (Minutes: 22:2:90).

The first few issues led into a discussion of the division of responsibilities between the spinners and those assisting them. Among the new responsibilities given to the spinners were ordering raw wool and arranging for it to be carded. These were previously the manager's tasks. A further change was that the Sheep Shop, the SP's sole customer, "would no longer make up the pay packages for the project members, but would pay a bulk sum for the [spun yarn] purchased; the [spinners were responsible for] dividing the money according to each [spinner's] production" (Minutes: 22:2:90). The latter change prompted the spinners to air their grievances about quality control:

[the spinners] raised the problem of reject [yarn] and said they had no confidence in the [scale used to weigh skeins], and [they] had a problem when wool was rejected because they never knew how much money to expect (Minutes: 22:2:90).



This issue was to be taken up by the spinners with the buyers from the Sheep Shop. Discussion on the other issues arising at the meeting (issues (d), and (e) above), continued at a later meeting (Minutes: 26:2:90). With reference to equal payments, the spinners expressed confusion about how to divide the money considering that individual spinners produced different amounts of spun yarn. They agreed that a system of equal payment could not be introduced yet; payment per kilogram produced thus continued until such time that they were ready to make a clear decision in this regard.

With reference to November 1989 and January 1990, the spinners raised the problem of not having had any wool to spin in January because they were waiting for a meeting to discuss the new cooperative approach to be introduced. They requested payment for this period since they were "not to blame" (Minutes: 26:2:90) for this loss of production time. In addition, the spinners complained that the raw wool had been ordered late resulting in a further loss of production and earnings. The manager's response to this was as follows:

..it was not possible for the shop to pay for wool that they [the spinners] had not produced;...[the spinners] had agreed to have a meeting to sort out problems before beginning work again. However, it was true that the meeting had been delayed by one week because it was difficult to contact [the spinners] (Minutes: 26:2:90).

A further issue highlighted at the meeting when a spinner requested "straight wages", that is, equal remuneration for all spinners, was that the Sheep Shop was a customer rather than an

employer. This implies that the Sheep Shop does not make decisions about spinners' wages. Towards the end of April 1990, however, there were piece rate negotiations between the spinners and the Sheep Shop. For three years since 1986 the spinners were paid R10 per kilogram of spun yarn. In 1989 they were initially paid R11,50 per kilogram for badly spun yarn and R12,50 for good quality yarn. Around April of that year, the rate per kilogram for good quality yarn was increased to R15 per kg, while the badly spun yarn cost R12,50 per kg. A year later, the spinners wanted R20 per kg considering that the raw wool they were spinning was dirty and had to be cleaned before being spun. The Sheep Shop offered R16 per kg and the final decision was to pay the spinners R17 per kg of yarn. These negotiations around piece rates raises questions about the Sheep Shop's status as merely a customer.

Furthermore, by May/June 1990, the manager pointed out to the spinners that *they* did not own the wool; instead, the Sheep Shop owned the raw wool. Hence, the spinners needed to buy the wool from the shop. Thus, the Sheep Shop is not only the sole customer, but also the sole supplier of raw wool to the SP.

The issue of 'who owns the wool' arose because the spinners were about to make yarn for another customer, Camphill Village, attracted by Ms Walker. Considering that the SP had no working capital, it was decided that the spinners would apply to the Sheep Shop for a loan of R850 to enable them to buy the raw wool

required for the order of 50kgs of spun yarn from Camphill Village. The loan was confirmed and the raw wool required was purchased. Once spun, however, the spinners refused to release the yarn unless they were paid cash immediately. The Sheep Shop offered to pay for their labour the next day. This was rejected. Members from another co-op, Masizame, were called in to explain the normal procedures regarding invoicing and cheque payments. The spinners still refused to change their decision not to release the yarn. In the light of the delay caused by this action on the part of the spinners, it was agreed by the spinners that the order from Camphill Village had to be cancelled (Minutes:15:05:1990). Ms Walker attributes this action by the spinners to "mistrust and misunderstanding" on the part of the spinners (Undated Report by Ms Walker).

According to Ms Walker, this incident was a turning point in her relationship with the spinners. Her response was to withdraw her assistance from the SP until recalled. From her point of view,

[t]his painful experience proved valuable in so far as they [the spinners] had their first real choice to make - back to the old way of operating [namely, sheltered employment offered by the CWB] or a decision to take a very unclear rocky road [to forming a cooperative enterprise independent of the CWB and able to compete in the market] (Interview 2.1).

To sum up thus far, previously, the spinners were passive producers: they received the carded raw wool from the manager who later collected the spun yarn and had each spinner's payment ready for her. Now, the spinners participate in arranging the order of raw wool required. In this regard, with the assistance

of the manager, they decide how much raw wool is required and place an order with the Sheep Shop for this raw material. They also participate in arranging the delivery of spun yarn to the Sheep Shop, in negotiations with other customers recruited by the manager, and in deciding their own remuneration. Other changes that have come about include the spinner's negotiations with the Shop for a loan, that they have opened a bank account, and that they have elected office bearers and decided on a name for the co-op: Masixole.

Furthermore, Ms Walker resigned as manager and began to focus her attention on the development of the SP into a cooperative and on providing services to other co-ops. In addition, meetings are no longer run and ordered by the manager and supervisor; instead, the spinners initiate meetings and one of the more articulate spinners has been selected by the manager to chair these meetings. Finally, the supervisor has withdrawn from the project completely. This means that the spinners are in charge of operations on the shopfloor. Towards the end of the research, the possibility of spinners contributing shares to Masixole was under discussion. The outcome of this process, however, was not followed up.

Despite these changes, there remains much continuity especially in the nature of the relationship between the Sheep Shop and the SP. For example, the Sheep Shop remains the sole customer and supplier of the SP; the Shop continues to buy the raw wool and

thus still takes financial responsibility for the supply of raw material to the SP; the Shop continues to cover the operating costs of the project; and advisors to the project, in this case mainly Ms Walker, continue to dominate the management of the SP.

### ***Summary and Discussion***

The changes implemented in the relationship between the SP and Sheep Shop (SS) have been minor. Essentially, the structural relationship between the SP and the SS remains pretty much the same: the spinners continue to do piecework for the SS.

Though the changes implemented have been minor, they have had significant consequences for the material difficulties of the spinners. More specifically, the sites of conflict over the quality of yarn and, hence, over wages have shifted. Disputes over quality were previously between the supervisor and the spinners, thus located on the shopfloor. With the withdrawal of the supervisor, however, and the transfer of 'supervision' to the spinners in an attempt to 'make them more independent', these disputes are now between the spinners and the Sheep Shop.

Similarly, conflicts over wages were previously located between the spinners and their 'employer', namely, the Sheep Shop and/or the manager who, for the spinners, represents an employer. These clashes were so located because the manager decided on individual spinners' wages based on production lists compiled by the

spinners and on the results of quality control. With the spinners' new responsibility of deciding on their own remuneration after being paid a bulk amount by the Sheep Shop for yarn produced, the site of conflict over wages has shifted to a new location, that is, among the spinners themselves.

It is important to note that disputes over quality and wages are not separate; instead, they are intricately linked since the material reward for good quality yarn is higher and thus has a direct effect on wages. Although interlinked, these disputes occur at different locations in the case of the SP.

The shifts in the sites of these conflicts have significant implications for the development of the SP into co-op, and for the power of the spinners in relation to their sole customer. More specifically, the site of conflict over quality has shifted from the shopfloor to more direct struggles between the spinners and the Sheep Shop. On the one hand, this is significant because it brings the spinners in direct contact with their customer, a vital experience for them in learning how to deal with customers directly. On the other hand, considering that the SS is their sole customer as well as their sole supplier, the spinners' power to negotiate 'reasonable' prices for their yarn is limited. In this case the SS remains powerful in determining the price of spun yarn, thus ultimately determining the piece rates for the spinners.

These shifts are significant since the responsibility for deciding on individual spinners' remuneration no longer lies with the manager. Since this has become the spinners' collective responsibility, divisions among the spinners regarding differential payment due to quality and speed differentials among them are highly likely. In this regard, the spinners' power to directly negotiate better wages with the SS has been diminished.

Significantly, the shifts have weakened rather than strengthened the spinners' power in relation to the SS. Why is this the case? Considering that the changes implemented were decided on by the manager under the direction of the CWB, and not the spinners, it is not surprising that the changes are in the interests of the SS rather than the spinners.

Any changes have not come from them. I have initiated the change. They are still not aware of the power that they have...(Interview 2.1).

This situation raises important questions about the consequences, for producers, of changes implemented 'from above' or on the initiative of the service organisation.

The spinners' struggles over payment for production time lost due to the introduction of a cooperative approach to production, provides a good example of the kind of consequences, for producers, of change 'from above'. Specifically, the spinners lost wages over November 1989 and January 1990.

Furthermore, Ms Walker's perception suggests that the spinners have a choice between sheltered employment and *deciding* to take an 'unclear rocky road' towards forming a co-op. This contradicts her statement that changes were not initiated by the spinners. More importantly, from the perspective of the spinners, any choice which threatened to reduce or eliminate their income would be irrational in the light of the continued possibility of sheltered employment. Furthermore, given their history of dependence on the CWB, their resistance to forming a co-op is understandable. In this regard, one cannot remove the spinners' choices from their historical context.

Considering that (a) the spinners are drawn from the economically marginalised population; (b) they do not have savings to use as start-up capital; (c) they do not have either the skill or the experience of operating an economic enterprise, as shown in the incident with Camphill Village; and (d) that for the past eight years they have been financially dependent on the CWB, one cannot expect them to 'prefer' anything else but sheltered employment in their attempts to survive.

When considering the relationship between the spinners and the Sheep Shop, the manager's perception is that the Sheep Shop is a customer rather than an employer. It is important to consider, however, why the spinners regard the Sheep Shop as an employer. In this regard, the balance of power in the negotiations over piece rates and the eventual compromise in favour of the Shop is



important in the spinners' experience and in shaping their perception of the Shop as an employer. In addition, the fact that the Shop owns the raw wool and the spinning wheels, that it represents their source of income, and that the manager is closely associated with the Shop further contributes to the spinners' perceptions. Considering that they depend on the Shop and/or on people associated with the Shop (such as the manager) for their material well-being it is not surprising that they see the Sheep Shop as an employer.

In our view, the spinners' refusal to release the spun yarn for Camphill Village unless paid cash immediately is indicative of inexperience in operating an economic enterprise and dealing with customers. Their demand for immediate payment is also indicative of the emphasis on material reward. Significantly, the issues arising from the process of transformation of the SP into a co-op, as expressed by the spinners, are mainly related to their material well-being.

With regard to the beginnings of transforming the SP into a co-op, the changes initiated by the manager are superficial rather than structural. Given the long history of dependence of the SP on the CWB, the lack of skill and experience on the part of the CWB in cooperative production and in initiating and supporting cooperatives, especially under 'third world' conditions, and the powerless position of the spinners both in relation to the CWB

and in broader society, however, one cannot expect anything other than superficial change at this stage.

This particular study suggests that top-down approaches to cooperative transformation are not appropriate in all cases.

### **Summary and Conclusion**

The SP is not a cooperative but a job-creation project to be transformed into a co-op.

This case study gives one some insight into the specific issues faced by projects such as the SP. Firstly, it relies on management skills recruited by the service organisation from outside the co-op. This has meant no participation in management by the spinners and complete control by the manager over virtually all aspects of the enterprise including its transformation into a co-op. This management relationship in the context of the employer/employee relationship between the Sheep Shop and the spinners leads one to conclude that they are essentially wage-labourers engaged in piecework. Secondly, the top-down approach to co-op development in this case highlights the negative implications of such approaches for the power of producers. Thirdly, although we have no quantitative information as evidence, we have some indication that the SP is financially dependent on the CWB. Such dependency is not conducive to building self-reliance. Fourthly, people in different positions in the project, and with different roles in its formation have

different priorities in terms of its development. Some of these priorities are incongruent with others thus hindering the process of co-op development. This is reflected in the spinners' concern for material survival on the one hand, and Mr Templeton's concern for the moral importance of co-ops, for example.

When considering this case study in the light of Abell's (1981) five principles of democratic organisation, we conclude that the SP is not democratically organised and shows little potential for progress towards increasing democratisation. The complete absence of the spinners' participation in decision-making makes Abell's first and fifth principles irrelevant in this particular case. The absence of the principle of representation and the location of special competence and decisions about this competence *outside* of the SP as an organisation point to a low degree of democratic organisation.

Furthermore, in the light of Bernstein's (1976) minimally necessary conditions for effective participatory democracy, none of these conditions are present in the SP. Thus, we conclude that this enterprise is unlikely to develop into a sustained PDO over the long-term.

In terms of Brecker's (1988) stages of co-op development, we classify the SP as a pre-cooperative. The SP fits Brecker's (1988) criteria for this stage of development:

- (a) the spinners are primarily individual producers; this marks an early stage of cohesion;
- (b) the spinners require basic training in skills and in cooperative ideology and practice and
- (c) the SP requires aid and soft loans to help it find its feet.

## Chapter Four Launisma Brickmaking Co-op and Buthisizwe Co-op

### I. Introduction

The material in this chapter is based on fieldwork executed in two cooperatives, Launisma Brickmaking Co-op (LBC) and Buthisizwe Co-op (BC). The LBC is one of several enterprises collectively named Launisma Enterprises (LE). The two co-ops under study are very similar in structure and historical background. Further, at the time of research, the enterprises were affiliated to the same political organisation, namely, the Unemployed Workers' Movement (UWM). For these reasons of similarity we have chosen to examine these enterprises in one chapter to avoid unnecessary repetition.

The information on BC is sparse. This is so because research in this co-op was terminated as a result of conflict which arose between the enterprise and the UWM through which access to the co-op was gained. As a result, the researcher was unable to conduct interviews with the members of BC. Nevertheless, the dynamics involved in the conflict between the co-op and the political organisation clearly indicate that co-ops are a terrain of struggle in South Africa.

### ***A. Location***

LBC and BC are located in the Philippi Industrial Area in close proximity to Crossroads, one of the major 'squatter' areas around Cape Town.

### ***B. Brief Profile of Crossroads***

Crossroads, probably the most well known squatter community in SA, emerged in the mid-1970s as a symptom of state initiatives to control the movement and settlement of African people. Long struggles between the residents and the state eventually led to Crossroads being declared an Emergency Camp in June 1976. Among others, this legal victory meant that rudimentary services such as water taps, and refuse and night soil removal were provided at a minimal fee. Consequently, Crossroads enjoyed a unique position as a black community in the Cape Peninsula:

Unlike other black townships it was not subject to the constraints which operated in these areas - for example, lodger permits, trading licences and strict political control (Cole, 1987: 17).

In the South African context of residential segregation and high unemployment, the isolation of Crossroads from key infrastructural facilities and people's struggles to survive in the face of unemployment resulted in the growth of informal economic activities. The lack of constraints on trade in this area further facilitated the growth of such activities. According to Cole (1987), these attempts at survival on the part of residents

were supported and encouraged by a variety of outside individuals and organisations - for example, the Black Sash, the Quakers and the Institute of Race Relations. Relationships with these liberal organisations had been established in the course of the legal battles of 1975 and 1976. Their assistance was not only welcomed but actively sought.....This firmly established relationship with liberal institutions became a strong influencing factor on the consciousness of the residents, particularly the leadership" (ibid.: 17).

As a result, "any direct critical intervention in Crossroads by a more progressive grouping would have been a site of struggle in itself. Entry was in no way a given (Cole, 1987: 40).

Furthermore, in 1978 the existence of the Crossroads community was once again threatened. In the face of state destruction of several African squatter camps, Crossroads, the only relatively large surviving camp, found itself caught up in the politics of reform. This was manifested in political struggles between the community and the state, and also within the community. Cole (1987) provides a detailed account of the history of these struggles and of social stratification within the Crossroads squatter community.

The outcome of political struggles between local state authorities, both black and white, and the squatter community was that thousands of its former residents were scattered throughout the black townships in smaller squatter settlements. Others have moved to a range of sight and service camps in Khayelitsha (Cole, 1987: 162, 163).

LE and BC are examples of survival strategies initiated by community leaders among the Crossroads residents and supported by liberal organisations. In the account given below, some of the effects of such support on people's attempts to survive are highlighted. Furthermore, the leadership and core membership of these enterprises are drawn mainly from the scattered residents of Crossroads.

### ***C. Brief Overview of Launisma Enterprises and Buthisizwe Co-op***

#### ***1. Launisma Enterprises***

##### ***a) Activities***

Launisma Enterprises (LE) constitutes a series of mainly service enterprises providing primary services, and a brick and block manufacturing enterprise, namely, the Launisma Brickmaking Co-op (LBC). Since the subject of the dissertation is on producer rather than primary service co-operatives, we have chosen to focus on the LBC for the purposes of our study.

The services offered by LE are essentially primary services which include motor repairs, panel-beating and spray-painting, and building construction. All of the aforementioned enterprises, including the brick and block manufacturing enterprise, are located in one building, an old factory building located in



Philippi. LE is structured in such a way that each enterprise forms a department of LE as a whole. In addition, LE has an administration department which deals with the administration of all the enterprises mentioned above. Since each of the enterprises forms a department of LE and all the enterprises are administered by one department, the enterprises are structurally and administratively interdependent. Since the brickmaking co-op is essentially part of LE as a whole, and is not a structurally independent co-op, it is crucial at times to deal with its relationship with the other enterprises which comprise LE.

The LBC is involved in small-scale manufacturing and produces cement bricks and blocks of various sizes for the purposes of low-cost housing construction. The small scale of the co-op limits its customers to owner-builders and small building contractors engaged in the construction of such housing. Furthermore, over the last ten years several large low-cost housing projects have been completed by large contractors who employ subcontractors. Examples of such projects include housing for blacks in Khayelitsha, Silver Sands, and Blue Downs. In the case of such large housing projects large contractors obtain bricks and blocks from large suppliers. This situation leads to a highly competitive market which limits the market for small-scale brickmakers to owner-builders and small building contractors.

### ***b) Membership Composition and Skill Levels***

The number of members in LE amount to about fifty seven people. The number of people who work in LE, however, fluctuates from about fifty seven to one hundred (Interview 1.1). It is important to note that not all of the people who work in LE at any one time are members of the co-op. Instead, some of the workers are hired labourers. During peak production periods in the brickmaking enterprise a large number of unskilled, casual labourers is hired. Furthermore, a severe lack of skills in the building construction department results in the hiring of some skilled labour in that department. It is the hiring of both skilled and unskilled labour which results in the large fluctuation in the number of people working in LE. A further factor contributing to a fluctuating membership is the fact the members and potential members often leave the enterprise in search of employment elsewhere.

None of the members of LE is formally skilled in the sense that s/he had been an apprentice who obtained a certificate for a particular skill. Instead, the majority of the members are unskilled while a few have considerable knowledge of some skills. Of the twenty seven members of the brick-making co-op, four of whom are women, all are unskilled while one member has considerable knowledge of bricklaying. Among the fifteen members of the panel-beating and motor repairs departments, all are unskilled while one has considerable knowledge of spray-painting and another of panel-beating. The building construction

department has ten members, one of whom is a bricklayer, while another has some administrative skills. The remaining eight members of that department are unskilled. The severe shortage of skilled members in the building construction department results in the hiring of skilled labour by this department.

Approximately thirty among the fifty seven core members of LE are illiterate and innumerate. Three of these members are in LBC. Four members have high school education; all of these, but one in the building department, are members of the panel-beating and motor repairs departments. The rest of the members have some form of primary school education (Interviews 1.1, 1.4).

The administration department of LE consists of five members, three of whom are women engaged in secretarial work. Mr Langa, the chairperson of LE, is a member of this department and does mainly managerial work. The remaining member of the administration department, who is simultaneously a member of the building construction section, does the bookkeeping and accounting for all the departments of LE.

The membership of LE is predominantly male and classified African. Furthermore, most members were previously unemployed while some were engaged in 'backyard enterprising'. 'Backyard enterprising' refers to small informal businesses often operated from home by individuals, families, or groups of friends for the purposes of either supplementing another income or serving as a

main source of income. Informal businesses are essentially enterprises that are not licensed, usually do not pay taxes, and do not comply with government regulations such as municipal by-laws, health and safety regulations, and product standard regulations.

## ***2. Buthisizwe Co-op***

### ***a) Activities, Membership Composition and Skill Levels***

Buthisizwe Co-op is engaged in carpentry production and clothing manufacturing on a small scale. The co-op makes most of its products from scrap pieces of raw material (wood and cloth) obtained from large timber and clothing factories. Its membership is predominantly female and classified African. Buthisizwe has about thirty members who are mainly unskilled and who were previously unemployed. The leading figure in this enterprise is Mrs Benge, a Crossroads community leader. The co-op is located in an old factory building just opposite LE. The premises occupied by both the co-ops in question are severely ill-equipped and would highly likely not pass any health and safety regulations.

## ***3. The Co-ops and the UWM***

At the time of research both LE and BC were obtaining services from the UWM, a political organisation involved in organising the unemployed in the Western Cape. The UWM draws its membership

mainly from 'squatter' areas in the Western Cape. As part of its strategy for organising the unemployed, it has attempted to initiate several co-operatives, including sewing, bakery, chicken, burial, knitting, and bulk-buying co-ops. (At the time of research these UWM initiatives were still in process. Hence, we are unable to evaluate whether these initiatives proved to be successful or not.) It is important to recognise, however, that LE and BC were not initiated by the UWM. Instead, these co-ops were initiated by leaders in the local 'squatter' communities and became affiliated to the UWM in mid-1988.

#### ***4. Stage of Development***

By the time the researcher gained access to Buthisizwe and Launisma (mid-September 1988) each of these co-ops had been in existence for about eighteen months. In general, producer co-ops in South Africa have not been in existence for more than four years, on average, leaving most such enterprises in processes of formation. In relation to the other more organisationally developed co-operatives which form part of this study, however, BC and LE are in the early stages of co-operative development. These co-ops are organisationally relatively undeveloped.

#### **II. Historical Development of Launisma Enterprises with Specific Reference to the Brickmaking Enterprise**

The information in this section is drawn from interviews with three of the founder members of LE: Mr Langa, Mr Chilibe and

Elijah. Mr Langa is the manager of LE, Mr Chilibe is the foreman in LBC and Elijah works in the panel-beating and motor repairs departments. Other sources used when compiling this history include primary documentation; an interview with Mr Van der Westhuizen, voluntary co-op advisor to the UWM; and minutes of CCC meetings and LE general meetings attended by the researcher.

#### ***A. Initiation of Launisma Enterprises***

LE was initiated by a group of four people in December 1986 in an attempt to create employment for themselves and other members of the Crossroads community through pooling their resources and skills. One of the key figures in this venture is a former Crossroads community leader, Mr Langa. Mr Langa is a well known resident of Crossroads who has had a history of involvement in enterprises in the informal sector. He once owned a grocery store in Crossroads, sold corrugated iron from his home, and operated a motor repairs service from his backyard.

According to a 'Preliminary Statute' of LE dated April 1987, the main problems encountered by unemployed people involved in 'backyard enterprising' included the lack of facilities in the form of working space, insecurity created by municipal by-laws with regard to backyard ventures, the reluctance of insurance brokers to protect such ventures against loss of earnings and other eventualities, and a lack of business acumen. As a result of these problems, the founder members of LE, themselves

unemployed, decided to acquire premises and to recruit people involved in backyard operations in an attempt to combine such operations. The aim was firstly, to establish an employment project; and, secondly, to use the expertise of the experienced and somewhat skilled founder members to administer the project, and to market the services and products of the combined enterprises in a more efficient and productive manner. It was hoped that a wider range of customers would be reached in this way. The goals of the employment project were stipulated as follows:

1. To establish the said project as a financially and economically viable and profitable venture;
2. to create work opportunities, [and]
3. to play an active role in community upliftment (Employment Project: Launisma: Preamble, April 1987).

#### ***B. Acquiring Premises and Recruiting Members***

Although people came together in December 1986 to form LE, it was not until May 1987, however, that the founder members obtained premises from which to operate. An old factory building in Philippi was hired at R2 000 per month. The lease for this building was signed by Mr Langa on behalf of the people involved in the employment project. This lease extended over a period of three months. By that time about twenty people, most of whom were unemployed and some of whom were involved in 'backyard

enterprising', had been recruited by the founders as members of LE. Mr Langa was elected chairperson of LE.

### ***C. An Attempt to Formalise Informal Economic Activity***

The founder members drew up a Trust and LE was established as a voluntary association. This can be seen as an attempt to formalise informal economic activity. The structure of LE included the chairperson at the head of all enterprises comprising the employment project, one section leader or foreman in charge of each enterprise, and the workers in each enterprise under the supervision of the foreman concerned.

At that time, LE consisted of motor repairs, panel-beating, and brickmaking enterprises. The motor repairs and panel-beating enterprises, previously located in some members' backyards, were the only enterprises which had customers at the time. The brickmaking enterprise was formed but it was not as yet in operation. The building construction enterprise was formed later in 1987.

### ***D. Lack of Financial Resources***

Due to a general lack of financial resources the members were unable to pay the rent for the first month, namely, May 1987. They then negotiated with the owner of the premises, Mr Leon Markowitz, for an exemption from rent payments for the first two



months of occupation. By the time the first rent payment was due none of the enterprises had generated sufficient income to cover the rent. The members then borrowed R2 000 from the spouse of one of the founder members to pay the rent for July 1987. This lack of financial resources eventually led to struggles within LE over these scarce resources.

#### ***E. Subsidisation of Builders and Brickmakers by Panel-Beaters and Mechanics***

As mentioned earlier, LE is structured in such a way that each enterprise forms a department of LE as a whole. When LE was founded its initial members decided to share equally among all the departments any income received, irrespective of the department in which that income was generated and irrespective of the cost structure in each department. Since the building construction and brick-making enterprises were not in operation during the months of May to October 1987, the decision to share equally any income received resulted in the subsidisation of these enterprises by the panel-beating and motor repairs enterprises. The amount of money involved in this subsidisation is, however, unknown.

During the first months of operation the panel-beating and motor repairs departments were the only departments in LE which were bringing in some revenue. This revenue, however, was meagre. Once again, the size of this revenue in quantitative terms is unknown.

The members' decision to share any income equally resulted in this meagre revenue being spread among twenty people.

### ***F. Struggles over Scarce Resources***

By October 1987 this situation resulted in a struggle over financial resources in the co-op:

[The] panel[-beaters] and [the] mechanics did not want to share money equally anymore. They wanted to use money made by them for themselves (Interview 1.4).

One of the outcomes of this struggle was a decision that each department would take responsibility for its own costs, including wages. It is not clear, however, how and by whom this decision was made. Among other costs, each department was thus responsible for a R500 monthly rent payment. In addition, it was decided that each enterprise would have to contribute R100 per week towards administrative funds. A further outcome of this struggle was that Mr Langa borrowed R5 000 from the Small Business Development Corporation (SBDC) on behalf of the brickmaking department. This money was used as starting capital for this enterprise. Furthermore, according to Mr Langa, the American Embassy donated R13 800, and British Petroleum, R5 000 towards machinery and equipment for the brickmakers (Interview 1.1).

Moreover, in October 1987 the foremen of the panel-beating and motor repairs departments announced that they were having financial difficulties. They requested LE for permission to do

additional work on the premises for the purposes of supplementing their income. This work took the form of providing transport services by taxi and repairing these taxis whenever required. Permission was granted to the departments concerned. According to Mr Van der Westhuizen, the voluntary co-op advisor to the UWM, permission was granted under the following circumstances:

the panel-beating and motor repairs departments were idle at the time either because they did not have sufficient spare parts to complete work to be done, or because they did not have any work to do; members of these departments were thus granted permission to do work for the purposes of supplementing their income on the basis that they did not have any work to do (Interview 1.6).

#### ***G. Financial Mismanagement***

Now that each department was taking responsibility for its own costs, management of the finances of each department became more crucial. The evidence, however, points to practices of severe financial mismanagement in LE. Examples of financial mismanagement are illustrated by the operation of the building construction department.

Around mid-1988 the building construction department started building a house in Khayelitsha. According to the foreman of the brickmaking department, Mr Chilibe, this project was characterised by a severe misuse of LE's funds. (Interview 1.4).

The member responsible for the misuse of funds owed LE a sum of R1 330. He was not punished or disciplined for what he had done.

Instead, he was asked to "correct his mistakes" and to pay his fellow members the money he owed them. The member concerned, however, had decided that he could no longer remain a member of the co-op after all the problems he had caused and the debts he had incurred. He decided to leave LE. He did not, however, give the co-op the money which he owed them. His junior in the building construction department then assumed the position of director. Moreover, the building construction department lost R3 000 on a construction project in Stellenbosch and R4 440 on such a project in Mowbray. In both cases the reason for the loss incurred was the inability of the members to complete the projects within the time period stipulated (Interview 1.4).

#### ***H. Financial Crisis at Launisma Enterprises***

Not only were individual departments experiencing financial problems, but also LE as a whole. The premises which LE rented were not equipped with electricity. The British Embassy, however, paid for the installation of electricity. The enterprises were, however, not generating sufficient revenue to cover the monthly costs towards electricity. Thus, by the end of December 1987 LE owed R8 000 for rent and R1 000 for electricity. The former figure shows that between August and December 1987 the enterprises were unable to generate sufficient income to pay the rent. R6 000 was received from a company in Bellville (the name of the company is unknown) for the purposes of paying some of this debt. R4 000 was borrowed from Get Ahead (an American

development agency linked to an organisation called Build A Better Society) to pay the rent for December 1987 and January 1988. A further R4 000 was borrowed from a 'Mr Basson' to pay the rent for February and March 1988.

By mid-1988 the panel-beating and motor repairs departments were also in dire financial straits. These departments were not generating revenue for LE as a whole because the members were engaged in work for themselves, namely, driving taxis, rather than in production for the employment project. The members of these departments were thus generating income for themselves, but not for LE as a whole.

### ***I. Struggles between 'Skilled' and Unskilled Members***

Around this time (mid-1988), the foremen of the panel-beating and motor repairs departments requested that the members of LE revert to their original decision to share among all departments any revenue received irrespective of the department in which revenue was generated, and irrespective of the cost structure of each department. This time, however, these members argued in addition that they were eligible for higher wages than the members of other departments since they had some form of skill in panel-beating and mechanical repairs. The proposal from the panel-beating and motor repairs departments to share revenue and to be paid higher wages was accepted.

According to the voluntary co-op advisor to the UWM, Mr Van der Westhuizen, the acceptance of this proposal from the panel-beating and motor repairs departments was influenced by an attempt on the part of the brickmakers to gain control over the flow of income in and out of these departments (Interview 1.6). As will become apparent later, however, instead of gaining such control, the brickmakers ended up subsidising rental, administrative, and additional wage costs for these enterprises. This situation arose partly as a result of the unequal power relationship between the unskilled brickmakers and the panel-beaters and mechanics who claimed to be skilled. On the basis of this claim members of the panel-beating and motor repairs departments were able to bargain for higher wages. The other factor contributing to this situation is the history of subsidisation of the brickmakers by the panel-beaters and the mechanics during the initial stages of the project.

***J. Subsidisation of Panel-Beaters, Mechanics and Builders by Brickmakers: The Tables are Turned***

By mid-1988 the brickmaking department had been able to generate some income. This enabled it to pay its members an average wage of about R30 per week (Application for loan, September 1989). In effect, the acceptance of the proposal made by the panel-beating and motor repairs departments resulted in the subsidisation of these departments by the brickmaking department. This department essentially paid the rent and administration fees for the panel-

beating and motor repairs departments for about five months - from about May to September 1988.

This 'subsidy' amounted to R13 700. In addition, it paid some of the higher wages of the panel-beating and motor repairs departments. This bill amounted to about R 8 100 (General Meeting: 12 October 1989). Furthermore, the brickmaking department had supplied the building construction department with bricks and blocks to the value of about R6 000 (Auditor's report, 28 February 1989). In addition to subsidising the other departments of LE, the brickmaking department paid R5 000 towards debt accruing from rental arrears (Interview 1.4). The heavy financial responsibility accruing to this department resulted in it suffering a loss of about R24 700.

#### ***K. Launisma Enterprises Joins the UWM***

It is clear, then, that LE as a whole was confronted with a financial crisis by mid-1988. In July 1988, LE joined the UWM. Judging from the financial state of the enterprises, and from the struggles arising out of a combination of a lack of financial resources and the mismanagement of these severely scarce resources, it is safe to assume that among the reasons for the affiliation with the UWM were the need for an outside agency to assist in resolving the internal struggles in LE, and to facilitate access to further financial resources in the form of loans and/or aid.

### ***L. Attempts by the UWM to curb Financial Mismanagement***

In September 1988 the UWM staff and voluntary advisor involved with LE recognised the mismanagement of financial resources in favour of the panel-beating and motor repairs departments. This mismanagement was manifested in problems such as rental arrears. It was recognised by the UWM staff that one way of dealing with this situation would be to ascertain the amounts of money flowing to and from each department, and the purposes for which this money was being used. With this intention, the UWM staff then suggested the financial and administrative separation of each department. This would entail separate financial records, budgets, and production plans. The most significant requirement suggested by the UWM, however, for attaining such independence was a separate lease for each department. (The reader will recall that the lease for the building being rented was in the name of Mr Langa on behalf of LE). Furthermore, Mr Van der Westhuizen would check the financial records of each department in order to determine how much revenue was generated by each department and for what purposes that revenue was being used (Minutes of meetings attended in September 1989).

According to Mr Van der Westhuizen, however, this suggestion which essentially entailed the restructuring of power relations in LE, was effectively countered by the chairperson, Mr Langa:



the force was too overwhelming against any such ideas [suggesting the restructuring of Launisma] and Tata Langa was the big force against [this suggestion]. We had a few meetings in which Tata Langa, in a very efficient way, sunk any attempt to suggest a restructuring of the co-op (Interview 1.6).

Furthermore, several attempts were made by Mr Van der Westhuizen to obtain the financial records of LE in order to evaluate the use of revenue generated by the various departments. These attempts, however, proved to be unsuccessful because LE refused to give the advisor access to the relevant records (CCC meeting, 30 November, 1988).

#### ***M. Brickmakers Generate Income***

About the same time, August to September 1988, the UWM approached Social Change Assistance Trust (SCAT), a local funding organisation, for a loan to the value of R20 000 for the purposes of providing financial capital and equipment for the brickmaking department. SCAT provided a loan for these purposes to the value of R7 000. This was an interest free loan payable on demand. This loan was to be paid in the form of R200 monthly instalments as from November 1988.

The availability of financial capital in the form of the loan from SCAT, and a ready market for cement bricks and blocks facilitated the profitability of the brickmaking enterprise at the time. Total sales of bricks and blocks over the period September to mid-October 1988 amounted to R 15 817. After

brickmakers for the motor repairs section for this period amounted to R4 600. The combined wage bill for these two departments thus amounted to R8 100. The wage bill for the brickmakers and the administrative staff, however, amounted to R6 100.

Moreover, the income generated by the panel-beating department during the said period amounted to R2 487, while that generated by the motor repairs department amounted to R2 133. The income generated by the brickmaking department from September to mid-October 1988, however, was R15 817 (General Meeting, Crossroads, 12 October 1988).

The table below clearly shows that by mid-October 1988 the panel-beating and motor repairs departments were receiving more revenue in terms of wages than they were generating. At that time the brickmakers were paying the wages for the panel-beating, motor repairs, brickmaking, and administration departments.

Department	Wage Bill	Income Generated
<i>Panel Beating</i>	R3 500	R2 487
<i>Motor Repairs</i>	4 600	2 133
<i>Brickmaking</i>	6 100	15 817
	+ admin.wages	

When examining the five week period from the beginning of September 1988 to mid-October 1988, we find that the brickmakers were earning 34% of the average weekly wage paid to the panel-beaters, and 39% of the average weekly wage paid to the

mechanics. The panel-beating and motor repairs departments, however, each generated as much as 15% and 13%, respectively, of the total income generated by the brickmaking department over the said period. The discrepancies between the wages earned by the brickmakers and the income generated by that department, and the wages earned by the panel-beaters and the mechanics and the income generated by them, are vast. These discrepancies are a clear indication of the degree of financial maldistribution in LE. At best it was a form of subsidisation; at worst, a form of exploitation.

#### ***P. Inconsistent Standpoints and the Postponement of Decisions***

With regard to the struggle over financial resources which emerged in mid-October 1988 at the general meeting held on 12 October, no decision was taken regarding the proposal by the brickmakers to separate the finances and administration of the departments of LE. The reasons why no decision was taken at this meeting are multiple.

Firstly, during the course of this general meeting, the discussion around the brickmakers' proposal raised two possibilities of dealing with this struggle over financial resources. One of these was that each department take responsibility for its own overhead costs, and that the revenue remaining be divided equally among all members of LE. The other

possibility was that each department take responsibility for all its costs, including wages. The latter resembled the proposal by the brickmakers to separate the departments financially.

It is important to note, however, that the brickmakers were not consistent in their argument for the financial separation of the departments of LE. Instead, the foreman of the brickmaking enterprise expressed some concern regarding such separation or independence. His concern was that if a department was unfortunate for some reason and happened to lose much money, it would not be able to operate effectively if it were financially independent of the other enterprises. This inconsistency in the argument by the brickmakers provided a second reason which facilitated the postponement of the decision regarding their proposal.

It was decided by consensus that this decision be postponed on the basis that the members needed to think about these two possibilities as solutions to the problems of financial mismanagement and the resultant struggles over financial resources (General Meeting, Crossroads, 12 October, 1988).

#### ***G. Aid Diffuses the Problem***

In the meanwhile, a loan to the value of R20 000 obtained by LE from Mobil Foundation for the purposes of covering some of their debt and without the knowledge of the UWM, diffused the

interrelated issues of rental arrears and administrative and financial interdependence of the enterprises. Obtaining this loan provided a further reason to postpone the decision regarding the brickmakers' proposal (General Meeting, Crossroads, 12 October, 1989).

### ***R. The Crisis Re-emerges***

According to Mr Van der Westhuizen the rent crisis emerged once again by December 1988. A general meeting of LE was held to deal with this crisis and to decide on the proposal to separate the departments financially and administratively. This meeting was held during the vacation when UWM staff were not present. At this meeting the members of LE decided "in principle" (Interview 1.6) to operate as financially and administratively independent departments. The implementation of this decision, however, was delayed for a further three months until March 1989. The rationale behind this delay was "to give people three months to work out their problems" (Interview 1.6). Hence, the decision taken in December 1988 was only to be implemented by March 1989 (Interview 1.6).

### ***S. Cosmetic Changes are Proposed***

According to Mr Van der Westhuizen, the form of organisation resulting from the decision proposed at the general meeting of LE

in December 1988, was different from that suggested by the UWM since September that year.

The UWM suggested that the departments comprising LE divide into financially and administratively separate units. In this regard, each department had to sign its own lease and take responsibility for its own costs. This effectively meant that Mr Langa, the chairperson of LE, would be associated with one single department rather than with all the departments comprising LE.

The form of organisation decided upon by LE in December 1988, however, *formally* provided for the financial and administrative separation of each department by allocating the bookkeeping and administrative tasks for each department to one person in the administrative department. The lease for the building, however, was retained in Mr Langa's name on behalf of all the departments in LE. And, the flow of finances between departments for the purposes of costs such as rent and wages, was not clearly defined.

Effectively, then, according to Mr Van der Westhuizen, the form of organisation decided upon by LE in December 1988 simply meant that "some administrative reorganisation was done with Tata Langa still firmly in control on top" (Interview 1.6). This meant that even though the departments comprising LE were, in theory, financially separate, in practice, revenue generated by the brickmaking department could still be used as revenue of LE as a

whole for the purposes of paying rent and wages for all the departments.

### ***T. The Crisis Re-emerges Once Again***

By March 1989, a rent crisis, a wage crisis, and a general financial crisis once again emerged in LE. Furthermore, by this time the new owner of the buildings rented by LE, Mr Moodley, gave the enterprises notice to vacate the premises by the end of March 1989. Rent payments to the value of R3 500 were due by LE by 1st March. The monthly rental for these premises was to be increased to R5 000 as from 1st April 1989. In addition, LE owed R1 000 for transport costs, R4 000 to one of the founder members, and R3 000 to someone by the name of 'Christie'. An additional R1 500 was owed to Mr Leon Markowitz for rental arrears and lawyers' fees, while R712,66 was owed for telephone costs, and R364,95 for electricity costs. Further, the brickmakers had not received wages for three months in succession (CCC meeting, Crossroads, 1 March, 1989).

As a response to this financial crisis and to the increased rent as from April 1989, LE began to investigate the possibility of renting cheaper premises. A vacant plot surrounded by a vibracrete wall was found in Philippi in the same vicinity as the premises owned originally by Mr Leon Markowitz and later by Mr Moodley. LE could rent this plot for R1 300 monthly with an exemption from the first monthly payment. Mr Langa signed the

lease for this vacant plot and the first rent payment of R1 300 was made on 15 March 1989 (Visit to Launisma, Crossroads, 15 March 1989).

***U. Formation of a Commission of Inquiry into the Economic Viability of Co-ops Affiliated to the UWM***

In an attempt to deal with this crisis, the UWM suggested the formation of a Commission of Inquiry into the Economic Viability of all the co-ops affiliated to the organisation, including LE. This Commission included a specific inquiry into the wages, or rather, the lack of wages in the LBC. An agreement to form the Commission was made at a Co-op Coordinators' Committee (CCC) meeting, held in January 1989. This committee is a structure of the UWM and consists of representatives of cooperatives affiliated to it.

It is important to note, however, that the agreement regarding the Commission of Inquiry was not made without some struggle. The Commission of Inquiry into wages at LE did not meet on 31 January, 1989, as planned, because LE refused to make the relevant information accessible. At the CCC meeting held on 1 February 1989, Mr. Langa from LE argued that the CCC could not elect a commission without a mandate from the members of the enterprises concerned. This position was based upon a decision made at a general meeting of LE held on Thursday, 6 January, 1989.



According to Mr Van der Westhuizen, the commission finally stated that the departments comprising LE should become financially and administratively separated from one another. This advice was not accepted by Mr Langa.

By this time the brickmakers had again approached SCAT for a loan. One of the conditions set by SCAT for the purposes of considering a loan for the brickmakers was that the brickmakers sign the lease for the vacant plot of land. (The reader will recall that the lease for this plot was signed by Mr Langa, the chairperson of LE). SCAT had access to the commission's report on the state of LE, and thus took heed of the suggestion by the commission that each department should sign its own lease in order to ensure its financial and administrative separation (Interview 1.6).

According to the foreman of the brickmaking department, the brickmakers accepted the condition set by SCAT and lawyers assisted them in changing the name of the lessee for the plot from that of Mr Langa to the names of the brickmakers. Once this condition was met, however, SCAT did not provide the brickmakers with funds (Visit to brickmakers, 3 November, 1989).

#### ***V. The Eventual Separation of the Brickmakers from Launisma Enterprises***

A combination of factors led to the eventual financial and administrative separation of the brickmaking department from the panel-beating, motor repairs, and building construction departments of LE.

Firstly, the building construction department closed down when two of its key members resigned at the end of 1988 as a result of being blamed by other members of LE for the failure of that department. A further reason for the resignation of one of these members was related to his ill-health. Secondly, the plot of land presently hired by the brickmakers was too small to house the taxis driven by the panel-beaters and the mechanics, the cars which they repair, and the raw materials and completed products of the brickmaking enterprise. Finally, the condition set by SCAT for the purposes of even considering a loan for the brickmaking department further facilitated the separation of this enterprise from the rest of LE.

#### ***W. The Conclusion to this History of Struggles***

The above exposition is an account of the complex processes involved in the historical development of Launisma Enterprises and of the brickmaking enterprise over the relatively short period from September 1988 to March 1989. The conclusion to all these processes, however, was that the brickmaking enterprise

hired a plot of land at R1 300 per month. This premises does not have any water supply. Considering that water is used in the mixture of the aggregates when manufacturing cement bricks and blocks, the lack of a water supply is a severe inconvenience for the brickmakers. Furthermore, members require water for drinking purposes.

## ***X. Summary and Discussion***

From the above account of the historical development of LE, it is clear that these enterprises were started as part of an employment project and not as cooperatives. This employment project only nominally became a co-operative after its affiliation to the UWM in July, 1988.

### ***1. Problems***

The main problems in LE include a severe lack of financial resources and an organisational structure inconducive to economic viability. The former problem is manifested in LE's dependence on aid. The latter problem is manifested in constantly shifting decisions regarding the distribution of revenue. These problems are clearly interrelated. Struggles over the distribution of scarce financial resources tend to result in proposals to change the organisational structure of LE. These proposed changes, however, never come into effect.

## **2. Power Structure**

Why do proposed changes never come into effect? Firstly, we would argue that any significant change in the structure of LE is blocked by the power structure inherent in the organisation itself.

Mr Langa was elected chairperson of LE mainly because he was the key figure in the establishment of the employment project. Among other possible reasons for his election to this position, however, are his position as community leader, his experience and limited business skills in operating economic enterprises, a general recognition of him as an elder, and his ability to communicate in English : "The people chose him ....because they don't know how to speak with the white peoples" (Interview 1.2). Furthermore, the members of LE owe allegiances to Mr Langa since he has acquired the funds and the premises which enable them to operate. In these circumstances it is thus not easy for members of LE to challenge Mr Langa.

The position of power which Mr Langa holds in LE is manifested clearly in his practice of posing as lessee for premises hired, and obtaining loans on behalf of the members. Furthermore, his resistance to the restructuring of LE from financial and administrative interdependence among the departments to effective independence with regard to these aspects, is a clear indication of his interests in maintaining his position of power. These

interests are expressed in his desire to have control over all the enterprises comprising LE.

Furthermore, it is important to note that Mr Langa has considerable influence over decisions made in LE. The circumstances which allow for such influence include the general lack of organisational structures to counteract such influence and the ineffectiveness of existing structures in doing so. Other significant circumstances which allow Mr Langa to have considerable influence include the practice of decision-making by consensus, the general respect for Mr Langa as community leader and as leader of LE, and the generally low level of participation on the part of the members in decision-making regarding major issues such as financial mismanagement and restructuring the enterprise. This lack of participation is directly linked to the low level of education among members and their lack of organisational experience.

It is thus safe to assume that the decisions regarding the cosmetic reorganisation of LE towards the end of 1988, and the struggle against the Commission of Inquiry into wages at LE occurred under the influence of Mr Langa. An inquiry into wages at LE would certainly have been in the material interests of the brickmakers who had not received any wages for three months in succession. The power dynamics in LE as a whole, however, prevented the brickmakers from insisting on such an inquiry.

A second dimension to the power structure in LE is embedded in the division between those members who claim to be skilled, namely, the panel-beaters and the mechanics, and those who are unskilled, the brickmakers. This division has enabled the 'skilled' members to demand higher wages.

### *3. Historical Legacy of 'Subsidisation'*

The historical development of LE indicates that the panel-beaters and mechanics subsidised the brickmakers during the initial stages of development of the project - from May to October 1987. This history in effect suggests that the brickmakers owe their fellow-entrepreneurs some form of payment. The difficulty here, however, is that the amount by which the brickmakers were subsidised is unknown. The only information we have is that the income generated by the panel-beaters and mechanics was meagre. There is thus no means of defining a fixed amount of debt accrued to the brickmakers over this period. One can argue that this undefined debt is used as a justification by the panel-beaters and the mechanics for the subsidisation of their wages, rental, and administrative costs by the brickmakers.

The subsidisation of higher wages, rent and administrative costs for the panel-beating and motor repairs departments by the brickmaking department while the members of the former departments were not generating any revenue for the project, but were clearly receiving an income from the transport services

provided by them, is absolutely absurd and amounted to exploitation.

#### *4. Fear as Social Control*

It is difficult to explain why the brickmakers who were certainly aware of the fact that they were being exploited by the panel-beaters and the mechanics, continued to subsidise these departments. One possible explanation for this absurdity, however, is the extent to which fear has become a form of social control in the townships and the 'squatter' areas in South Africa. This fear was expressed by the foreman of the brickmaking department during a conversation with Mr Van der Westhuizen (Crossroads, March, 1989). During this conversation Mr Van der Westhuizen suggested to the foreman that the brickmakers break away from the other enterprises comprising LE in an attempt to operate independently. The foreman, in turn, explained to the advisor that it was not an easy task to break away from LE:

Hulle sal jou brand....mense die kant is nie soos mense daai kant waar julle bly nie - hulle sal jou brand as jy so iets doen want hulle sal se jy bedrieg hulle (Interview 1.4).

This is an indication that township violence and political culture influences behaviour in a cooperative.

### ***5. Founders and Recruited Members: Implications for Co-op Development***

A further problem with the formation of LE is that the founders recruited the initial members to work in the project while they administered it. The initial members thus did not collectively decide to establish this collection of enterprises, nor did they voluntarily join the project. Moreover, people who became members of LE after it had been established joined mainly because they were in need of work.

Generally, whether people voluntarily commit themselves to establishing an enterprise, or whether people are organised by others into an enterprise has important implications for the historical development of such a venture. In cases where people are organised by others or recruited as members of a project, the founder members tend to maintain positions of power. As a result of the power structures which develop within enterprises initiated in this way, it is often difficult for such enterprises to be transformed into co-operatives. In the case of enterprises voluntarily formed by a collective of people, however, the process of development into a co-operative enterprise is often less cumbersome. In the case of LE the power structure accompanying the role of the key figure in the establishment of the project, Mr Langa, has had important implications for the development of the enterprises concerned.



## **6. In Sum**

The above account of the processes of development in LE over the period between September 1988 to March 1989 clearly indicates that the project has been characterised by a severe lack of financial resources since its establishment. The lack of such resources resulted in large debts being incurred and in struggles within LE over these scarce resources. It is important to recognise that the struggles over financial resources in LE occur between those members who claim to have a skill and those who are unskilled. Moreover, these struggles are between those members of LE generating the least revenue and earning the highest wages, and those generating the most revenue and earning the lowest wages.

It is also clear that these struggles occur not only because of the scarcity of financial resources, but mainly because of the mismanagement of these scarce resources. The mismanagement of financial resources can be attributed to the lack of skills on the part of the manager (Mr Langa) in financial management, and the atmosphere of 'welfarism' within LE as manifested in the subsidisation of some departments by others, and in the reluctance on the part of the membership to punish members who misuse funds.

Furthermore, the LE employment project is a victim of aid in the form of money provided for equipment and machinery by the American Embassy and British Petroleum, and electricity installed

by the British Embassy. These examples of aid provided to LE highlight the absurd conditions under which aid is often provided to small business enterprises, including co-operatives. The British Embassy paid for the installation of electricity on the premises hired by LE at a time when the project was unable to generate sufficient income to pay the electricity used on a monthly basis. Furthermore, LE often did not have the funds to repair the machinery provided by the American Embassy.

Moreover, the conditions under which Mobil gave LE a loan to the value of R20 000 in October 1988, and the consequences of receiving such extensive funds at that time, illustrates some of the constraints, specific to the South African context, presented by the easy access to funds for small enterprises in the form of soft loans or grants. From the above account of developments in LE, it is clear that the receipt of the loan from Mobil in October 1988 contributed to the diffusion of important processes of decision-making regarding financial mismanagement within LE. The receipt of the loan at this particular time prevented the members of LE from learning through their experience of financial hardship and from dealing with the mistakes made. This example illustrates the possible negative impact of the facilitation of access to funds on the part of donor agencies.

The practice of allowing the panel-beaters and the mechanics to do work for the purposes of generating personal income on the basis that they did not have work to do for LE at the time,

rather than insisting that these departments find work to do or be closed down, illustrates a further grave weakness in LE. This is a clear indication that the enterprises comprising LE are not perceived to be economic units which, in order to be viable, must produce goods and/or provide services for a market. In the case of any small business enterprise, however, including a co-operative, its function as a viable economic unit is the basic prerequisite for its success.

Furthermore, it is clear from the historical development of LE that the goals of the employment project, namely, economic viability, employment creation, and the 'upliftment' of the community, were hardly being accomplished. Instead, financial mismanagement destroyed the potentially most economically viable enterprise, the brickmaking enterprise. As mentioned above, September 1988 marked the beginning of a profitable period for the brickmaking enterprise. Unfortunately, however, the subsidisation of wages and administrative costs by the brickmakers for the panel-beaters and the mechanics resulted in a severe loss of revenue on the part of the brickmaking enterprise. That lost revenue could have been used for the purchase of raw materials for renewed production in 1989, or it could have been placed in the bank as reserve funds to see the brickmakers through the slump in the building industry which began in the first half of 1989.

With regard to the goal of employment creation, the project provided jobs for about forty-eight unemployed people. The wages for these jobs, however, were far below the minimum living-wage level, and more often than not, the producers involved in the project worked for no pay. Furthermore, instead of working towards the 'upliftment' of the community as intended, a key feature of LE was the exploitation of some producers (who were members of the local community) by others. This exploitation is clearly manifested in the relationship between the members of the brickmaking enterprise and those of the panel-beating and motor repairs enterprises.

The range of complexities involved in the historical development of LE can be attributed to a combination of various aspects. These aspects include weaknesses in the organisational structure of the project; the power dynamics at play both within the project and among the members of the community of Crossroads as a whole; the severe lack of financial resources and the mismanagement of these resources; the negative effects of aid from donor agencies; and the failure on the part of the producers to recognise the enterprises as primarily economic units which, in order to be viable, must produce goods or services for a market.

### III. Organisational Structures in Launisma Brickmaking Co-op

This section is based on interviews with the core members of LBC, primary documentation, and observation.

#### *A. Introduction*

In the two years of its existence LE has devised a form of organisation for the purposes of dealing with the daily tasks and responsibilities entailed in operating a series of economic enterprises. In this section we deal with the features of that form of organisation. The intention is to give the reader an idea of the structures in operation in LE as a whole, with specific reference to the LBC. Furthermore, in the summary and discussion towards the end of this section, we evaluate critically the organisational structures in operation in LE and the LBC. In this regard we examine the extent to which these structures contribute to and/or hinder democratisation and organisational efficiency.

For the purposes of the dissertation, the concept 'organisational structure' refers to mechanisms devised by the people involved in an organisation in an attempt to operate efficiently and democratically, mechanisms by which decisions are made, and by which the organisation is administered, and, the nature of relationships among/between various sections of an organisation.

## ***B. Working Structure***

### ***1. The Structure of LE***

The existing organisational structure of LE (which will be described immediately below) closely resembles the structure proposed in the preliminary statute dated April 1987. The proposed structure consisted of trustees, section leaders or foremen, and workers. The section leaders were to be skilled workers and tradesmen responsible for specific departments which would comprise LE. The workers, more specifically, labourers would be "appointed if and when vacancies arise" (Preliminary Statute, April 1987). The rules applying to labourers were stipulated as follows:

- a) To be loyal to our cause;
- b) To be kept informed through newsletters;
- c) Grievances from workers will be attended to at section meetings convened by the section leaders on a weekly basis;
- d) All workers will be paid an equal wage (Preliminary Statute, April, 1987).

In practice, Launisma Enterprises is organised in the form of a Trust governed by a board of seven Trustees. Five of the trustees are founder members who work and hold positions of authority in the enterprises constituting Launisma. The remaining two trustees are non-members. The founder members are artisans, most of whom are not qualified and hence do not have any apprenticeship certificates. The foreman of the LBC was one of the founder members. At the time of research attempts were being made to form a new board of trustees. According to Mr Langa, this was

necessary mainly because the non-members showed no interest in the affairs of the enterprise (Interview 1.1).

Each enterprise which constitutes part of LE is considered to be a department or section of LE as a whole. In addition, LE has an administrative department which is responsible for the administration of all the departments. In some ways these departments are strongly interdependent, while in other ways they are entirely independent.

On the one hand, the fact that all the departments are managed by the chairperson and administered by the same committee makes them strongly interdependent. Furthermore, brickmaking and building construction, on the one hand, and panel-beating and mechanical repairs, on the other, are interrelated economic activities. There is, however, little interrelation between the former and the latter economic activities. Repairing motor cars is a completely different and unrelated economic activity to manufacturing bricks. This distinction makes the brickmaking department independent of those engaged in motor repairs.

It is important to note, however, that while there is some degree of distinction in economic activities, the enterprises comprising LE are locked into a structure of financial interdependence. Evidence of this is clearly indicated in the historical account of the development of LE. The key mechanism to this financial interdependence is the obligation on the part of each enterprise

to share any income received among all members of LE as a whole. This sharing of income is done irrespective of which department generates the most revenue.

## ***2. Specific Structures of the LBC***

With specific reference to LBC, this enterprise is managed by the chairperson of LE, Mr Langa. The co-op initially had one section leader, appointed by the Launisma administrative committee.

During the research process, however, two more members of LBC were elected by the brickmakers to be foremen/supervisors. The foremen are working members of the co-op. They are responsible for submitting a report to the chairperson on the general state of operation of the brickmaking co-op, for ensuring that members of the co-op do their work, and that equipment is not stolen. Furthermore, the LBC has a shopfloor committee elected by the brickmakers. This committee is responsible for daily management tasks such as the organisation of the production process, ordering raw materials, dispatching orders, and so on. The members of the shopfloor committee include the supervisors and about three members who work in LBC.



### **3. Structures of LE of Relevance to LBC**

#### **a) The Weekly General Meeting**

There are a further three mechanisms which form part of the organisational structure of the LBC. One of these is the weekly general meeting of LE at which all departments are expected to be present. In practice, however, it is mainly the members of the brickmaking and administration departments who attend these meetings regularly. The members of the motor repairs and panel-beating departments usually claim to be too busy to attend meetings. A lack of transport and the fact that most of the members of the building construction department work on building sites in various residential areas, are among the reasons for a lack of attendance of these members at general meetings. The member of the building construction department who is also part of the administration department, however, attends these meetings regularly.

At these meetings all major decisions, including policy decisions, are made. In theory, decisions are made by consensus, that is on the basis of the one-person-one-vote principle. In practice, however, decisions are made primarily through a practice of "non-opposition" (in the terms used by Mr Van der Westhuizen : Interview 1.6). It is in these general meetings that the foremen report on the general state of operation of each department, and in which problems such as rental arrears are discussed.

***b) The Shopfloor Committee Meeting***

The other mechanism is a weekly meeting of the LBC shopfloor committee. At these meetings the brickmakers decide on issues relating to production, membership, and wages among other issues.

***c) The Co-op Coordinators' Committee Meeting***

The third mechanism is the weekly Co-op Coordinators' Committee Meeting (CCC). This committee consists of representatives from each department in both Buthisizwe Co-op and Launisma Enterprises, from each of the co-ops affiliated to the UWM, the two co-op coordinators employed by the UWM, and the voluntary co-op advisor to the UWM. Broader policy issues, problems arising between the co-ops and the UWM, problems within and among co-ops, and issues relating to local and regional workshops are discussed at these meetings. The CCC is intended to serve as the representative structure of co-ops affiliated to the UWM and as the link between the co-ops and the UWM.

One of the intended functions of the co-op coordinators is to provide for the needs of cooperatives as economic units. These include securing financial support and providing training and advice on problems encountered during the production process. In addition, the coordinators are expected to ensure that the CCC and the cooperatives function democratically. In this regard,

coordinators are expected to train co-op representatives on the CCC as well as the general members of co-ops in democratic practices. Furthermore, coordinators are expected to keep both the UWM and the co-ops informed about developments in each of these organisations. Co-op coordinators and the advisor are accountable to the CCC for the administration and execution of their tasks.

The above exposition of the CCC refers to the intended functioning of this mechanism. In reality, however, several weaknesses contribute to the malfunctioning of the CCC.

Among these weaknesses are a severe lack of punctuality on the part of coordinators. CCC meetings seldom start on time, they start on average between forty five and sixty minutes later than scheduled, and sometimes simply do not take place as scheduled. Furthermore, coordinators do not have the skills to provide the co-ops with services such as training and advice. Skills in the functioning of an economic enterprise are especially lacking among coordinators. Furthermore, attendance of CCC meetings on the part of co-op representatives is generally poor and irregular. This often results in insufficient or no report backs to co-ops on issues discussed at CCC meetings.

In addition, the CCC does not have a coherently outlined policy and practice. More specifically, this committee has no guidelines for establishing new co-ops or for the provision of services to

already existing co-ops. As a result, the CCC is simultaneously engaged in attempts at initiating co-ops and at providing services for already existing enterprises. Hence the CCC responds, on an ad hoc basis, to matters and problems as these arise. A key weakness in the practices of the CCC is its inability to implement decisions taken at meetings. This is manifested in the consistent recurrence of the same issues in minutes of CCC meetings. The CCC also lacks the infrastructure required to provide services to co-ops. These include, among other factors, a lack of financial resources to provide loans to co-ops, and no vehicle for transport when visiting each co-op. Coordinators often have to rely on public transport which is generally unreliable, or on the vehicle used for UWM purposes. All these weaknesses point to the ineffectiveness of the CCC as part of the organisational structure of the LBC, in particular, and LE, in general.

#### ***4. Rights and Duties of Members***

The rights and duties of members of the various departments in LE, including the LBC, have not been clearly stipulated. The rules for workers as stipulated in the 'Preliminary Statute' (April, 1987), however, point to some of these issues. According to this statute, workers' rights include that they be kept informed about the affairs of the enterprises through newsletters, that their grievances will be dealt with at weekly section/departmental meetings convened by the section leaders,

and that they are entitled to equal wages. In practice, however, workers are not provided with information through newsletters, nor are wages equal. They are, however, able to raise their grievances at section meetings and also at general meetings of LE as a whole. .

The only duty expected of workers is to be loyal to the cause of the project as determined by the founder members, that is, to assist the unemployed. Furthermore, according to the Preliminary Statute (April, 1987), "workers will be appointed if and when vacancies arise". In practice, this stipulation has contradictory implications. One is that people can become members of LE whenever there are vacancies. The other is that labour will be hired by the existing members when it is deemed necessary. The practice in LE and the LBC with reference to this stipulation fits the latter description - labour is hired during peak production periods. Furthermore, hired labourers are excluded from major decision-making processes and are paid a pittance wage. During the time of research hired labourers in the LBC were paid R8 to R10 a week. Members of the LBC, on the other hand, were paid R30 to R40 a week.

This is an account of the organisational structure in operation in the LBC. The organisational structures in other enterprises comprising LE are similar to that described above.

### ***C. Organisation of Production and the Labour Process***

Initially the brickmakers made bricks and blocks by hand. Early in September 1988, two weeks before research in this co-op commenced, a brickmaking machine was introduced. Blocks, however, are still manufactured by hand in the co-op. The aggregates used to make the bricks and blocks include either sand, cement and grit, or sand, cement and quarrydust. These two combinations of aggregates are used in various proportions to produce specific qualities of products. A specific proportional combination of sand, cement and grit produces a lower quality product than that of sand, cement and quarrydust.

Furthermore, the density of the brick and/or block which determines the strength of the product also influences the quality of what is produced. Machine-made bricks and blocks tend to be stronger and of a better quality than hand-made products.

The LBC produces bricks and blocks inside of the factory building on a floor space of about 1 000 square metres (Commission of Inquiry into Co-ops). The type of machine used to make the bricks has a pan-mixer in which the dry aggregates are mixed, and a vibrating egg-layer in which the completed mixture of aggregates is loaded and by which the mixture is moulded into bricks. This machine operates on electricity and produces one dozen bricks at a time. Blocks are manufactured with two hand-operated templates, one for making large blocks and one for medium blocks.

The aggregates sand, grit, and quarrydust are ordered from suppliers of raw materials in loads measuring 5 cubic metres each. Cement is bought by the bag with each bag weighing 10 kilograms. The raw materials which are ordered in loads are offloaded outside of the factory building while the cement is stored inside the factory.

The sand, grit, and quarrydust is transported by wheelbarrow from outside the building onto the factory floor where the pan-mixer is situated. Using spades, the producers then fill the pan-mixer with the appropriate proportions of each aggregate. The pan-mixer is used to mix these dry aggregates. The dry mixture is poured out of the machine onto the floor upon which it is moistened with water, and then mixed manually, using spades. The moistened mixture is spaded into wheelbarrows and then conveyed to the vibrating egg-layer which is used to mould the bricks.

The raw materials used for making blocks are also transported by wheelbarrow onto the factory floor, mixed in the pan-mixer, moistened with water, and mixed using spades. The moistened mixture is spaded into the template and with a series of vertical arm movements the mixture is compacted by banging the template on the floor. The completed bricks and blocks are then carried off the shopfloor and stacked outside to dry. In the case of rainy weather the products are covered with sheets of thick plastic to preserve their quality. When orders are collected and/or

delivered the majority of the producers assist in loading the delivery truck. Loading is done manually.

#### ***D. The Division of Labour in Production***

The production of bricks is organised on an assembly-line with a distinct division of labour between manual and machine operating tasks. The machine operating tasks are executed mainly by men with both men and women doing manual tasks. It is mainly the women who carry the products off the shopfloor one by one and stack them outside to dry. Blocks are produced mainly by an individual producer assisted by others who prepare the mixture of aggregates. The individual producer works in such a way that the completed block is placed into a row of other blocks waiting to dry.

The producers are mainly members of the LBC. During times of increased production, however, when the co-op is unable to cope with the orders it receives, people who are not members are hired as labourers on a temporary basis. Since the manufacture of bricks and blocks does not require any skill, and since there are many people in the surrounding 'squatter' areas who are desperately in need of jobs, it is generally easy to hire labourers on a temporary basis for a low wage.

The shopfloor committee plans and coordinates production from day to day. The chairperson, assisted by the administrative



committee, is responsible for management tasks which involve mainly financial management.

### ***E. Management***

The LBC is managed by the chairperson, Mr Langa, who is assisted by the administration committee, of LE.

On the one hand, since the manufacture of bricks and blocks on a small scale involves relatively simple production processes, and simple technology, little is required in the form of production management. On the other hand, considering that raw material costs constitute about 66% of the cost of the final product, the need for working capital is high (Commission of Inquiry into Co-ops). This factor requires effective financial management. Furthermore, the cyclical nature of the brickmaking industry requires marketing strategies which will facilitate the stabilisation of demand. This factor requires effective marketing management.

With reference to financial management, we have seen that the evidence points to practices of severe mismanagement. With regard to marketing management, the manager has often secured contracts for the LBC with small subcontractors and owner-builders. An aggressive marketing strategy has, however, not been adopted. The key marketing strategy tends to be by word of mouth.

## ***F. The Division of Labour in Decision-Making***

The shopfloor committee of LBC takes responsibility for daily task-related decision-making. Most major decisions, however, are made by the Launisma administrative committee. While brickmakers are informed about these decisions it remains doubtful whether they have an effective say over processes at play in LE as a whole, especially those of special significance to the LBC. This has been illustrated in the historical account of developments in LE. More specifically, the subsidisation by the LBC of higher wages for the panel-beaters and mechanics, and the acceptance of their demands for these higher wages are clear examples of such processes. This situation is partly a result of the power structure of the LE as a whole, the power dynamics between the brickmakers and *Tata Langa*, the low level of education and lack of organisational experience of the members of LBC.

## ***G. Summary and Discussion***

The Board of Trustees of Launisma Enterprises has little function beyond the concrete manifestation of a document which serves as a legal mechanism to facilitate the operation of the enterprises in their broader social, political, and economic environment. The LE Trust can be seen as an attempt on the part of the founder members to formalise informal economic activity. This attempt should be seen in the context of the hostile environment of municipal regulations, limited space, and a web of other legal

requirements impinging on informal sector activity in SA in the early 1980s.

Several weaknesses can be identified in the organisational structure of LE and the LBC. Firstly, the operation of each enterprise as part of a larger enterprise, with the management function centralised essentially in the hands of one person, is a key weakness. Linked to this weakness is the central problem in LE, namely, the financial interdependence of the enterprises. Our account of historical developments in LE clearly indicates that this structure is inconducive to organisational efficiency, democracy, and economic viability.

Secondly, the lack of attendance at general meetings on the part of the bulk of the membership of LE is an indication that this structure is not effective. During the time of research, however, no attempt was made on the part of the membership of LE to address this issue in practice. The excuses presented by the panel-beaters and the mechanics were at first simply accepted. With the re-emergence of the financial crisis, and more specifically the rent crisis, in October 1989, however, some questions were being raised about the role of these members in LE as a whole. Challenging the practices of the panel-beaters and mechanics, however, was limited to raising questions, often in the absence of the members concerned. This points to the lack of effective structures in LE through which such issues can be taken up. It also points to the lack of guidelines for members.

behaviour and their rights and duties to the enterprise. There are no disciplinary measures for members who act against the interests of the enterprise as a whole.

Furthermore, the method of decision-making in these meetings - through non-opposition - does not promote democratisation nor participation. This form of decision-making is entrenched by the power structure inherent in the organisation as a whole, as described in the section on historical processes. In addition, the lack of education and organisational experience on the part of most members is a further factor which results in such decision-making.

Lines of accountability and authority are generally unclear in LE as a whole. For example, with reference to the LBC, it is unclear as to whom the manager is finally accountable. Further, it is unclear as to whom the LBC shopfloor committee is accountable. And, the relationship between the LBC shopfloor committee and the LE administrative committee is also unclear. This lack of clear lines of accountability and authority contributes to organisational inefficiency and serves as an obstacle to the process of democratisation. One could argue that the absence of these organisational aspects has facilitated the mismanagement of finances in LE as a whole.

With reference to the CCC, lack of punctuality on the part of coordinators point to organisational inefficiency. This lack of

punctuality can be attributed to a combination of a lack of responsibility on the part of these UWM officials, and their involvement in several other organisational activities of the UWM, hence leaving little and often no time for co-op duties. Furthermore, the appointment of co-op coordinators with little skill and experience in co-op organisation and with no business acumen and managerial skills results in the provision of inadequate services to the co-ops concerned. This lack of punctuality, responsibility, and, more especially, the absence of appropriate skills are among the main reasons why the CCC is unable to implement decisions.

Due, in part, to the lack of any coherent policy and practice for the CCC, this committee is essentially engaged in attempts at crisis management. These attempts, however, seldom succeed because of the diverse and interrelated weaknesses of this structure including a lack of appropriate skills, of responsibility, and of time to attend to the needs to co-ops. Furthermore, the poor attendance of co-op representatives at CCC meetings raises important questions about the representativeness and effectivity of the CCC structure.

The organisation of production in LBC is cumbersome thereby contributing to inefficient use of space, time, and labour. Such inefficiency is clearly manifested in the transportation by wheelbarrow of raw materials to the factory floor and of completed products to outside the factory. Raw materials should

be in close proximity to the site of production. In addition, production is interrupted whenever orders of bricks and/or blocks are collected since everyone engaged in production stops work in order to help load the truck fetching an order.

As mentioned earlier, financial and marketing management are key in a small-scale, labour intensive brickmaking enterprise characterised by limited financial resources. One of the weaknesses in management in the LBC, is the lack of these managerial skills. Neither the manager nor any member of the cooperative has such skills. Generally, the managerial strategy used is that of crisis management. In this regard, a key aspect required for the viability of the LBC is lacking.

In addition, Mr Langa is the LBC's single contact with its 'external' environment - the market, competitors, suppliers, and so on. Further, there is a high disparity in access to relevant knowledge and information between the manager and the general members of LBC. These factors, in combination with the general lack of accountability structures within and between the enterprises constituting LE indicate a general lack of mechanisms and practices for the purposes of ensuring democratic control.

Further obstacles to democratisation, participation, and organisational efficiency in LE and LBC include respect for elders such as Mr Langa; the reality of fear as a mechanism of

social control; a severe lack of education and skills, and a general lack of organisational experience.

In sum, the organisational structures and the method of decision-making in LE as a whole, and with particular reference to the LBC, fail to promote democratisation, efficiency, and economic viability. More specifically, centralised and unskilled management, the financial interdependence of enterprises, and a lack of accountability and of appropriate skills are inconducive to organisational efficiency, democracy, participation, and economic viability. These weaknesses are, however, not limited to the structure of the enterprises. Instead, the general members are powerless and unable to challenge undemocratic practices in LE. Their powerlessness has roots in their lack of education and organisational experience. In addition, the members are trapped in an ideology of respect for elders which prevents them from effectively challenging the existing power structure in LE. They are also trapped by the social control mechanism of fear. Furthermore, not only are the enterprises themselves impoverished, but also the organisation from which they seek support. In this regard, the UWM as an organisation in itself is in a process of formation and of developing democratic structures and practices. In the next section we deal with the relationship between the UWM and the co-ops in more detail and attempt to address the implications of this relationship for the cooperatives concerned.

#### **IV. Relationships with Other Organisations**

In this section we address, briefly, the relationship between Launisma Enterprises and the Unemployed Workers' Movement (UWM) with specific reference to the Launisma Brickmaking Cooperative. We also focus on the conflictual relationship between Buthisizwe Co-op and the UWM.

##### **A. Introduction to the UWM**

The UWM is a working class based organisation involved in organising the unemployed in the Western Cape. Other organisations of the unemployed in this region include the Unemployed Workers' Union (UWU) and the Advice Office Forum for the Unemployed. The latter two organisations comprise the Western Cape affiliate of the National Unemployed Workers' Coordinating Committee (NUWCC) interim committee established in 1987.

The ultimate aim of the UWM is to build a national union of the unemployed in South Africa. By 1987, this project gained the full support of Cosatu, the major federation of trade unions in the country. In addition, Cosatu has resolved that such a union will be a full affiliate of Cosatu with voting status in the federation. With the recent merging of the UWM and the Western Cape affiliate of the NUWCC interim committee, the former has been renamed the Western Cape Unemployed Workers' Union (WECUWU). Since the merging of these two organisations, WECUWU sits on the central and regional executive committees of Cosatu and all



Cosatu structures. Currently, however, this organisation has an observer status and has as yet not gained voting status on Cosatu structures. According to Mr Mohammed, Secretary of WECUWU, the process of gaining voting status is, however, underway (Interview 1.7).

Among the UWM's major activities are the organisation of anti-sabbing campaigns during strikes and raising funds for the purposes of supporting strikers. As part of its task of organising the unemployed, it is engaged in initiating and supporting producer cooperatives in an attempt to create employment for its members. Other activities include educational programmes for its members, and the operation of a labour office which gives advice to those attempting to claim unemployment benefits and informs UWM members of vacancies.

With regard to the relationship between the UWM and the co-ops, it is in their capacity as employment creation projects that they joined the UWM in 1987.

### ***B. Brief History of the UWM***

The UWM was initiated in the Western Cape in 1984 as an independent political organisation. According to Shaheed Mohammed, now secretary of the merged organisation, the basic motivation for the establishment of the UWM was rooted in the founders' observations of limitations of civic structures and

unions in the Western Cape. In this regard, trade union and community concerns were generally treated as separate. This was manifested in the fact that trade unions did not act on community issues while community organisations generally did not act on trade union issues. It was thus thought that initiating an organisation of the unemployed would facilitate the interlinking of community and trade union issues (Interview 1.7).

Since its formation, the UWM has been an independent political organisation, that is, unaffiliated to the major non-racial political organisations in the broader opposition movement in South Africa, namely, the ANC/SACP and the UDF. According to the secretary, however, the majority of its membership are ANC/SACP and/or UDF supporters. Furthermore, with the recent merging of the UWM and NUWCC to form WECUWU, the UWM has affiliated to Cosatu. WECUWU does, however, also work with NACTU and the Independent trade unions.

In 1986, Cosatu made a national survey of all the organisations of the unemployed. One of these organisations was initiated by Cosatu in the Witwatersrand, namely, the UWCC. There were, however, several other independent initiatives throughout the country including Port Elizabeth, East London and the Western Cape. With reference to the Western Cape, the organisations of the unemployed included the UWM, the Advice Office Forum Unemployed, and the Unemployed Workers' Union (UWU). With the intervention of Cosatu, these organisations were drawn together

and met in 1987 to discuss the formation of a national union of the unemployed. The outcome of this meeting was the formation of the NUWCC as an interim committee for the purposes of coordinating the launch of this national union. According to Shaheed Mohammed, despite the formation of the NUWCC, not much progress has been made towards the launching of a national union of the unemployed. Hence, on a national level, structures for the organisation of the unemployed are generally weak (Interview 1.7).

Presently, WECUWU, based in the Western Cape, is the most active and also the largest union of the unemployed in the country. It is the largest both in terms of membership numbers and in terms of the number of areas organised. The areas and regions in which the unemployed organisations operate coincide with those demarcated by Cosatu. Specifically, WECUWU organises in the Western Cape, Southern Cape and Karroo regions (Interview 1.7).

### ***C. Ideology Underlying its Activities***

The political philosophy of the UWM is that the ills of South African society, in general, and of unemployment, in particular, can only be solved through the establishment of a socialist society. In this regard, the key demand of the UWM is "work for all" or a "living unemployment benefit" (Interview 1.7). The latter demand implies full maintenance for the unemployed from the state.

With reference to the broad ideological spectrum in South Africa, the UWM has historically been among the minority of organisations in opposition to the two-stage theory approach to the struggle for liberation. Debates about the practical implications of this approach have been well documented. Suffice it to say that one of the major practical implications of this approach is that the struggle for a national democracy in which all South Africans have a right to vote is given priority over the struggle for socialism. For the UWM, however, the struggle for socialism in South Africa is the priority. The constitution, however, does not specify what is meant by socialism.

In practice, the political philosophy of the UWM implies mass participation on the part of its members, and democracy through the practices of reporting back and mandates.

#### ***D. Policy on Co-ops***

Neither the UWM nor the new organisation, WECUWU, has a formulated policy on co-ops. Among the reasons for this is that the organisation has been engaged in other activities such as anti-scabbing campaigns and in setting up merged structures throughout the areas in which it organises. According to the secretary, WECUWU has not as yet had the time to develop such a policy; however, he claims that work is being done in this area (Interview 1.7).

The constitution of WECUWU does make provision for the representation of cooperators on all its organisational structures. More specifically, ten delegates are to represent cooperatives on the Regional Congress of WECUWU which is the highest decision-making body of the organisation. As will become apparent below, co-ops were not directly represented at this level in the UWM. Furthermore, two delegates from cooperatives are to sit on WECUWU's Regional Executive Committee while provision for three such delegates is made on the Sub-regional Council which operates in specific areas organised by WECUWU. At present these provisions simply provide a framework for the representation of co-op members within WECUWU. With reference to cooperatives these structures are not as yet in operation. This framework, however, is a step beyond that provided by the UWM.

#### ***E. Relationship with Funding Organisations***

Until recently, the UWM was funded mainly by the Social Change Assistance Trust (SCAT), a locally based funding organisation. The arrangement between SCAT and the UWM was as follows: the UWM submitted a proposal and took responsibility for its implementation while SCAT provided funding. The UWM was thus financed with grants from SCAT. By mid-September 1990, however, SCAT withdrew its financial support for the unemployed. Among the reasons for this were the mismanagement of funds by those engaged in organising the unemployed, and changes in SCAT's policy and

aims. Among the latter changes was a withdrawal from providing financial support for cooperatives (Interview 1.7). The UWM/WECUWU was among the organisations affected by this withdrawal of funds. September 1990 thus marked a time of financial crisis for the newly formed WECUWU.

## ***F. Relationship between UWM and Co-ops***

### ***1. Structural Relationship***

The relationship between the UWM and the co-ops under study is complex and difficult to define. As mentioned earlier, Launisma Enterprises and Buthisizwe Co-op were formed by community leaders and only later affiliated to the UWM. These enterprises were thus founded without UWM assistance. Other co-ops affiliated to the organisation, however, such as the Athlone Sewing Co-op, were initiated by the UWM.

As already mentioned, the CCC is intended to function as the representative structure of co-ops affiliated to the UWM and as the link between the co-ops and the organisation. We have discussed in detail the weaknesses and general malfunctioning of the CCC. Briefly, these include lack of punctuality, of a clearly outlined policy and practice, and of appropriate skills; poor attendance at CCC meetings by co-op representatives; an inability on the part of the CCC to implement decisions; and the absence of an infrastructure required to provide services to co-ops. In this

regard, one can conclude that the link between the organisation and the co-ops is weak and ineffective resulting in an unclear and weak relationship.

Moreover, the CCC is the only UWM structure on which cooperators have direct representation. Cooperators are not directly represented on either the Executive Committee or the Planning Committee, the highest structures of the UWM. Indirect representation of co-ops on the latter structures is through the co-op coordinators who are UWM staff and not cooperators. Finally, the new structures provided for co-op representation in WECUWU are not yet in operation, hence one is unable to assess their effectivity.

## ***2. Financial Relationship***

When considering the historical development of LE we note that among the reasons for affiliation to the UWM were the possibility of financial assistance in a time of crisis. In this regard, both BC and LE were financially dependent on the UWM for aid and loans acquired from SCAT. Mr Mohammed appropriately describes this relationship as "a 'come and help us when we are in deep water' type of relationship" (Interview 1.7). With reference to finance, the relationship between the UWM and the co-ops can thus be described as one of dependency.

### *3. An Antagonistic Relationship: The Case of Buthisizwe Co-op*

In some respects the relationship between the UWM and the co-ops under study can be described as antagonistic. This is clearly manifested in the struggles by UWM staff to gain access to the financial records of LE in their attempts to assist the enterprise in managing its finances more effectively.

Furthermore, as described in detail in the history of LE, Mr Langa's resistance to the restructuring of these enterprises is testimony to such antagonism.

The antagonistic relationship between the UWM and the co-ops is even more clearly manifested in the conflict which emerged between the organisation and Buthisizwe Co-op. It is this conflict which resulted in the exclusion of the researcher from continued access to the enterprise. We proceed to give an account of the conflict.

Buthisizwe urgently requested a full-time trainer for the purposes of enskilling its members (Minutes of Sunday Workshop, 9:10:88). Several meetings were held in which the provision of a trainer was discussed (Minutes of meetings 9:10:88; 12:10:88; 20-23:10:88; 25:10:88; 23:11:88). By early 1989, the UWM provided a full-time trainer, Mr Isaacs, for Buthisizwe. This was done with financial assistance from SCAT, the organisation's major funder at the time. The trainer's salary which amounted to R2 000 monthly was paid by SCAT and he was responsible for teaching members how to use tools, increasing productivity, and



introducing safety in the workplace (Co-op Workshop, 9:10:88; Meeting, 12:10:88; UWM Conference, 20-23:10:88; Meeting, 25:10:88; CCC Meeting, 23:11:88).

In spite of the urgency of Buthisizwe's request, of long hours spent in meetings discussing the provision of a trainer and negotiating around his salary, and of the co-op's eventual access to a paid full-time trainer through the assistance of the UWM, there was, at some level, a sense of resistance on the part of the co-op to the trainer. It is difficult to pin point the source(s) of this resistance. One indication of such a source, according to Mr Mohammed, is that co-op members were surviving on 'hand-outs' or aid at the time and did not show much enthusiasm for acquiring training (Interview 1.7). The aid was provided by the British Council, World Vision and the Embassy of the USA. This situation resulted in a difficult relationship between the trainer and the co-op.

Nevertheless, in the short time that the trainer spent with BC he discovered a contract signed between the Government of the USA and Buthisizwe. This was an agreement for the provision of financial assistance in the form of a grant to the value of \$2 000 for the purposes of industrial equipment and materials (Agreement between Government of the USA and Buthisizwe Cooperative, 11:8:88). Without consulting with BC, Mr Isaacs immediately reported this matter to the UWM. Consequently, the relationship between the trainer and BC was further soured.

According to Mr Mohammed, it was in the light of rumors about the UWM's use of funds from the government of the USA, at the time a politically unacceptable practice, that Mr Isaacs took this action. The organisation's response was to suspend BC until clarity was gained on the nature of the contract and its implications for Buthisizwe's affiliation to the UWM. This suspension was done without prior consultation with the co-op. This action on the part of the UWM led to counter action from the co-op. Consequently, BC told the trainer to leave and excluded the researcher on the assumption that she was affiliated to the UWM and could not be entrusted to the co-op's domestic affairs.

Over the past two years, the UWM has made several attempts to meet with the co-op in order to resolve the conflict. All of these have proven to be unsuccessful resulting in the continuation of this conflict. It is in this regard that the relationship between BC and the UWM can be seen as antagonistic.

#### ***4. The Power Relationship***

The balance of power between the UWM and the co-ops can be described as delicate and constantly in flux. Nevertheless, there are some clear indications that suggest a relationship in which the co-ops are more powerful. We proceed to describe some real experiences in this relationship to illustrate this power on the part of the co-ops.

At the meetings during which the provision of a trainer for BC was discussed, the need for direct representation of cooperators on the highest structures of the UWM was raised as a significant issue. In particular, cooperators expressed dissatisfaction with (a) the presence of only two co-op representatives on the UWM Planning Committee (PC) and (b) with the composition of this representation, namely, the co-op coordinators who are UWM staff and not cooperators. These grievances were articulated mainly by leading figures in the co-ops, namely, Mrs Benghe from BC and Mr Langa from LE (Minutes of Sunday Workshop, 9:10:88). Mr Langa specifically expressed fear of bureaucratic control of the co-ops by the UWM. Mrs Benghe, in turn, insisted on direct co-op representation on the PC (ibid.). The decision taken at this meeting was that cooperators wanted to meet with the coordinators and the PC in order to make decisions about the trainer. It was clearly stated at this meeting that the PC alone could not make decisions affecting the co-ops.

A more detailed discussion of the relationship between the co-ops and the UWM was scheduled for a later date (Minutes of meeting 12:10:88). At this meeting Mr Mohammed, at the time Co-op Assistant for the UWM, supported the decision mentioned immediately above and was mandated to inform the organisation of the co-ops' opinion regarding their direct representation on the PC.

During this meeting the locus of control over finances allocated for co-ops affiliated to the UWM came into question. This specific issue emerged out of a discussion about funds promised to the co-ops by the UWM which had not been allocated. Mr Mohammed noted that the UWM was in debt. As a result, money promised to the co-ops for assisting with rent payments was not forthcoming. Cooperators expressed dissatisfaction about this situation and questioned the accountability of the PC to the co-ops.

The situations described above indicate that the co-ops were clearly in a position to challenge certain practices on the part of the UWM. Among the outcomes of these meetings was a demand from the co-ops that the Executive Committee of the UWM present them with a financial report. This was to be done at the UWM Assessment Conference towards the end of October 1988.

Further indications of the power of the co-ops are manifested in the exclusion of the trainer from BC and its eventual break-away from the UWM, and in Mr Langa's success in resisting the restructuring of LE.

#### ***G. Political and Economic Implications of this Relationship***

As mentioned earlier, both BC and LE were founded by community leaders without the assistance of the UWM. Consequently, power

structures were already established in these enterprises by the time they affiliated to the organisation in July 1988. By this time the UWM had little experience in initiating co-ops and none in dealing with already established enterprises. Initiating and assisting co-ops was part of a new strategy on the part of the organisation in its attempts to organise the unemployed. Already established power structures in the co-ops and the limited experience of the UWM with co-ops made it difficult, if not impossible for the latter to facilitate any changes in the enterprises. This is manifested, for example, in the resistance from Mr Langa to UWM attempts to restructure LE. Among the political implications of this structural situation has been the development of a relationship in which the balance of power is in the co-ops' favour. This situation is further reinforced by the fact that the co-ops were not financially indebted to the UWM at the time of their affiliation.

With further reference to the structural relationship, the weaknesses of the CCC have severe political and economic implications for the relationship between the UWM and the co-ops. In particular, the lack of representativeness of the CCC raises questions about the position of co-ops and role of cooperators as members of the organisation. Moreover, the lack of direct representation for co-ops on top decision-making structures such as the Executive and Planning Committees, also raises questions in this regard. In addition, the lack of financial and technical resources in the CCC brings into question its capacity to assist

co-ops where most required. This has severe implications for the economic viability of the enterprises. The general malfunctioning of the CCC, in particular its inability to implement decisions taken at its meetings, raises doubts about the extent to which the co-ops in fact benefitted from its relationship with the UWM. Specifically, the lack of a clearly outlined policy and practice in the CCC resulted in the aimless operation of the co-ops, ad hoc responses to problems and hence no planned strategy for building self-reliant and democratic enterprises.

Although the co-ops were not financially indebted to the UWM at the time of their affiliation, and the CCC was unable to provide for the co-ops economically, the enterprises were, nevertheless, dependent on funds raised by the organisation. In the light of the enormous debts incurred by LE and its chronic state of financial crisis this enterprise was especially dependent on such funds. Furthermore, in the context of the general practice on the part of service organisations in South Africa of providing aid to co-ops, the UWM was in some way pressurised to act accordingly if it were to gain favour with the enterprises. In the context of these pressures the organisation provided financial assistance to the co-ops in the form of grants and loans from SCAT. Of course, the UWM itself financed through grants from SCAT, had no basis for discouraging grants to co-ops. One could thus argue that since the UWM itself was not a financially independent organisation it could not set an example for co-ops. Both this example and its practices of providing aid to the co-ops resulted

in a relationship of dependency of the co-ops on the UWM's limited ability to mobilise funds. This relationship of financial dependency served as a further obstacle to building self-reliant and economically viable cooperatives.

Furthermore, on the one hand the lack of direct representation of cooperators on important decision-making structures in the UWM meant that the enterprises had no control over UWM practices towards co-ops and over finances allocated to them. In this regard one could argue that the organisation was not accountable to cooperators. At first sight it would thus seem that the co-ops had little control over the organisation. On the other hand, the fact that the co-ops were able to make demands on the UWM suggests that at some level these enterprises, as members of the UWM, were able to call the organisation to account. Among these demands were that of direct representation of co-ops on the PC and the request for a financial report from the Executive Committee. The latter request can be seen as an attempt on the part of the co-ops to take control of the allocation of funds in the UWM.

Finally, a general assessment of this relationship is that the co-ops did not benefit economically in terms of progressing towards viability. The limited time spent in the enterprises makes it difficult to assess any possible political benefits to the co-ops in terms of learning democratic practices. One could argue, however, that the enterprises gained limited experience in

demanding accountability from support organisations. In the light of the nature of service organisations in general, demands from co-ops to control decisions affecting them and funds allocated to them are unusual. Even more unusual is a response from the service organisation to meeting such demands. In this regard, the new structures providing for co-op representation in WECUWU can be seen as a first step on the part of the organisation to provide mechanisms to facilitate accountability. The practical operation of these mechanisms, however, still needs to be tested. In the summary and discussion below we attempt to highlight the particular characteristics of the UWM which made it prone to such pressures from its co-op members.

#### ***H. Summary and Discussion***

The power relationship between the co-ops under study and the UWM is very different from the typical co-op/service organisation relationship. Generally, co-ops linked to service organisations find themselves in a subordinate position. More specifically, cooperators are usually not directly represented at any level in the typical service organisation. Moreover, there is usually little or no space in this relationship for cooperators to even demand such representation. The dominant position of service organisations in this relationship can be attributed to their access to and control of financial and technical resources, the key needs among co-ops. Furthermore, the staff of service organisations are usually not drawn from among either cooperators



or the working class. Instead, such staff are generally of petite bourgeois background. Consequently, class differences among service staff and cooperators constitute another basis for power divisions.

The UWM, on the other hand, being a working class based organisation draws its co-op service staff from this class. One of the implications of this working class base is that the UWM is generally far less endowed financially and technically with the resources required by co-ops. This situation has clear implications for its capacity to support co-ops effectively. In addition, since it is not a service organisation *per se* but a *political* organisation of the unemployed, the UWM can be seen as atypical among organisations providing services to co-ops in South Africa. The particular political nature of this organisation places demands upon it to be accountable to its members, in this case cooperators. In this regard, direct representation of cooperators on its organisational structures is among the issues with which it is confronted.

In times of financial need for the co-ops, the balance of power tends to shift slightly in favour of the UWM. In the context of countless more well endowed service organisations and/or foreign donor agencies which are generally more than willing to provide aid (for example, British Council, US Embassy, World Vision) it is very difficult for the UWM to win this balance. Furthermore, in the context of historically based political divisions among

the dominated in the Western Cape (see Nasson 1989 for a brief overview), and of the dominant political discourse in South Africa nationally, mobilising the unemployed has been a difficult task.

It is important to note that part of the weaknesses of the CCC is embedded in the nature of the UWM as an organisation. The UWM is essentially engaged in organising the unemployed and in organising anti-sabbing campaigns during strike activity. Furthermore, it is essentially a working class based organisation with little financial resources. One of the major factors contributing to the weaknesses of the CCC is that catering for the needs of cooperatives has not as yet become a priority for the UWM. Among the major reasons for this is the lack of financial resources to provide for the needs of co-ops through the employment of people skilled in cooperative economic activity, and through the provision and administration of loans to budding cooperatives. Hence, support for co-ops has taken second place. This reality has important implications for the long-term relationship between the UWM and the co-ops concerned. It also raises questions about a possible division of labour among organisations in the broader opposition in South Africa. It suggests that organisations involved in specific tasks such as organising the unemployed and anti-sabbing campaigns should probably leave tasks of initiating and servicing cooperatives to other organisations specifically equipped for these tasks.

There are further peculiarities which need to be considered when assessing the performance of the UWM in its relationship with the co-ops. One of these is the need to recognise that the UWM is a relatively young organisation which is still in formation. With specific reference to its involvement with co-ops it is inexperienced in dealing with such enterprises. Furthermore, politically the UWM is a minority group in the broader opposition movement in the Western Cape. In this regard it has to work harder in order to win membership. At a general level, the recent merging of the UWM with the local affiliate of the NUWCC to form WECUWU should be seen in the context of the predominant political discourse in SA nationally and the resultant pressures for unity in the face of broader changes in the country. At a more specific level, the minority position of the UWM politically should be seen in the context of the historically fractional political context specific to the Western Cape region. These factors and the general poverty of the organisation in terms of financial and technical resources all contribute to its weak relationship with the co-ops. Developments within WECUWU in relation to provisions made for co-ops need to be examined in order to assess the possibility of progress in dealing with co-ops.

## **V. Economic Viability of Launisma Brickmaking Co-op**

### **A. Introduction**

In this section we attempt to provide an evaluation of the economic viability of LBC at a very general level. Quantitative

information is given where available, however, such information is generally sparse. This is mainly as a result of difficulties in gaining access to the financial records of the enterprise. Despite this limitation, a focus on the sources of finance, the general trend in economic performance and the distribution of revenue provides one with sufficient information to speculate on the short- and long-term viability of LBC as part of LE.

### ***B. Sources of Finance***

LBC was at first subsidised by the panel-beaters and the mechanics: it is alleged that LBC's wages were paid from income generated by the former departments. The amount of this subsidy is, however, unknown. Towards the end of 1987 the enterprise obtained some start up capital from the SBDC. This amounted to R5 000. Furthermore, about the same time machinery and equipment to the value of R13 800 was donated by the American Embassy while BP donated R5 000 for this purpose. The injection of this starting capital and access to machinery enabled the LBC to generate some income. By mid-1988 it was able to pay its members a weekly wage of R30.

According to Mr Langa, since July 1988, the UWM has provided LE with about R20 000 in the form of grants and loans from SCAT (Interview 1.1). The proportions of these respective forms of finance are unknown, however, at the time of research no loans were being paid off. During September 1988 LBC applied for a

further loan of R20 000 from SCAT. The co-op was granted only R7 000 in this form. This loan together with a ready market for bricks and blocks at the time facilitated a brief period - September to December 1988 - during which LBC generated its own income. It is during this period that the brickmakers made most of their sales - R15 817 (Minutes of general meeting, Crossroads, 12 October, 1989). A further R20 000 was obtained from Mobil Foundation while World Vision supplied LE with a R6 000 grant and a loan of R14 000 (Interview: 1.1).

A glance at the table below gives one a clear indication of the relative proportions of these sources of funds:

*Grants and Unpaid Loans (LE)*

SBDC	R5 000
USA Embassy	13 800
BP	5 000
Mobil Foundation	20 000
World Vision	20 000
SCAT	<u>27 000</u>
Total	<u>90 800</u>

The above table clearly shows that the bulk of income received by the enterprise was mainly in the form of grants or aid, and loans

which at the time of research were not being paid. These are indications of a financially unviable operation.<sup>1</sup>

### ***C. Trends in Economic Performance***

The historical account of developments in LE and LBC show a general trend of moving from crisis to crisis. Even at the time of relatively good sales the co-op found itself in crisis because of its structural relationship to its fellows and its resultant financial responsibility to them. This situation of chronic crisis can be attributed to the weak capital structure of the enterprise, financial mismanagement, ineffective support services, and the financial and managerial interdependence of the enterprises of Launisma.

### ***D. The Distribution of Revenue***

The way revenue is distributed is important when considering both democratic organisation and economic viability in a co-operative enterprise. A co-operative is not viable if it cannot provide for the material needs of its members, nor is it democratically organised if some members of the co-op are exploiting others.

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<sup>1</sup> The grants and loans were allocated to LE as a whole. Hence, not only LBC benefitted from and is liable for this money. The exact distribution of these funds among the enterprises is unknown.

## **1. Provision of Members' Material Needs**

The weekly wage levels set by the Wage Board for the brickmaking industry in Cape Town are R69,46 for a general worker and R178,48 for an artisan (LRS). It is important to note that the wage levels set by the Wage Board are likely to be underestimated figures. Nevertheless, according to these figures, the brickmakers were receiving a wage 42,4% below this wage level. The LBC was thus not providing for the material needs of its members.

## **2. Wages**

Until October 1987 all members of Launisma Enterprises received equal wages. The size of this remuneration is unknown. Since September of that year, however, after the panel-beaters and mechanics proposed that they receive higher wages, a wage scale based on skill was introduced. The members of the brickmaking department each received a weekly wage of R40. Hired labourers working in that department were paid R10 a day. The three skilled mechanics received R150 per week while the remaining members of the motor repairs department received R50 per week. The two skilled panel beaters were paid R150 per week, while three of its members received a weekly wage of R100, and the remaining member a weekly wage of R80. Wages in building construction and administration departments are unknown.

The chronic state of financial crisis in LE in general often resulted in smaller remunerations to those mentioned above. At such times members were paid R10 each per week. Sometimes members were unable to pay themselves at all, for example, the brickmakers were without wages for the first three months of 1989. This is a further indication of LBC's inability to provide for the material needs of its members.

Furthermore, one can argue that revenue produced by the LBC was used to subsidise the costs of the other departments. This in effect resulted in the exploitation of the brickmakers.

### ***3. Super-Exploitation of the Brickmakers***

With regard to the distribution of revenue in the LBC it is crucial to consider the broader structure into which the co-op fits, and the relationship between the LBC and other departments in LE. As we already know, the LBC is a department within Launisma Enterprises, rather than an independent economic unit. Moreover, the members' decision to share among all departments any revenue received, at times resulted in some departments subsidising the costs of others.

The exploitation of the brickmakers becomes clear when we consider the extent to which these producers subsidised the panel-beaters and the mechanics. By October 1988 the latter departments owed R5 700 in terms of rental payments. The



brickmaking department had, however, paid its rent regularly. An amount of R5 000 was paid by the brickmaking department towards the rental arrears accrued by the panel-beaters and the mechanics. Furthermore, the LBC had subsidised the wages of these co-op members for about three weeks in the month of September 1988. This subsidy amounted to about R4 440 for both the departments concerned. Moreover, the panel-beaters and mechanics received higher wages (ranging in scale from R150 to R50) per week while the brickmakers, among whom wages are distributed equally, received R30 per week.

Considering that the brickmakers were being paid far below the living-wage level, one could argue that the panel-beating and motor repairs departments were essentially subsidised by the exploitation of the brickmakers. Moreover, the fact that the skilled members of the former departments were receiving higher wages than the brickmakers means that they were further exploiting these producers. Furthermore, during the research process, the brickmakers generally generated more income than any of the other enterprises, while they were receiving the lowest wages. This situation is further testimony to the exploitation of the brickmakers by the panel-beaters and mechanics.

To crown it all, the panel-beaters and mechanics were engaged in taxi transport services as an additional means of income. It is alleged that two to three of the skilled members of these departments owned these taxis and operated taxi services until

about ten o'clock every morning. They reported to work at LE around mid-morning every day and left at about three o'clock every afternoon for their second shift of taxi services. Their working day at LE effectively lasted from about ten o'clock in the morning to about three o'clock in the afternoon. During these working hours they would repair their taxis instead of doing repair work for the purposes of generating income. The revenue received from the taxi services was not considered to be revenue generated for LE and thus to be shared equally or unequally among all the departments concerned. Instead, this revenue constituted the private income of the individual taxi-owners.

In addition, the taxis were parked on the premises rented by LE. This reduced the space available to brickmakers for stacking and making bricks and blocks. The brickmakers were thus paying virtually all the rent while the taxi drivers parked their vehicles on the premises at no cost.

More detailed statistics provided in the historical account of processes at play in LE indicate that revenue is unequally distributed among members of the different enterprises comprising LE. The above example, however, clearly shows that revenue generated by the brickmaking, panel-beating, and motor repairs departments has not been distributed in a democratic way. Instead, the brickmakers were being exploited by the rest of the membership of Launisma.

### ***E. Discipline and Efficiency***

The severe weaknesses in the organisational structures relevant to LBC contribute to a general lack of discipline and efficiency. The lack of any clear lines of authority and responsibility and the absence of guides to members' rights and duties are among the factors resulting in inefficiency and undisciplined behaviour. Failure on the part of members of LE, including LBC members, to discipline mechanics who repair their taxis during working hours on the co-op's premises and who report to work at 10 o' clock in the morning and leave by 3 o' clock in the afternoon is a clear example of these weaknesses.

In addition, general meetings which last between two and four hours are held during production time. This often resulted in the loss of a half-day's work. Attendance at these meetings was irregular and uncontrolled. In this regard we have noted the consistent absence of panel-beaters and mechanics at these meetings.

Furthermore, the general lack of technical skills result in ineffective management of both production and finances. The account, given earlier in the dissertation, of financial mismanagement in LE and of ad hoc marketing strategies in LBC point to the effects of the absence of appropriate skills on the efficient operation of the enterprise.

## ***F. Summary and Discussion***

From the outset LE, and hence LBC, had no starting capital. Throughout the eighteen months of its existence this enterprise has suffered from a severe lack of financial resources. This was so mainly because the founders and members of LE were previously unemployed having either little or no capital at all, and thus ineligible for credit from the bank as a means of starting capital. Since its inception LE has been unable to pay its rent regularly. The fact that LE was unable to generate sufficient income to pay rent is an indication of the non-viability of these enterprises. This venture is a typical example of unemployed and unskilled people trying to eke out a living from informal sector activity.

Although the quantitative information on LBC is limited, the account of sources of finance shows that LE and LBC have been heavily dependent on aid provided by both local and foreign donor agencies. The continuous economic crisis in LE and LBC despite this aid raises questions about the provision of aid and its implications for the viability of an enterprise. Clearly the provision of aid in the case of LBC has not facilitated the development of the enterprise as a viable economic unit. Instead, the co-op eventually became dependent on aid for the survival of its members. The chronic economic crisis in LBC meant that the co-op was unable to provide for the material needs of its members.

Among the major obstacles to the viability of LBC are a severe lack of financial capital and business acumen, a dependency on aid and an organisational structure inconducive to economic viability. This structure of LE does not provide incentives for each enterprise to work towards economic viability. In this regard we refer specifically to the members' decision to share equally among all departments/enterprises any income received, irrespective of the department in which this income was generated and of the cost structure of each department. This structure of financial interdependence is not conducive to economic viability and forms the basis of the problems in LE. Hence, the history of subsidisation in LE and of intense struggles over the distribution of revenue.

Furthermore, not only were both LE and LBC economically unviable; the broader organisational structure of LE, of which LBC is an integral part, was not progressing towards democratisation. Instead, exploitative relationships were among the characteristic features of this structure.

## **VI. Co-op Consciousness among Members of LBC**

### ***A. Previous Work Experiences***

The membership of LE and LBC is drawn from the unemployed in the Western Cape. The leading figure in the establishment of LE, Mr Langa, as well as the other founder members were previously

engaged in informal economic activities in the townships. Mr Langa once owned a grocery store and sold corrugated iron from his backyard. Among the activities of other founder members were the operation of panel-beating and motor repairs services from their backyards. These informal economic activities were attempts to generate income in the face of unemployment. The general membership of LE is also drawn from the unemployed in the region. This is confirmed by the major reason given by interviewees for joining LE: the need for work.

### ***B. Members' Understanding of the Concept 'Cooperative'***

The following quotations represent LBC members' conception of a cooperative:

(1) The capitalist factory he got the boss [who] just stand[s] up and tell[s] you to produce two hundred bricks before lunch. And you must work it hard to produce two hundred bricks before lunch. [The boss pressurises one to work]. In the co-op...if he [the producer] feel himself he cannot produce such a production, he is the people; here is the request of production - period of 14 days you must make 200 000 blocks. But you are can't, then what is can you do? Let's go back to customer - give us extension.

The co-op he doesn't belong to Mr Langa, and he doesn't belong to the people in the co-op only. The co-op is for the community at large...Every each and one in the community is a member of the co-op. To join the co-op you are coming just with your ideas; you bring your [labour] power to the co-op to upgrade [it]. If you put up money in front, you are not make a co-op, you are making a closed corporation. He brought his money because his money is his power.

The [future] government must provide equipment, accommodation and pay for electricity [for co-ops] (Interview 1.1).

(2) The co-ops is the very important things because they help the people when the people got no food, no everything....they are trying to make the

people that they must go without heavy pains...they try to take the [black] people and show them the way of life without the white peoples.

[When explaining to new members what a co-op is] I say we got the place where we are working and after we are working we sell that so that money can help us. If we can't sell, we wait until our stock is going until we got money. We wait maybe two weeks without having pay after that we got money we pay (Interview 1.2).

(3) A co-op is a group of people who try to make some plans for people so that they can live (Interview 1.3).

The first three quotations represent Mr Langa's ideas. The remaining quotations are ideas from two of the core members of LBC. These quotations, though not representative of all members of LBC, give one some indication of core members' basic ideas about a co-op.

Among Mr Langa's ideas are that producers should have control over the rate of production; should they not be able to meet customers' demands, they should negotiate concessions. Producers should be informed of the financial and entrepreneurial affairs of the enterprise. Mr Langa also expresses a notion that control over the enterprise be vested in the 'community at large'. It is, however, unclear what is meant by the latter concept and who is included in and excluded from 'the community'. He thinks that co-op members should not contribute financial shares to the enterprise since this might result in those with shares taking control over the enterprise. He also states that a democratically elected government in a future South Africa should provide co-ops with assistance by providing them with free accommodation,

equipment and electricity. Furthermore, his conception of a co-op is romantic and based on black nationalist ideology:

Before capitalism we worked together in the villages but that tradition is gone now because of the white tradition (Minutes of Meeting 12:10:88) .

The ideas of the core members of LBC express similar sentiment: that the co-op is a survival mechanism for the destitute. In this regard, Mr Langa's key conception of a co-op is very different from that of the core members. One of these members, however, also expresses support for the ideology of black nationalism: "they [the leadership] try to take the [black] people and show them the way of life without the white peoples".

Mr Chilibe, foreman and core member of LBC, in his account of some of the problems in LE, gave an interesting account of the state of co-op consciousness among members while at the same time revealing his conception of a co-op:

(4) The people that they [leaders and core members] get to work for the co-op do not know about the co-op. If they come here and they want a job, they want money at the end of the week. So if they don't get paid at the end of the week they don't understand what this whole thing [the cooperative] is about. This is a problem. People leave and look for jobs elsewhere; that's why you see different faces all the time.

The main aim of Launisma is to function as a co-op. But the people who don't know anything about a co-op are the actual people who change the principle of working in that way.

They [Launisma founder members] try to tell them [new and general members] in meetings about how a co-op works and what it is all about. The only problem is when there is no money. Because when they discuss it meetings they do understand how a co-op should work. But now the problem comes when there is no money (Interview 1.4).



An important aspect of Mr Chilibe's conception of a co-op is that one does not necessarily get paid at the end of a working week. In one of the previous quotations from a core member the same idea is expressed: "we wait maybe two weeks without having pay". According to Mr Chilibe, if producers do not understand that they might not get paid, they lack understanding of what a co-op is about. It is on this basis, namely his idea of people's lack of understanding of cooperation, that he is able to explain why members and potential members constantly leave the enterprise.

He further expresses an important insight: that people's consciousness influences the practice of cooperation. In the case of both LE and LBC, where members have little or no initial frame of reference to cooperation, it is difficult for them to practice cooperation. He further notes that in response to this difficulty founder members have utilised general meetings to tell members what cooperation entails. The priority of material survival for most members, however, prevents them from understanding a co-op as an enterprise in which one participates often for no reward.

### ***C. Summary and Discussion***

The membership of LE and LBC is drawn from the unemployed in the Western Cape. Their major reason for founding and joining this venture is the material need for employment. These enterprises were thus founded as means of survival for the unemployed.

The quotations above reveal interesting information about the consciousness of those engaged in LE and LBC. Noteworthy in this regard is that Mr Langa, the manager, has a different conception of a co-op from that of the core members. He tends to emphasise broader political aspects such as the power and rights of producers and the relationship of the enterprise to the immediate community and to the state. The core members, on the other hand, emphasise the role of the co-op as a means for material survival.

These differences in emphasis and perception can be attributed to the respective positions occupied by Mr Langa and the core members both in the enterprise and in broader society. As manager of LE and political leader in the local community, the co-op serves as a power base for Mr Langa; hence his particular emphasis on broader political aspects of a co-op. We have previously pointed to and provided evidence of his power in LE as a whole. On the other hand, as general members of LBC and part of the mass of unemployed, the co-op serves as a survival mechanism for the core members.

Our concern is not to judge which of these two conceptions of a co-op is 'the correct one'. Instead, once these conceptions have been recognised for what they are (of course, from our particular point of view), our concern is to assess how they affect the development of cooperative practice both now and in the future.

Mr Langa's conception of a co-op as a possible vehicle for political conscientisation and mobilisation has serious implications, especially for the economic success of the cooperative. In our view, economic success is the key priority for a co-op; the destitute cannot feed on politics. An emphasis on politics rather than economic success is likely to lead to a co-op which is unable to provide for the material needs of its members. This has been the case in LE. This emphasis in turn will affect the development of cooperative practice; members are likely to leave if their material needs are not met. Those who remain generally do so because they have no other option for survival.

This situation is expressed in LBC in the core members' perceptions of the co-op as a means for survival. For them, LBC is just one strategy for survival out of many; long-term success as a co-operative is not a key goal. This implies that if survival can be ensured through less demanding means, such as through constant injections of 'development' aid, or through less cooperative practices, such as degeneration into a capitalist firm, the co-op as such can be sacrificed. This has clear implications for the development of cooperative practice. In LE's case, it has contributed to a long-term dependency on aid, and to a variety of un-cooperative practices, such as exploitative employment and mismanagement.

The idea that a co-op is an enterprise in which one works often for no remuneration, expressed clearly by Mr Chilibe, suggests that for him a cooperative is a commitment rather than an opportunity for effective material survival. This tends to reinforce the conception that a co-op does not have to be a unit of economic success in itself. In our view, however, a co-op has to provide for the material needs of its members in order for them to come to believe in cooperation and in this way begin to form a cooperative consciousness. Evidence in support of this view is the fact that members of LBC have often left to seek work elsewhere because the co-op was unable to pay their wages.

The case of LE and LBC raises an important question: Are co-ops the answer to survival for the unskilled, destitute and marginalised unemployed? We have indicated above that members' perception of LBC as a survival mechanism has contributed towards undermining their thinking ahead about the enterprise as a viable source of employment. Other obstacles preventing progression towards viability include the effects of 'development' aid on cooperatives.

## **VII. Conclusion**

Our earlier account of the historical development of Launisma Enterprises shows that these enterprises were started as an employment project and nominally became a co-op with its affiliation to the UWM in 1988. The main problem in LE has been a severe lack of financial resources and an organisational

structure and method of decision-making inconducive to economic viability and democratic organisation. Within this structure, Mr Langa, the manager, holds a very powerful position while the unskilled general members are left powerless.

This organisational structure in combination with the lack of resources has made the enterprises prone to struggles among members. Access to financial aid and a failure on the part of members to recognise the economic function of their endeavours as primary importance, perpetuated these struggles and prevented members from effectively dealing with their problems. These factors contributed to the development of exploitive relationships among the members.

Not only are the enterprises themselves impoverished, but also the organisation from which they seek support. The UWM is a working class based organisation of the unemployed, with little financial and technical resources. These factors have severely limited its capacity to support the co-ops effectively. With the exception of trade-unions supporting co-ops, the working-class based UWM is atypical among organisations engaged in such support. As we have shown, this base has contributed to a shifting balance of power between the co-ops and the UWM.

Our account of economic viability in the LBC shows that the enterprises are heavily dependent on financial aid, a factor which contributed to the ongoing economic crisis in both LE and

LBC. We have identified the major obstacles to viability as (a) a severe lack of financial resources and business acumen; (b) a dependency on aid; and (c) an organisational structure inconducive to economic viability.

LE and LBC are essentially survival mechanisms of the unemployed. The key reason for their formation has been the material need for employment. This material reality is reflected in the general members' perceptions of the enterprise as a means of survival.

In the light of Abell's (1981) five principles of democratic organisation, the LE and LBC rank low on a continuum of degrees of democratisation. Firstly, the right of participation in the decisions of LE and LBC is violated by practices of 'non-opposition' in the context of decision-making by consensus. Such practices can be partially attributed to the low levels of education and organisational experience among the general members, and their general respect for elders. Secondly, in the context of an organisational structure inconducive to democracy, the principle of representation through delegation is absent in these enterprises. Thirdly, the severe lack of managerial and technical skills in both the co-op, and the UWM results in the absence of the quality of special competence. Fourthly, considering (a) that the co-op has not even begun to fulfill its primary goal, namely, providing for the material needs of its members; and (b) that there are no signs of it taking steps towards more democratic organisation, the principle of efficiency

in terms of goal fulfillment is not being met. Finally, the absence of participation, representation and competence in these enterprises makes Abell's (1981) fifth principle irrelevant in this case. Thus, in terms of Abell's (1981) five principles of democratic organisation, LBC and LE thus rank low on a continuum of degrees of democratisation and show little indication of progress in this regard.

With reference to Bernstein's (1976) minimally necessary conditions for effective democracy, these enterprises once again exhibit a very low degree of democratisation. Low levels of member-participation in decision-making, the absence of an independent board of appeal and of guaranteed individual rights are testimony to a low degree of democracy. Furthermore, the absence of managerial expertise leaves little information to be shared. Even in the presence of such expertise, low levels of education among the members and the lack of means to address this situation constitute barriers to effectively sharing information about enterprise operations.

The limited economic results of the enterprises are a clear indication to the members of the effects of their efforts. In the context of limited resources and high unemployment and complete desperation, however, this information is unlikely to lead to processes of economic improvement and/or adjustment in these enterprises. Finally, members' perception of the co-op as a survival strategy in the context of their desperation precludes

the development of traits a participatory democratic consciousness. As noted earlier, the preoccupation with survival in these enterprises has negative implications for the long-term development of the co-op.

The material and structural conditions in which these enterprises operate thus constrain their development into viable democratic enterprises. In the light of the absence of all Bernstein's minimally necessary conditions for effective and sustained democracy, we conclude that LBC and LE are unlikely to develop into sustained participatory democratic organisations over the long term.

Finally, as we have seen, LE and LBC exhibit all the characteristics of a non-viable cooperative as defined by Brecker (1988).



## **Chapter Five Montagu Carpentry Co-op**

### **I. Introduction**

This material is based on fieldwork executed in the Montagu Carpentry Co-op (MCC). The MCC is one of the organisationally more advanced and economically, potentially more successful producer co-ops in SA. Considering, firstly, the still embryonic nature of the co-operative movement in SA and secondly, the kinds of constraints to co-operative development specific to the South African socio-political and economic context, relatively high levels of organisational development and potential economic viability are the distinguishing characteristics of this co-op. It is for these reasons that this co-op was approached for participation in the research.

#### ***A. Some Differences***

##### ***(a) Location***

The MCC is based in Montagu, a town about 250 kilometres north-east of Cape Town. In relation to the location of the co-ops dealt with in chapters three and four, namely, the urban black townships and 'squatter' areas around Cape Town, Montagu can be defined as a rural town - with 'rural' being defined broadly rather than simply meaning agricultural.

### ***(b) Membership***

A further noticeable difference between MCC and the preceding case studies is that the membership of the former is predominantly classified Coloured while that of the latter is predominantly classified African. Since 'racial' classification in South Africa has a very real impact upon people's everyday experiences, such differences in membership are assumed to have some impact upon the nature of the enterprises in question.

Methodological discrepancies arise when comparing a more rural-based co-op with clearly urban- and 'squatter'-based co-ops. The writer, however, contends that the discrepancies acknowledged above help to enrich rather than limit the process of research. Furthermore, similarities in the wider environment of all the co-ops being studied, in the problems they face, and in the constraints to democratic organisation and economic viability far outweigh the differences.

### ***B. Brief Profile of Montagu***

The largest industry in this town is the fruit canning industry with the tourist industry also providing some income for the town. The fruit canning industry is based on the fruit grown in the surrounding area. The tourist industry is based on the scenic location of the hot water springs in Montagu itself. The fruit canning industry plays a major role in providing seasonal employment mainly for women, for about four months of the year.

Generally, however, unemployment, alcoholism, and malnutrition are major problems within the classified Coloured community.

Furthermore, religion plays a very important role in people's lives in Montagu. The predominant religious denomination among classified Coloured people is protestant with the Dutch Reformed Mission Church playing an important social and political role in the community. In addition, the hierarchy of 'racial' categories in SA has been well internalised by members of the 'Coloured' community in Montagu. Evidence of this can be found in the conversations of people in the local area and especially in the children's conversations: "Daai kind is 'n Bantu".

### ***C. Brief Overview of Co-ops in the Overberg***

The Overberg region of the Western Cape includes the towns of Montagu, Ashton, Barrydale, Swellendam, Zuurbraak, Heidelberg, Riviersonderend, Robertson, Bonnievale, and McGregor. At present there are four co-ops in existence in the Overberg region three of which are producer co-ops and one service co-op. Two of the producer co-ops, namely, Zuurbraak Carpentry Co-op (ZCC) in Zuurbraak and Montagu Carpentry Co-op (MCC) in Montagu, had been in existence for about four to five years at the time of research. Cotton Cloud (CC) in Montagu, the third producer co-op, was started in November 1988 and Overberg Co-operators' Service Co-op (OCS), in July 1989, and are thus very young enterprises. All these co-operatives are serviced by an organisation called

Montagu and Ashton Community Service (Montagu en Ashton  
Gemeenskaps Diens: MAG).

The ZCC is involved in craft-type work and produces a range of chairs from canary pine wood (a hard pine wood) using chair-bodging techniques of the early craft industry. The seats of these chairs are made with woven sea grass. The MCC is involved in small-scale manufacturing and produces a limited range of products. The predominant product changes depending on what the high income urban market demands. Previously this co-op manufactured toddler furniture for creches with which it had contracts. At present the predominant product is a wooden base for a futon-bed. Other products include deck chairs, compact camping tables, trapezoidal tables, and tables to match the chairs made by ZCC. Cotton Cloud produces futon mattresses that go together with the futon bases produced by MCC. OCS is intended to provide the producer co-ops in the region with essential services like transport, design, and market surveys.

The producer co-ops in the Overberg region are structurally independent, but functionally interdependent in the sense that each makes a product to match the product of the other. OCS is also intended to provide an avenue for marketing these products as single products. ZCC consists of about seven members, two of whom are female. MCC consists of eleven members, three of whom are female. CC has at present only two female members, and OCS

has about three potential members and a contact person in the field of market research.

## **II. Historical Development of Montagu Carpentry Co-op**

In this section we attempt to give an account of processes in the historical development of MCC. The information in the paragraphs to follow has been obtained mainly from in-depth interviews with the manager of the MCC and the co-op coordinator of the MAG at the time.

The MCC started towards the end of 1985 when three members of the classified Coloured community in Montagu approached the local community organisation, the MAG, for funds to start a carpentry business. These three people had been employed for many years as carpenters in local firms owned by classified white employers and characterised by capitalist and racist social relationships. One of them was a skilled cabinet-maker who had no formal carpentry training but several years of experience. It was he who initiated the approach to the MAG. Since he had previously formed the backbone of the one cabinet-making business which served the needs of the Montagu community he had become very well known amongst local customers for his skill in cabinet-making.

The MAG responded to this initiative by making available a loan to the value of about R24 000 with which some basic machinery was purchased. By the time the enterprise was about to start only the skilled cabinet-maker still showed an interest in the initiative;

the other two people had withdrawn. When the machinery was purchased the level of skill of the founder member, the cabinet-maker, was taken into consideration so that the machinery bought was appropriate to that level of skill (Interview 3.1).

The co-op started with this one skilled cabinet-maker. However, James Taylor, the staff member of the MAG responsible for small business development at the time, and later appointed as co-op coordinator, had some experience in general carpentry and vast experience in actually setting up the carpentry co-op in Zuurbraak. This staff member was thus able to make some valuable input, initially, into the newly found enterprise in Montagu in the spheres of management, administration, costing, quoting, and other related skills of which the founder member had very limited experience.

The reputation of the founder member attracted many customers some of whom had been the clientele of the local cabinet-making business where he had been previously employed. The enterprise grew very rapidly in response to demands of the local market and at one stage it consisted of thirteen producers.

Towards the end of 1986 specific problems and issues arose which started the co-op on a long, slow and steady decline. Firstly, revenue generated in 1986 was paid out in the form of bonuses at the end of the year leaving no working capital for 1987.

Secondly, the founder member left the enterprise and the quality

of the products was no longer good enough, the design of products was inadequate, and negotiations with customers became a major problem (Interview 3.2).

It became clear that specific skills were indispensable to a successful general carpentry workshop. These included the ability to negotiate with customers which involved sometimes visiting people's houses to discuss the placing and design of the product they were after, interpreting correctly their ideas of what they wanted, and knowing how to distinguish between customers who really wanted an inexpensive product and those who wanted a good quality product at a reasonable price (Interview 3.1). So, some level of subtle communication with the customer was required.

Furthermore, every job taken had to be designed and each job had to be costed individually because the raw materials required differed from job to job. It became clear that if the co-op were to remain in general carpentry production the producers would become dependent on the continuous input of these skills. At the time it was seen to be unreasonable to expect the producers to acquire the skills in the short term, and too expensive to employ someone with the specific skills (Interview 3.1).

In addition to the related problems of financial decline and of a shortage of specific skills, the group dynamics among the members of the co-operative deteriorated. It is questionable whether the founder member had a clear understanding of what working in a co-

operative entailed since this had been as new an experience for him as for his fellow members. According to the manager, "he saw it as an opportunity to run his own show". (Interview 3.2). This perception in combination with his emphasis on his seniority in both age and skill converged with fellow members' internalisation of age and skill hierarchies. The result was that fellow members, themselves new to the co-operative workplace, found it difficult to respond to their oppressive work environment in a powerful manner in an attempt to act in their own interests.

Furthermore, the founder member had difficulty in passing on his skills to fellow members. The fact that he was an alcoholic added further complications to these already complex problems.

Eventually the members of the co-operative parted company with the founder member since he was no longer productive. This was a traumatic experience for the co-op as a whole, and yet necessary for the survival of the enterprise.

Furthermore, the co-op had at some stage during 1986 appointed a manager (the first manager) as a member. It is not clear when, how, and why this manager was appointed, but it turned out to be an unsuccessful attempt at introducing management skills into the enterprise. Early in 1987, this manager was recalled by the co-op members since he failed to execute his duties as expected, and acted against the interests of the co-op as a whole. The structure of the co-operative which enables members to have control over management, and the method of decision-making by a



the co-operative members. The decision was followed by an important process in the history of the co-operative, namely, a series of meetings held over a period of two days for the purposes of working through the role of the manager in the co-operative. Chronologically, the process of appointing the second manager as a member of the co-operative came to a head around March and April 1987.

The parameters of the role of the member-manager within MCC were decided upon. These included that the manager would plan the work and that he would have authority in the workshop. He would not, however, have the power, held by managers in capitalist firms, to "heers oor die werkers" (reign over the workers) (Interview 3.2). The member-manager was thus given an open mandate by the fellow members/producers in the sense that he was given complete authority in the workshop during the working day. It was, however, decided that if producers experienced any problems, including problems related to the manager's function, these could be raised at fortnightly general meetings of the co-operative or special meetings could be called to deal with urgent problems. Furthermore, the decision was taken that in the event of unsatisfactory performance on the part of the manager, the fellow members of the co-operative, in their capacity as owners and controllers of the enterprise, would have the right to forthwith recall his position as member-manager.

At the time when the manager was appointed, the co-operative was still in a process of economic decline. The manager's suggestion regarding a 25% reduction in wages was rejected by the members and a 10% reduction was collectively agreed upon as an attempt to bring the co-op onto its feet again. Some time after the decision to reduce wages by 10%, and after the appointment of the manager and the consequent introduction of management skills, the co-operative went through a lengthy process of keeping its head above water. During this time the co-operative lost a significant number of members with membership having been reduced from thirteen to four producers and the manager. A lengthy process of rebuilding the MCC, currently still in operation, was then embarked upon.

In response to the related problems of economic decline and skills shortage, and as part of the process of rebuilding the MCC, the cooperative shifted from general carpentry production to assembly-line production. In terms of the history of the co-op, this was a major structural change in the organisation of the production process. In the context of the general carpentry production process, each skilled producer concentrated on a single product with an unskilled producer working as an assistant. This method of production organisation proved to be inconducive to transferring skills effectively and in this way perpetuating the already existing skill hierarchy in contradiction to the co-operative objective of enskilling. In addition, as already mentioned, general carpentry production

necessitated the continuous input, on a daily basis of a diverse range of skills in design, customer negotiation and costing. These skills were severely lacking among the co-op members.

The shift to assembly-line production can thus be seen as an attempt to (a) adapt the production process to the skill level of the majority of the producers and to the co-operative structure of the enterprise and (b) to reduce production costs in an attempt to bring the co-op back on its feet again.

With regard to skills, in the context of general carpentry production, the *skills* of both product development and customer negotiation were *required* simultaneously in the production process. For example, a customer would come to the co-op and engage in negotiation with a member about what s/he required; this negotiation would involve product development, a process which would essentially occur on the shopfloor. Hence, the *activities* of both product development and customer negotiation were also *executed* simultaneously. By contrast, with the introduction of assembly-line production, both the *skills* and *activities* of product development and customer negotiation were *separated*. Product development was included in the manager's tasks, was separated from customer negotiation, and no longer occurred on the shopfloor.

With regard to production costs, in the context of general carpentry production raw material had to be bought for each job.

This often meant buying in small quantities and having much wasted material. On the other hand, with the introduction of assembly-line production and the making of several of the same product, raw material could be bought in bulk and wastage reduced. This, in combination with the production time saved with the shift from 'jobbing' or general carpentry to assembly-line production, contributed to reducing production costs.

The appointment of the manager as a member and the accompanying division of labour decided upon in the co-operative, removed producers' dependence on the input of the skills of the original co-op coordinator who was not a co-op member. In addition, the shift to assembly-line production facilitated producers' ability to gain control of a major portion of the production process. Once a product had been developed, producers would make mistakes in the product-type or sample stage of the production process. Once those mistakes were cleared and once they started a production line setting for a specific product, producers would take complete control of the remaining production processes.

Furthermore, the shift to assembly-line production meant that the co-operative could expand more easily because it could bring in unskilled people to fit into the less skilled processes of production. In this way people with limited skills, often needy of work, could be slowly assimilated into the co-operative. The shift to assembly-line production could be considered one of the

most significant organisational and structural changes in the development of the MCC.

The year 1988 proved to be successful both economically and organisationally for MCC. The co-operative managed to negotiate two highly lucrative contracts early in 1988. One of these was with the Department of Education and Training (DET) for the manufacture of toddler furniture to be used in creches. This contract amounted to R50 000 and entailed the production of forty-eight sets of furniture with fifteen items in each (Letter from manager, 10:1:90). This greatly facilitated the shift into assembly-line production because of the production of several similar items. Production started in April 1988 and the final delivery of furniture was made in November 1988. The second contract was with the Braehead Bishop's Residence in Cape Town for the manufacture of church benches. This contract amounted to R20 000. Production started in September 1988 and was completed in November of that year (Letter from manager, 10:1:90).

The Braehead Bishop's Residence contract was an enormously challenging job for the co-operative in terms of the level of skill of its members, the level of technology used in the co-op, and the need to be creative and adaptable in taking initiative to solve problems arising in the production process. However, this challenging job enabled the manager to work very closely with the producers on the shopfloor in a collective attempt to complete the job and to do it well. This goal was achieved collectively:

We managed to get it done and to establish pride in our work, which was very important. It was very hard and there were times when we really had to 'sukkel' [battle]. We often ran into technical problems because we did not always have the appropriate machinery for all the work and we basically had to figure it out for ourselves. But we did it and we established that we could rate among the best (Interview 3.2).

The DET contract facilitated the shift in the co-op to assembly-line production since it enabled the producers to manufacture batches of fifteen similar items at a time. Problems usually arose with the first set of items but by the time the second set was in production, these problems had been solved and production was running smoothly and efficiently. The nature of the work entailed in this contract enabled further radical changes in the organisation of production in the co-operative:

Before, every guy would handle a job and he would have one or two people simply assisting him. So, now we have about five departments in the workshop (Interview 3.2).

These departments include, in the order of the process of production, the following:

- a) the heavy machinery department, where parts are cut,
- b) the light machinery department, where parts are shaped,
- c) the assembly department, where parts are assembled,
- d) the sanding department, where weak parts in the wood are filled and where the assembled parts are neatly and smoothly sanded down and,
- e) the finishing and packing department, where painting and packing is done.

A further change in the production process included a move from hand-painting to spray-painting. This was a major technical change in the production process. New equipment was purchased, a

spray room fitted with a ventilator was prepared, and a member in the finishing department was trained in spray-painting.

By the end of 1988, the co-operative managed to make a surplus of about R12 000 a portion of which was distributed among the members in the form of bonuses (about R5 000), while the rest of the surplus was invested in product development. It is clear that the co-operative experienced major developments organisationally, economically, and technically over a period of about eighteen months.

Looking back on 1988 with regard to the development of the members of the co-operative *as people*, the manager thought that there were very few changes:

There was basically one 'oke' [male person] who was the manager, and he told everybody what to do, and they did it (Interview 3.2).

Nevertheless, the reorganisation of the workshop into various departments on the basis of a specific division of labour, enabled the allocation of manageable work to the unskilled members of the co-op. These producers could increasingly begin to take responsibility for their work. Since the implementation of this division of labour in production, responsibility has gradually shifted onto the shoulders of the actual producers to the extent that "they decided that the manager no longer needed to be involved in production" (Interview 3.2). The first half of 1989 thus saw further organisational developments in the co-

operative, this time accompanied by the development of increasing responsibility on the part of the members of the co-operative.

A coordinator was elected for each department for the purposes of taking responsibility for whatever happened in that department. Furthermore, a production coordinator responsible for the overall coordination of the production process, was elected. Since the producers now organised production themselves, the manager became no longer formally involved in this process. This has had positive effects in terms of the development of the members as responsible and accountable cooperators:

I feel incredibly positive about it. Maybe it is not so visible, but I know that it has been an enormous change for everybody involved. Seeing people taking responsibility and growing in their work has been a positive experience for the co-op (Interview 3.2).

In the process of co-operative development there is always a problem lurking irrespective of the positive developments in progress at any particular time. New problems arise constantly with changes in the nature of the enterprise and the production process. With the shift to assembly-line production the co-operative needed to attend to other aspects of the enterprise, particularly marketing:

Whereas before we had people come through the front door with work, we now had to go out and sell the products that we made (Interview 3.2).

Assembly-line production thus entailed creating products in response to a demand and selling these products. A lack of marketing skills in the co-op resulted in a lag in the marketing



process itself and in the results of this process. It is partially for this reason that the co-op entered into a serious decline towards July 1989, since sales were not sufficient to cover costs. Hence, at the time of research, July 1989, the co-operative was experiencing a financial crisis mainly because of cashflow problems and marketing problems. The underlying causes of these problems will be highlighted later in this chapter when we discuss the current state of operation of the enterprise.

Towards the end of the research period, however, the co-operative was on its way out of this crisis. The members were in the process of applying for a loan from the MAG as part of a strategy adopted to deal with the crisis.

#### **A. Summary**

The MCC was initiated towards the end of 1985 by three members of the 'Coloured' community in Montagu, one of whom was a skilled and well known cabinet-maker in the local town. The co-operative attracted several customers initially and managed to generate some revenue (we do not know how much), some of which was paid to the members in the form of bonuses at the end of 1986. Towards the second half of 1986 the enterprise went into a steady decline mainly due to specific skills problems. This process of decline was not impeded by the organisation servicing the co-op at the time. By April 1987, the co-op was in financial straits. At that time the co-op members collectively decided to appoint another member in the capacity as manager of the enterprise. This was a

second attempt on the part of the co-op members to introduce management skills into their enterprise. The previous manager had been recalled by the members of the co-op. After the appointment of the second manager the co-operative has gone through a long process of keeping its head above water.

Furthermore, a process of rebuilding the MCC, still in operation at the time of research, was embarked upon. This involved, among other things, a shift from general carpentry production to assembly-line production. This represented a major structural change in the organisation of production in the enterprise. 1988 marked the highpoint of success in the history of the co-op in terms of economic success and organisational development. Further developments included changes in the division of labour and the introduction of five departments on the shopfloor. The first half of 1989 saw the introduction of departmental coordinators and of a production coordinator responsible for the entire production process. This period was also marked by a major step in the development of responsibility for and control of production among the producers.

Problems relating to marketing and cashflow led the co-op into a serious decline by July 1989 since sales were not sufficient to cover costs. The enterprise had grown too fast causing new additional costs to exceed the revenue produced. Towards the end of July, however, the co-op was on its way out of this crisis. A

loan application was submitted to the service organisation as part of the strategy to deal with the crisis.

### **III. Organisational Structures**

#### ***A. Introduction***

During the four year period of its existence the Montagu Carpentry Co-op has devised a form of organisation for the purposes of dealing with daily tasks and responsibilities entailed in operating an economic enterprise. In this section we deal with some of the features of this form of organisation. The intention is to give the reader a brief idea of the structures in operation in the co-operative in question before going into the finer details of democratic organisation in the enterprise.

#### ***B. Working Structure***

Firstly, the co-operative has a member-manager responsible for management tasks. In section (c) below we deal with the management relationship in detail. Secondly, department co-ordinators and the overall production coordinator are responsible for the smooth flow of production. All the coordinators are working members of the co-op. These positions are mechanisms by which tasks and responsibilities are divided in an attempt to build an efficient democratic organisation. There are a further three mechanisms whereby efficient democratic organisation is ensured. One of those is a fortnightly general meeting at which

all major decisions, including policy decisions, are made on the basis of a simple majority vote. The second is a weekly production coordinators' meeting where coordinators discuss problems or bottlenecks in the production process and where some planning is done for the next week's production. The third is a weekly report back by the manager to the producers on the work he has executed. These are the basic structures in operation in the Montagu Carpentry Co-op.

The rights of members in the MCC are that each member has only one vote when decisions are taken in meetings, that each member is obliged to share in the profit or loss of the enterprise, that s/he is entitled to own shares in the enterprise, and to remuneration for work done. The duties of a member are that s/he is responsible for executing the work allocated to him/her to the best of his/her ability, that s/he is expected to work co-operatively with fellow members, that s/he is expected to take an interest in the affairs of the co-operative, and that s/he is expected to make sacrifices during times of economic hardship in the interests of maintaining the enterprise (from document stipulating workshop regulations).

### ***C. The Division of Labour in Production***

The division of labour in production in the MCC started off with a clear division between tasks of conception and execution. In the beginning skilled and unskilled producers used to do the

manual work, with the co-op coordinator, a non-member, contributing skills of conception in the form of design, costing, quoting, and other management skills. Management skills were thus obtained from outside the co-op at first. Our account of historical developments in MCC suggests that the members' decision to seek managerial assistance is itself part of the process of democratisation of the enterprise.

In the context of the general carpentry production process initially in operation, the skilled producers had sole control over the manual aspect of the production process, while unskilled producers simply performed roles of assistants ('handlangers'). It is important to note that neither the skilled nor the unskilled producers had any experience in management, customer negotiation, design, quoting, or costing. The absence of these skills necessitated the appointment of a member-manager. The appointment of a manager was accompanied by gradual changes in the division of labour in production. Earlier in this chapter we note members' decision that the manager would plan work and have authority in the workshop.

A close look at developments in the division of labour over time suggests that during the phase of keeping the co-op's head above water, and at a particular stage during the process of transition from general carpentry production to assembly-line production, the manager was directly involved in the manual aspect of the process of production, that is making products. With the actual

shift from general carpentry production to assembly-line production, however, further developments occurred in relation to the division of labour. In the context of the assembly-line production process the division between tasks of conception and execution within the co-op continued. This is manifested in the development of a clear division between managerial and manual production tasks. In addition, with the introduction of an assembly-line, the production process was divided into separate tasks. The result was that the tasks of the skilled workers were deskilled since they no longer had sole control over the production of an entire product. Paradoxically, this process of deskilling provided the space for unskilled to be enskilled. Further, unskilled and semi-skilled producers were also given an opportunity to take control of specific parts of the production process. One could thus argue that the introduction of the assembly-line facilitated producers' collective control of the manual aspect of the production process and enskilled the unskilled members.

With the development of assembly-line production, still further changes occurred in the division of labour. A clear technical division of labour developed which is manifested in the division of the workshop into specific departments. This clear technical division of labour facilitated the ability of producers to take responsibility for the specific work in which they were engaged. A system of elected coordinators for each department and an elected production coordinator emerged. As a collective with a

specific division of tasks, the producers thus took responsibility for running the production line to the extent that the manager became no longer formally involved in the manual aspect of the production process.

One of the implications of bringing management skills into the co-operative is that it prevented the development of a dependency within the co-op on an outside source of skills. This, we would argue, has been a positive development in terms of the self-sufficiency of the enterprise and part of the process of democratisation. The appointment of a member-manager has, however, introduced a complex relationship into the co-operative. The complexity of the management relationship arises mainly from people's old attitudes towards the role of management. This will be dealt with in detail in the next sub-section.

The shift from general carpentry production to assembly-line production and the consequent changes in the division of labour facilitated the process by which the producers as a collective gained increasing control over and assumed increasing responsibility for the production process. In the light of this process of increasing control and responsibility, one could argue that the co-operative has successfully adapted its production process to the skills of its members. Furthermore, this shift in the organisation of production has marked a move from an essentially artisanal form of work organisation to a more socialised and collective form of work organisation. This can be

regarded as a positive development in the process of building among the co-op members a sense of working co-operatively. It can thus be argued that a clear division of labour in this particular co-operative has proved to be a positive development. According to the manager of the MCC,

We decided that it is not morally right or wrong, not better or worse, but ineffective for everybody to do everything. So we delegated particular functions to various people. I think that a new culture is very slowly developing - one of working co-operatively. We are basically working together in the co-op. Each member is responsible for his/her part, but each member also knows that what she/he is responsible for ultimately fits into a greater whole (Interview 3.2).

One can thus argue that with the shift in the organisation of production MCC moved towards a more egalitarian division of labour. With the introduction of women into the workplace, however, a clear sexual division of labour was introduced. Female co-operators in the MCC are primarily engaged in unskilled work. Two of the female co-operators are located in the sanding department, the lowest activity in terms of skill in the context of the entire production process. The remaining female co-operator serves as an administrative assistant to the manager: essentially 'women's work'. There is, however, a space for the women in the co-op to learn skills required in other departments:

Ek doen meestal die boeke. Maar Gertie en ek help soms in assembly, en ek help haar soms met skuurwerk. En die mansmense hou jou nie net daar waar jy is nie; nee, hulle bring jou ook op. Soos byvoorbeeld soos Tembi, hy leer ons baie van aanmekaar sit [assembly]. Soos tafeltjies en die dekstoele het ons self aanmekaar gesit sonder Tembi (Interview 3.3).

Nee, en ek het al gekom daar by Leon hulle ook al, daar by die ligte masjien werk. Eendag was daar nie vir my werk gewees nie [in the sanding department] en toe se Leon nou hy gaan my wys. En toe was ek maar die eerste keer 'n bietjie skrikkerig. Toe het ek nou die werk gewoon geraak. Nou kan ek dit ook doen (Interview 3.7a).



The above quotations illustrate clearly that there is space for female members to acquire some skills through on the job training.

#### ***D. The Management-Producer Relationship***

The manager of MCC is a member of the cooperative. The producers have given the manager an open mandate with regard to the parameters of his role. It is clear, however, that he was employed for the specific purpose of providing the skills lacking in the co-op at the time. These skills included design, costing, marketing, quoting, and customer negotiation. The manager's mandate included the power of authority in the workplace. Specific tasks performed by him include planning work, developing new products, costing, quoting, dealing with customers, gathering information required by members (for example, information about how to form a Trust), sales, marketing, delivering completed products to customers in Cape Town, and collecting orders for raw materials obtained from Cape Town.

Furthermore, the manager is responsible for presenting to his fellow members the information they require, as owners of the co-operative, to make decisions about issues relating to the enterprise. This is an important and, often, a difficult role. The manager has to facilitate the other members' ability to ask

relevant questions regarding information at the same time as he is presenting the information to them:

You need quite a developed skill to do this especially when you are talking to people most of whom do not have a conception of what they are expected to do with that information, and most of whom do not know what questions to ask (Interview 3.2).

The information regularly presented by the manager to his fellow members includes a weekly report on the level of productivity in relation to the weekly target set, the state of sales and orders, and the relationship between income and expenditure.

The introduction of management skills into the co-operative can be regarded as a positive development in terms of providing for severely lacking skills in the enterprise, and in terms of developing a sense of self-sufficiency. Further possible advantages of the specific management relationship in the MCC relate to members' ability to control the manager, accountability of the manager to his fellow members, and economy in terms of the cost of management skills. The manager is a member of the co-op with rights and duties like any other member.

Furthermore, the manager obtains his salary from the revenue of the co-operative. One could thus argue that since the manager will be affected materially by the profit or loss of the enterprise, he is more likely to have a relatively high commitment to the success of the enterprise and thus to his work as manager. In addition, should his performance as manager prove

to be inadequate in terms of the needs of the enterprise as a viable co-operative, his fellow members have the right to recall his position. The producers in MCC thus have as much control over the managing member of their enterprise as they do over every other member.

The power of co-op members to recall the manager serves as a mechanism to ensure accountable management. This power is manifested in practice by the vote of each member on any major decision to be taken. A further factor contributing to accountable management is the practice of weekly management reports to the members on work done, information gained regarding issues or questions raised in meetings, and problems or positive responses encountered on delivering products. In addition, weekly reports on productivity, sales, orders, income, and expenditure keep members informed about the affairs of the enterprise and in this way facilitates accountability.

In the event of the members hiring a manager as a non-member from an outside source, the co-operative would be obliged to pay the current market price for management skills. Furthermore, it would be difficult for the co-op members to have control over the manager. The price of management skills brought into the co-operative was negotiated between the manager to be appointed and the members of the co-op. Furthermore, the price of these skills located within the co-op fluctuates with the state of the enterprise, rather than with the demand in the broader skills

market. So, when the co-operative is in economic decline, and members decide to reduce wages by 10%, such a reduction would apply to the manager's remuneration as well. Once management skills have been brought into a co-op, the enterprise is ensured of access to these skills at all times unless, of course, the member-manager decides to resign.

### **E. Summary**

In the MCC management takes the form of membership of the co-operative with the manager having rights and duties like all other members. The manager is a single person assisted by an administrative assistant, also a co-op member. The main criterion used on introducing management into the enterprise was the need for management skills. A further criterion included the need to be self-sufficient rather than to depend upon an outside source of such skills. The material well-being of the manager is directly related to the well-being of the co-operative as an economic enterprise since he obtains his salary from the co-operative. Furthermore, he has been appointed as manager on the basis of the value of his skills to the co-operative as a whole. Furthermore, the co-op members have given the manager power of authority in the workplace. As will become apparent in the next section, however, such authority is under constant negotiation. The functions of the manager have been dealt with in detail in the above paragraphs. It is also clear from the account given above that MCC has developed mechanisms to allow for accountable

management. We deal with the effectivity of management in the section headed 'evaluation'.

#### ***F. Tensions around the Management-Producer Relationship***

The appointment of a member-manager has introduced a complex relationship into the co-operative. This complexity arises mainly from the introduction of a relationship of authority into the co-operative enterprise. The fact that the manager is classified white (while all the other members, with the exception of one who is classified African, are classified Coloured) further complicates this relationship by introducing a relationship of social inequality. The introduction of these relationships of authority and inequality into the co-operative context has, however, brought about continuous processes of negotiation around authority, inequality, and how best to execute work. The constant processes of negotiation in the co-op give rise to tensions in the workplace. Often such tensions are healthy in terms of empowering the producers/members of the co-op. Sometimes, however, such tensions are unhealthy.

The continuous process of negotiation around authority gives co-op members the space to evaluate and assess the manager's activities. In this way they are able to engage in a process of defining more specifically and on the basis of their experience the parameters of the manager's role. It is this engagement in

the definition of the manager's role which, one could argue, contributes to the process of empowering the co-op members.

Members' perceptions of the manner in which the manager executes his role, are tainted by their perception of him as 'white'. This gives rise to a sense of suspicion among members of the manager. To some extent this suspicion is healthy since it keeps members on their toes with regard to the activities of the manager, and with regard to his attitude toward them. Sometimes, however, it gives rise to defensive responses on the part of some of the members to legitimate problems raised by the manager. Such responses tend to further complicate the management-producer relationship causing often unnecessary stress on the manager, and blocking effective communication between members and the manager. This observation highlights the importance of recognising the broader socio-political context in which the co-operative exists. Specifically, when dealing with the South African socio-political context the reality of 'racial' divisions have a significant impact upon relations within micro-social spheres such as the workplace.

A further tension around the management-producer relationship relates to the uneven spread of the stress/responsibility for the economic success or failure of the enterprise. Most of this stress is currently carried by the manager of the co-operative and giving rise to the possibility of what is commonly known as 'burnout'. One could argue that this particular tension arises

from people's previous experiences of management. Producers in capitalist society are generally socialised to accept that the manager is ultimately responsible for the economic failure or success of the enterprise. On the other hand, managers in capitalist society are generally socialised to assume complete responsibility for the state of the enterprise. These old attitudes towards the task of management converge in the co-op causing a specific tension around responsibility.

### ***G. Evaluation of Management***

As mentioned earlier, the introduction of management skills into the co-op can be regarded as a positive development, firstly, providing for much needed skills in the enterprise, and secondly, developing a sense of self-sufficiency as opposed to a dependence on outside sources of such skills. Further advantages of the management-producer relationship have been noted in relation to members' ability to control the manager, accountability of the manager to his fellow members, and economy in terms of the cost of management skills.

Judging from the information gathered in interviews with the members of the MCC the manager is doing a relatively good job in the co-operative, despite some problems voiced by the members:

- 1.) Ja, soos dit vir my lyk, is hy goed (Interview 3.3).
- 2.) Nee, ek sal nie sê hy is 'n goeie bestuurder vir die MSK nie....Hy wil hê die MSK moet te vinnig vorentoe skiet en dit gaan ons probleme bring....Hy is reg met die beslis maar hy is te oorhaastig (Interview 3.4).

3.) Ek sou sê dat Anton 'n goeie bestuurder is. Hy het baie sterke deursettingsvermoe. Hy werk baie hard. As jy 'n probleem het - al is dit ook hoe simpel - sal hy jou sy volle aandag gee. This member expressed the following problem: As hy wil hê dit moet so gaan, moet dit so gaan. As jy nou met iets besig is, en hy wil hê jy moet iets doen, dan verwag hy dat jy nou moet los wat jy doen (Interview 3.5a).

4.) Anton is die bestuurder van MSK nê, maar die meeste van die tyd wil hy soos 'n baas optree. Want as hy gesê het spring, dan moet ons vra hoe hoog. A positive comment by this member was as follows: Daai iets wat 'n leier moet het, het Anton een baie sterk kenmerk, en dit is mensekennis. Hy weet net hoe om, as ons nou nie miskien lekker voel nie, hoe om ons op te beur (Interview 3.5b).

5.) Anton is 'n goeie man op 'ie job want hy kan nie rus 'ie. Hy werk dag en nag. Hy werk hard - hy bring 'ie geld - hy bring 'ie job.....Nou ek sien Anton het die goeie kante in hom. Maar hy speel daai baas kant. Byvoorbeeld, as ons hier nou werk, as hy iets sê, dan wil hy he jy moet luister na hom. Ander ding, hy wil hê dat ons werk soos hy wil (Interview 3.6).

It is clear from the above quotations that the manager works very hard and does a good job. The problems expressed by members are related mainly to the negotiation of authority and of how best to execute work. Problems around 'baasskap' must be seen in the contexts of members' perceptions of the manager as 'white', and of old attitudes, on the part of both parties, towards the management-producer relationship.

The manager has made a valuable input in the process of rebuilding the co-op and in the organisation of work in an attempt to adapt the process of production to members' skills. A comment by the co-op coordinator confirms this:

I would say that the current manager has done exceptionally well at the level of injecting much needed skills; organisational skills are his particular strength - vital in various ways (Interview 3.1).



Furthermore, when taking into account the considerable load carried by the manager - in terms of stress, responsibility, and numerous diverse tasks - he is doing exceptionally well. Probably one of the problems with the management-producer relationship within the co-op relates to the heavy load carried by the manager.

Gathering from the tensions, healthy and unhealthy, which accompany the management-producer relationship in MCC, namely, constant negotiations around authority and tensions around responsibility, it is a very difficult relationship to maintain within the context of a co-operative. The introduction of management has, however, been a positive development in contributing to the empowerment of the co-op members. The members have given themselves the opportunity to push against the generally assumed authority of management, and against their own perceptions regarding the hierarchical 'racial' categories in SA. Having to deal with the complexities involved in the management-producer relationship, both the manager and the producers in the MCC are engaged in a constant process of learning about the role of management in the context of a co-operative in South Africa. This learning process is important for the development of the MCC in particular. More importantly, in the light of the severe lack of management skills in co-ops in SA in general, the implications of the introduction of a manager into the MCC could prove to be valuable in terms of co-operative development.

#### ***H. The Division of Labour in Decision-making***

The purpose of this section is to give the reader an idea of the extent to which members of the co-operative participate in decision-making with reference to various aspects of the enterprise. We will consider members' participation in day-to-day decision-making, long term projective decision-making, and medium to short term decision-making. Daily decision-making is task related and includes decisions relating to production, problem solving, and quality control among other issues. Long term projective decisions includes policy making, and financial forward-planning. Medium to short term decisions include product development and appointing members, a reduction in wages, applying for a loan, and recalling members.

With reference to decision-making on a daily basis, there is a relatively high level of participation on the part of all members. The recent introduction of production coordinators in each department and the election of an overall production coordinator has certainly facilitated member participation in daily decisions. The production coordinators and their assistants (in effect all the producers) are jointly responsible for the smooth flow of production and for reaching the production target set for each week. Weekly production targets are set at a weekly meeting of the production coordinators and the manager. Furthermore, at these meetings coordinators evaluate the

production in each department during the previous week, they decide on strategies for overcoming problems or bottlenecks experienced in any department, and they decide on plans for the next week's production. Some strategies for overcoming problems in an attempt to facilitate efficient production in any one department include electing members from one department to assist temporarily in another, and possibly suggesting the recruitment of new potential members in the capacity of assistants.

The overall production coordinator must see to it that producers execute the work expected of them according to the quality required. S/he is responsible for final quality control before products are packaged for delivery and/or storage. Departmental coordinators are responsible for solving problems which arise in their department, for the correct use of tools, and for quality control. Since quality is a priority in each department, quality control takes place at every stage of the production process. Furthermore, no person is allowed to work in a department without the permission of the coordinator of that department. Decisions regarding problems arising during production are generally taken by the departmental coordinators. More complex problems are usually **shared** with more experienced producers. The following quotation illustrates the path taken when a difficult problem arises:

Dit hang af van in watter departement die probleem is. Die koördineerder gaan na die bestuurder toe dan praat hulle die saak uit en sien of hulle die saak kan oplos. As hulle nie die saak kan opgelos kry nie dan neem hulle die saak na een van die ou lede. Hulle sit dan hulle koppe bymekaar om te sien of hulle die probleem kan oplos.....Nou nie almal nie. Want as

ons almal nou gaan deelneem, dan gaan produksie nou stil staan. So net die manne wat nou ondervinding het van die probleem daar. Kyk, in my afdeling kan Tembi nie sy kop kom bymekaar sit nie....As die probleem klein is doen ons dit self maar ons wys eers vir hulle [the coordinators responsible] daarop (Interview 3.5a).

Most of the issues relating to the enterprise are discussed at the fortnightly general meeting of all co-op members. There is a practice in the co-operative that members note issues for discussion in the general meeting on a blackboard in the workshop. Major long-term decisions and decisions about policy-making are usually made at these meetings. For example, the possibility of setting up a Trust, which is essentially policy making, is discussed at these meetings. At the general meetings decisions are taken by a simple majority vote with each member having one vote. More immediate issues relating to production, finances, and sales, are also discussed at the fortnightly general meeting. Other long term projective decisions, like financial forward-planning, are made at an annual general meeting of the co-op at the end of each financial year. With regard to medium term decisions, the manager makes most decisions about product development and pricing. This is, however done in consultation with older members. With reference to the appointment of permanent members to the co-op older members participate more than newer members. Similarly, in relation to decisions such as wage reductions, applications for loans, and recalling members, member participation comes mainly from older members.

In general small decisions relating to management tasks are taken by the manager, and such decisions relating to manual production are taken by the coordinators. Major decisions, however, are taken collectively at the fortnightly general meeting:

Alle besluite word saamgeneem.....Dis nie net die bestuurder wat net sy sê oor die saak het nie. Daar is besluite soos klein besluitjies waar ons vir hom sê maar kyk jy hoef nie nog na die vergadering toe te kom nie - sorg net darem dat ons kennis dra daarvan. Maar groot besluite moet hy terug bring na ons toe (Interview 3.4).

Member participation in decisions taken at fortnightly meetings is less than that in daily decision-making. Newer members, that is, those members who have only recently completed their six-month long probation period and who have only recently been appointed as permanent members of the co-operative, tend to participate more freely in decisions relating to production than in those relating to broader issues influencing the enterprise. An example of the latter is a loan application. On the other hand, older members tend to participate equally in production management and entrepreneurial management. Hence, in fortnightly and annual general meetings older members tend to dominate discussions and participate more than do newer members. There is thus a **higher** level of member participation in production management than in entrepreneurial management. Some of the reasons for reduced member participation at the latter level relate to newer members' lack of insight into broader issues affecting the enterprise, their lack of experience in dealing with entrepreneurial issues, and a sense of shyness or fear around participation. Since older members have more insight into

broader issues through their experience of working in the co-operative, they are more able and confident to deal with certain entrepreneurial issues. A hierarchy of experience in the enterprise thus reduces new members' ability to participate effectively in major and long term decisions. This exposition clearly indicates that members' experience of cooperative organisation is a process of learning and developing particular skills.

## ***I. Relationships with other Organisations***

### ***(a) Introduction***

The Montagu Carpentry Co-op obtains specific services from an organisation called the Montagu and Ashton Community Services (MAG). Apart from friendly links with other co-ops in South Africa the MAG is the only organisation with which the MCC has a particular relationship. In this part of the chapter we intend to give the reader an idea of the nature of the MAG as a service organisation by focusing on

- (a) its links with the Dutch Reformed Mission Church;
- (b) a brief history of its activities;
- (c) the ideology underlying its activities and its development policy;
- (e) its relationship with funding organisations and
- (f) the way the MAG is perceived within the broader community in Montagu.

We then proceed to examine its specific relationship with the Montagu Carpentry Co-op including the types of services it renders, and its policy on co-ops. Towards the end of this section we consider some of the political and economic

implications of this relationship. The information in the following sub-sections has been obtained from a folder, published by the MAG, on the organisation and its activities.

***(b) What is the MAG?***

The MAG is an ecumenical community development organisation based on Christian principles interpreted as principles of growth and development towards empowerment through co-operation. Its message of community development as one of hope and peace should be seen in the context of the socio-political environment of South Africa. The people who receive services from the MAG are predominantly classified Coloured. This raises important questions in relation to the role of the MAG in the Montagu and Ashton area. The mission statement of the MAG is essentially a political message:

As an ecumenical Christian group which affirms the humanity of all the MAG will work together with the community for its spiritual, cultural, social, economic and political development. Through a process of conscientising, training and organising people will achieve better control over their lives and their community.

***(c) Links with the Dutch Reformed Mission Church***

The relationship between the MAG and the Church is such that the MAG is registered as a welfare organisation through the church. Structurally, however, the MAG is relatively independent of the church. This is manifested in the appointment of people to influential posts on the basis of their skills and experience

rather than on the basis of active membership within the church. Nevertheless, the Christian aspect of the organisation is important for probably most people working for and serviced by the MAG. A combination of its Christian component and the success of its activities gives the organisation credibility among members of the local community. Furthermore, the MAG's link to the church plays an important role in providing an avenue for legitimacy for the organisation in the South African political context. The political role of the Dutch Reformed Mission Church in the Montagu and Ashton area has been historically very important. In addition, the church has played a significant role in politics in South Africa in terms of its anti-apartheid messages and activities. On a more practical level, since the church has nationwide contacts with various communities in South Africa, the MAG's link with it greatly facilitates its access to such communities. This link also provides the organisation with a good communication network. Vacancies and/or MAG activities announced in the church on Sundays are sure to reach the vast majority of the local community. The MCC benefits from this link, for example, the co-op has advertised and recruited new members through the church.

#### ***(d) A Brief Historical Overview***

The MAG was founded in October 1976 by a group of community leaders who were concerned about the problem of alcoholism in the local classified Coloured community. One of the key figures in



establishing the organisation was the Reverend Dirk Marais. These people provided the salary of a single social worker to tend to the problems of alcoholism in both Montagu and Ashton. This is how the organisation started. With the growing activities of the organisation within the local community, its staff increased. By 1982, the staff of the MAG had grown to seven members, and the projects completed by this time included the establishment of kindergarten facilities, a workshop on poverty in the community, and the building of a community centre in the township of Ashbury. In 1983 the organisation received external funding which facilitated its growth and development. Community vegetable gardens and a MAG Centre were established.

During 1984 the organisation expanded with the growth of further projects in adult literacy and feeding schemes. In 1985 work in the area of what is termed 'small business development' commenced with the establishment of the Montagu Carpentry Co-op. Later in that year the Zuurbraak Carpentry Co-op was incorporated and became eligible for the services provided by the MAG. The scale of the organisation and the extent of its activities by this time resulted in problems of management. The year 1986 marked the beginning of a process of restructuring the organisation and formulating specific principles of community development. At the end of 1987 the Board of management which is the decision-making body of the MAG was extended to include more members of the community as representatives on that board. Representatives from each co-operative and each project are now included on the board.

The year 1988 marked the establishment of a community health project in combination with the South African Clinics Association (SACLA), a music school, and a training course in community development. Furthermore, a student tutor was appointed in that year for the purposes of assisting students doing in-service training with the MAG, and a pilot committee responsible for investigating the possibility of establishing a resource and training centre in Zuurbraak was formed. During the four years of its existence the MAG has grown into a well established community organisation providing various services required by the local community.

The Board of Management which is the decision-making body of the MAG consists of representatives from churches of all denominations in the local community, from the schools, members of the projects undertaken the organisation, and staff of the organisation. The majority of these representatives are in positions of leadership in the community, for example, ministers from churches, principals of schools, and chairpersons of church and/or community organisations involved in projects of the MAG.

***(e) The Ideology Underlying its Activities***

Underlying what is termed the 'MAG-culture' is an ideology of self-reliance - a 'God only helps those who help themselves' ideology. There is a strong emphasis on working together, on

responding to community needs in a manner which will enable the empowerment of the community, on clear channels of communication, on a process of learning through experience, and on accepting responsibility. A closer look at some of the general principles of the MAG highlight some of these emphases:

1. I cannot do it alone. Nobody can work on their own, we need God's help and we need one another - team work.
4. We strive towards trusting one another and realising our joint decisions with responsibility.
5. We strive towards treating one another fairly. All forms of discrimination (race, sex, class, religion, culture, projects, areas, occupations, etc.) must be removed. There must be differentiated between discrimination and feelings of inferiority and we must help one another in this regard.
6. We learn from one another (community and staff), but the process of community development begins where the community is: 'The answer lies in the community.' We must stop imposing instant solutions on the community, but should rather make it possible for the community to discover the answers themselves.
8. Purposeful and planned action. Don't just do things - think and plan before doing. The goals must be very clear.
9. There must be genuine communication both within the organisation as well as with the community outside. Appropriate information must reach the whole community and the quality must be clear.
10. Allow people to make mistakes and help them to learn from these mistakes.

In addition to these general principles, the MAG has principles of community development.

***(f) MAG Development Policy: Principles of Community Development***

These principles are as follows:

1. Begin where the community is and move at their pace.

2. People must be helped to identify their own needs and to arrange them according to priorities.
3. After the initial conscientisation of the community by the community developer the community must take the first step.
4. Plan with the community at grassroots level and not only theoretically.
5. Make people aware of their skills and utilise them. Where skills are lacking the community must, as far as possible, develop these skills themselves. If skills are brought in from outside, the community must have control over them.
6. Be honest and clear about what you are doing - providing a service or doing community development.
7. Only do for the community what they cannot do themselves or cannot learn to do.
8. Work together with the people to help them help themselves; help them to function more independently. 'Everything we do must place the community in a better position to help themselves'.
9. If possible and desirable projects should become independent of MAG which will still give advice and/or leadership when asked.
10. Activities must be purposeful and planned.
11. The MAG, as well as all its projects, must belong to the community.
12. Development is the development of people and not facilities and things.
13. People cannot be developed, they can only develop themselves.
14. Evaluation must be built into goals.
15. If we learn through evaluation that we have made mistakes in a project (consciously or unconsciously), we must be prepared to accept this and learn from it.
16. Projects that are initiated by the organisation go through different stages in terms of control. Initially there might be a greater input from the organisation which could be replaced by greater input from the community.
17. We want to reach the whole person in his/her complete environment: 'Holistic approach'.

Furthermore, it is stated that the mission statement, values, and principles of community development "may not stagnate". "It must always remain alive and to do this we will have to evaluate and change continuously - as often as it is necessary".

It is clear that the principles of community development adopted by the MAG are clear and specific rather than vague, broad, and

open to much interpretation. Clear principles usually provide guides to clear goals for purposeful activity (if such activity is intended). There is a recognition for the facilitation of self-reliance, through practical activity on the part of the organisation, within the communities with whom the MAG works. Enskilling and/or control over the input of skills from outside are principles which, if put into practice, would facilitate the empowerment and self-reliance of a community. The distinction between providing a service and facilitating community development is valuable in clarifying what is meant by community development for the MAG. Various approaches to the provision of services arise from different perceptions of the structures of communities and their place in broader society. These diverse approaches have diverse consequences for the ability of communities to take control of their own affairs.

The ideology of the MAG as reflected in its development principles is important when considering its relationship with the MCC. We deal with this later in the chapter.

#### ***(g) The MAG and its Relationship with Funding Organisations***

According to the MAG co-op coordinator, the organisation is well structured and is, in practice, accountable to the communities with which it works. The form of organisation which allows for representatives from the community on the Board of Management of the MAG contributes to its accountability. Furthermore, the MAG

was initiated by members of the communities of Montagu and Ashton. These features of the MAG make it "a dream for funding organisations" (Interview 3.1).

In the case of the MAG, the fact that it is a well established, and well structured community development organisation with a specific development policy makes it attractive to particular funders and certainly facilitates its access to various sources of funds. Furthermore, the MAG also seeks funding on terms which suit its development policy. According to the co-op coordinator:

Most funders give funding for a year and expect something to happen. This is ridiculous and irrelevant, and a terrible waste of resources. A good funder injects funds over a longish period of time - repayable funds like loans, for example - and injects skills simultaneously with the funds.

The MAG has also appointed as co-op coordinator a person who has extensive education in community development and who is relatively well experienced in cooperative development. The level of skill and experience of people employed by service organisations for the purposes of providing services to co-ops has far-reaching implications for the development of these enterprises. The skills which today make the MAG co-op coordinator highly skilled have been learnt mainly through practical experience of setting up a cooperative-type enterprise (today, the Zuurbraak Carpentry Co-op) in the Overberg region. One certainly cannot attribute the success of the Overberg co-ops to one individual alone, in this case, James Taylor, but there is no doubt that the input of his rare combination of practical

Furthermore, the MAG's practice of its policy of self-reliance will become apparent when we deal with the impact of the MAG on the organisation of the MCC.

According to the MAG co-op coordinator, attitudes towards the organisation among the classified 'White' community range from extremely antagonistic to positive. The predominant attitude among the 'White' community is extremely antagonistic. This is mainly because it is experienced most often in the form of security policy visits (Interview 3.1 ). In order to get an idea of the more actual rather than the apparent predominant perception of the MAG among 'Whites' one would have to do further in-depth research into this issue. Such research, however, is beyond the scope of this dissertation.

Almost a negligible percentage of people classified 'African' obtain services from the MAG. This factor is partially a result of developments during the 1985/1986 crisis. During the crisis the MAG was active in supporting the 'comrades' (the dominant group at the time) in Zolani, the only 'African' township in the area. Once the crisis period has dissipated, however, the Zolani community blamed the MAG for having sowed seeds of division within the community. As a result, the MAG withdrew from this community for a while. It is, however, slowly gaining access to the community again (Interview 3.1). According to one member of the Zolani community (a member of MCC), when the 'comrades' were the dominant group in Zolani the majority of the community

perceived the MAG to be a 'good' organisation; however, since the 'witdoeke' are currently the dominant group, the predominant articulated perception of the MAG has changed considerably:

Meeste mense was saam met comrades. Almal die mense van Zolani was comrades. Die ding nou gedraai, maar die mense weet van die MAG is 'n goeie plek (Interview 3.6).

#### ***J. Relationship between the MAG and the MCC.***

According to James Taylor, co-op coordinator of the MAG, the relationship between the MAG and the Overberg co-ops, including the MCC, is "a dynamic and changing relationship" (Interview 3.1). This relationship is consistent with the general principles of development of the MAG which include that the role of the development organisation should, in most instances, be a continually changing role towards more independence on the part of the community initiative (Interview 3.1).

The MAG has played an important role in facilitating the establishment of the MCC in response to the initiative on the part of the community. Furthermore, the organisation has accepted the responsibility entailed in the process of facilitation with the understanding that its role will change over time. The responsibilities assumed by the organisation when facilitating the establishment of the MCC included the following:

1. the provision of a loan to the value of R24 000 with which machinery was purchased;
2. the provision of services (mainly through the appointment of a skilled co-op coordinator) in the form of skills needed, advice, and guidance on various issues that confronted the co-op;



3. the assurance that the co-op members are educated in skills required by their enterprise either through on-the-job training or through formal technical training and
4. the assurance that a process of conscientisation commenced among the co-op members.

The loan made available to the co-op by the MAG was a reasonably soft loan. The loan agreement involved payments on the loan at 10% interest over a period of about fourteen years, with an initial moratorium of about eighteen months. This initial period of approximately eighteen months was meant to give the co-op a chance to find its feet. The types of skills provided to the co-op included mainly skills in management and coordination. Generally, however, when facilitating the establishment of a co-op the MAG provides a range of skills depending upon the needs of the particular enterprise. For example, with regard to the Zuurbraak Carpentry Coop the co-op coordinator, also a carpenter, was initially involved in every aspect of the enterprise doing both mental and manual labour. In the case of the MCC, however, he was involved mainly in management tasks:

I was extremely involved at every level in the workings of the co-op initially. Taking measurements, designing, ordering raw materials, driving the lorry, doing the work myself - like at Zuurbraak. But at Montagu Carpentry I did not really do the manual work myself; that [co-op] was already one step on; and also there were people available in the community with much higher skills than what we started with in Zuurbraak. But still I did a lot of costing, designing, ordering of raw materials for Montagu Carpentry (Interview 3.1).

Other skills located within the MAG to which the co-op has access include accounting and entrepreneurship. The MAG accountant usually examines the books of the coop at each month-end and

presents a brief report on the financial state of the enterprise. Such monthly reports are valuable for assisting co-op members in their decisions regarding possible problems lurking in the enterprise. The co-op coordinator has played an important role in the field of entrepreneurship by identifying specific markets, and designing products, manufactured by the co-op to suit the markets. Co-op members occasionally receive advice and/or guidance from knowledgeable people (the accountant, the co-op coordinator, and the lawyer) employed by the MAG. The MAG's responsibility to ensure that co-op members are educated and/or trained in fields relevant to the needs of their enterprise involves among other things, funding unskilled members' attendance at technical training courses and, explaining to co-op members the practical implications of the interdependence of the co-ops in the Overberg. One of the members of the MCC has been funded by the MAG to attend a training course at a technikon in Cape Town.

It is impossible to specify exactly what sort of education and training the MAG facilitates since the type of education and/or training provided depends upon questions raised by co-op members and needs expressed by the co-op. Suffice it to say that the MAG facilitates both informal and formal education and/or training among co-op members. Ensuring a process of conscientisation among members is intricately linked with the way in which informal education occurs. It is difficult to measure conscientisation and to know whether or not such a process is occurring.

The foregoing paragraphs deal mainly with the responsibilities assumed by the MAG in facilitating the initial establishment of the MCC. The above-mentioned responsibilities of education, training, and conscientisation are clearly linked to the MAG's assumed responsibility for facilitating the increasing independence of the co-op from the MAG. With this independence, its relationship with the enterprise is bound to change:

We [the MAG] are only ultimately successful when we are not needed anymore (Interview 3.2).

In sum, the MAG played an important role in nurturing the formation and survival of MCC. In addition, one could argue that the relationship between the MAG and the MCC is at one level a contractual relationship based on the loan agreement signed by the co-op. At another level, this relationship is one of support with the MAG offering a means of practical support for the enterprise through the services which it renders. It is important to realise that the relationship in question is not always an easy one. Sometimes requests made by co-op members are not in tandem with the MAG development policy, for example, a request for a **grant** rather than a loan. In such cases tensions develop in the relationship. The co-op coordinator, however, thinks that:

it's a very healthy and natural part of the process. There needs to be a certain amount of tension between the two for the one to break away from the other eventually (Interview 3.2).

In this view such tensions are healthy and necessary for the process of cooperative development.

### *(a) Policy on Co-ops*

The MAG has no written policy specifically on co-ops. Reasons for this can be attributed to the still embryonic state of such enterprises serviced by the MAG and the consequent need for some flexibility. According to the co-op coordinator:

I have avoided, consciously, any formal statement that the only people we will help are people who conform to a certain cooperative ideology, or a certain cooperative structure ... coming from a background of development, we have become very cynical of blueprints. It is not our role to come into the community and to impose on the community a certain set of structures and principles. But we do have certain basic approaches, and we don't hide the fact that co-ops, we believe, are potentially a very valuable way of approaching possible forms of employment. But I tried to keep it as open as possible because I think we really need to be flexible and look at what forms of coops really work. It has to be appropriate to the needs of the people. It's got to start where the people are at and grow with the people at their pace (Interview 3.1).

Although the MAG has no written policy on co-ops, its broader development policy forms part of its policy on co-ops. An examination of this broad policy and of some unwritten policies on co-ops gives one an idea of the 'basic approaches' of the organisation to cooperatives. Some of the unwritten policy on co-ops has been drawn somewhat from the structure, model, and experience of the Mondragon Group of Co-ops in Spain. The MAG defines a co-op as an enterprise, primarily economic, which is owned and controlled exclusively by its members. Its broader development policy promotes self-reliance among co-ops as economic enterprises. In addition, the MAG's policy on making

available to co-ops loans rather than grants, reinforces its policy on self-reliance.

Furthermore, the MAG is committed to skills training for co-op members, and to providing a support network for fledgling cooperative enterprises.

***(b) Political and Economic Implications of the Relationship Between the MAG and the MCC***

One of the implications of the dynamic nature of the relationship between the MAG and the MCC is that it allows for democratic organisation as an ongoing process which involves enterprise adaptation to changing needs. The MAG is thus prepared to change its role with changes in the needs of the co-op which arise during the process of its development. The co-op is thus in a sense ensured of support throughout its initial stages of development as a democratic organization in formation. One of the political implications of the MAG's policy of making available loans to the co-op rather than grants, is that the members have complete control over and responsibility for the financing of the enterprise. The availability of loans rather than grants from the MAG is an important aspect contributing to the independence of the enterprise from the service organisation.

Financial independence on the part of the co-op fosters a more balanced power relationship between the co-op and the service

organization in question. Grants usually lead to relationships of dependency which are essentially unequal power relationships in which the co-op is the subordinate partner.

Furthermore, the financial independence of the MCC facilitates a more realistic evaluation of its operation as an economic unit. The nature of the loan made available to the co-op has had important implications for the co-op as an economic unit. The fact that the loan was a soft loan (with payments at 10% interest and an initial moratorium of eighteen months) has cushioned the MCC against the usually stringent conditions for loans provided by conventional financial institutions. In this way the MCC was given some time to find its feet. Without access to such a soft loan, the co-op would probably not have come into existence.

With regard to the provision of services, skills, and advice by the MAG through the appointment of a co-op coordinator, one could argue that the service organisation is, in an indirect way giving aid to the MCC. This aid takes the form of skills-aid rather than financial aid. The point is that it is some form of aid. In this sense the MCC is dependent upon skills in entrepreneurship, accounting, design, marketing, and other similar skills. Furthermore, since the co-op is not paying for those skills to which it has access, one could argue that the current costs of the enterprise are below what they should be. Any other enterprise would have to pay the market price for such skills in order to ensure its survival.

A move away from this dependence on skills such as marketing, entrepreneurship, design and accounting started with the recent establishment of the Overberg Cooperative Services (OCS). One of the intentions behind the establishment of such a service co-op is to institutionalise skills in entrepreneurship, design, accounting, marketing and other such skills for the use of all co-ops in the Overberg region. The institutionalisation of such skills would make them more affordable for all co-ops in the region since these skills will be shared among more than one enterprise. In this way the co-op will start paying for the input of such skills when needed and costs will be reflected more realistically. Furthermore, the institutionalisation of such skills would ensure co-ops of access to skills on a continuous basis.

One of the political implications of the slight tension within the relationship in question is that there is a sense that eventually the cord linking the MCC to the MAG, as the organisation facilitating its establishment, has to be cut. The recognition on the part of the co-op of the need to eventually sever particular links with the MAG has important implications for its development into an independent and self-sufficient economic unit. Furthermore, the strong emphasis, on the part of the MAG, on cooperatives being primarily economic enterprises has helped foster a similar attitude among co-op members towards their enterprise. The recognition of a co-op as primarily an

economic unit has far-reaching implications for the success of the enterprise in delivering the material goods to its members.

*(c) Summary*

The working structure of the co-op has developed into one which facilitates democratic decision-making in practice. Participation in decision-making, however, is less in entrepreneurial management than in production management. A lack of experience in the enterprise tends to reduce new members' ability to participate effectively in entrepreneurial management. It remains to be seen whether new members' participation in entrepreneurial matters will increase as they gain experience of the broader issues confronting the enterprise.

Processes in the division of labour in production have facilitated development towards a more socialized form of work organisation. This can be regarded as a positive development in terms of building a cooperative and more democratic work environment. Furthermore, developments in the division of labour in production certainly have facilitated the producers/members' ability to take control over a major part of the production process. The co-op is thus moving in the direction towards a more effective democratic organisation.

With regard to the management-producer relationship, there is a continuous process of negotiation around authority and around the



best way in which to execute work. These processes are an integral and healthy part of processes involved in the development of democratic organisation in the co-op. Despite the tensions and problems which arise, the manager of the MCC is doing relatively well. In practice, the clear mechanisms of control and accountability with reference to the management-producer relationship allow for a far less hierarchical and authoritarian form of management. This indicates a move towards a form of management which is more appropriate in the context of a cooperative workplace.

The relationship fostered between the MCC and the MAG allows for the increasing independence of the co-op from the service organisation. Furthermore, the dynamic nature of this relationship allows for democratic organisation as an ongoing process which involves organisational adaptation to changing needs of the people concerned and changes in the environment. Moreover, the strong emphasis, on the part of the MAG, on cooperatives as primarily economic enterprises has helped foster a similar attitude among co-op members towards their enterprise. The recognition of a co-op as primarily an economic unit has far-reaching implications for the success of the enterprise in delivering the material goods to its members. In general, gathering from the information on democratic organisation, one could thus argue that the MCC is developing towards an effective democratically organised enterprise.

## ***K. Economic Viability***

### ***(a) Introduction***

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). In the following section we will consider both the economic viability of the cooperative unit as a whole in the market, and the internal economic viability in relation to the form of democratic organisation. The following questions will be addressed:

- (a) sources of finance and trends in economic performance;
- (b) the current state of operation;
- (c) the extent to which the co-op is providing for members' material needs;
- (d) marketing;
- (e) entrepreneurship;
- (f) discipline and efficiency and
- (g) skills and education.

Furthermore, we consider the possible impact of the size of the enterprise upon the form of democratic organisation adopted, and the effect of this form on economic viability. We also consider market influences on economic viability.

Quantitative information presented in the form of graphs is located at the end of this chapter.

*(b) Sources of Finance and Economic Trends*

In 1986 the MCC obtained a soft-loan to the value of R24 000 as starting capital from the MAG. This loan is to be paid over a period of about fourteen years at 10 per cent interest. The money has been invested in machinery. The co-op has been repaying this loan regularly at R250 monthly. Since we do not have financial statements for 1986, we are unable to comment on the economic performance of MCC for this year. What we do know, however, is that some of the revenue generated was paid to members in the form of bonuses at the end of 1986 leaving little working capital for the next year. The amount is, however, unknown.

This lack of working capital in combination with a lack of managerial skills led the co-op into a steady economic decline. Among the strategies adopted by co-op members in April 1987, in their attempt to improve MCC's economic performance were, firstly, to appoint a second manager and secondly, to reduce their wages by 10 per cent. During 1987 MCC's revenue from sales amounted to R59 000 (Income and Expenditure: 1987/1988). The surplus for this year was R2 800 (ibid.).

As highlighted earlier, 1988 was a year of economic success for MCC. During this year the co-op secured lucrative contracts. The first of these was with the Department of Education and Training (DET) for the manufacture of toddler furniture for several local

creches. This contract was valued at R50 000. The co-op started production in April 1988 and made its final delivery of furniture in November of this year. The second was with the Braehead Bishop's Residence in Cape Town for the manufacture of church benches. This was valued at R20 000. Production started in September 1988 and was completed by November of the same year. Finally, the third contract was with Delaney's, an advertising agency, for the manufacture of deckchairs. This amounted to R18 000. Production started towards the end of 1988 and was completed early in 1989.

These contracts facilitated an increase in MCC's revenue from sales for 1988. This figure for 1988 is R96 000 (Income and Expenditure: 1988/1989) while for 1987, it was R59 000. The co-op almost doubled its revenue from sales for the year 1988/1989. Similarly, the surplus for 1988/1989, R4 600, almost doubled (Income and Expenditure: 1987/1988, 1988/1989).

The following table of revenue for 1987, 1988 and 1989 gives one a clear indication of the proportions of various sources of finance in MCC:

Grants and Unpaid Loans	Loans Being Repaid	Sales
'87: None	R24 000	R59 000
'88: None	R24 000	R96 000

'89 None

R5 000 (overdraft)

unknown<sup>a</sup>

R24 000

From the above account, it is clear that MCC obtains the bulk of its income from sales. The co-op does not receive any form of funding or grant from service or funding organisations.

Furthermore, it is repaying its loan with the MAG on a monthly basis and has a bank overdraft to the value of R5 000. This is an indication that the enterprise has the potential to generate its own income, a first step to building an economically viable enterprise. In this regard, MCC contrasts sharply with LE and LBC. These enterprises, like most co-ops in South Africa, have as yet been unable to cover their costs, including wages from the sale of goods produced by their members. Hence their complete dependence on direct financial aid for their survival. As noted by MCC's manager:

Unlike most other co-ops, we are in business in the sense that we do not only cover our costs, including wages..(Interview 3.2).

### *(c) State of Operation as at July, 1989*

The state of operation of the MCC as dealt with here refers to the economic performance of the co-op at the time of research, namely, July 1989. In contrast to the economic success of 1988, the co-op was once again entering a state of decline during the first half of 1989. Graph A which depicts income and expenditure

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<sup>a</sup> Although we do not have annual figures for 1989, we do have monthly figures January to July 1989. We use these figures when discussing MCC's current state of operation.

trends for the first half of 1989 is evidence of this decline. This was mainly because its sales were not sufficient to cover its costs. The members had been on a 10% wage reduction since about January 1989 as part of a cost cutting strategy. When asked about the short term goals of the co-op at the time the manager replied somewhat nervously:

The short term goal is to pay the wages next week. It is the first time that the co-op has landed in this situation (Interview 3.2).

The reasons for this decline are partially related to processes in MCC's growth and development. Some of these are related to the shift from general carpentry to assembly-line production.

Although this shift was meant to solve marketing problems, it precipitated new marketing problems. With this shift to assembly-line production, marketing required more attention:

Whereas before we had people come through the front door with work, we now had to go out and sell the products that we made (Interview 3.2).

Since marketing skills are severely lacking in the co-op, the necessary marketing strategy suited to the new type of production process was not projected in time to allow a balance in the number of products manufactured and the sale of these products. Hence, the decline in sales. Furthermore, a substantial amount of production time and of the surplus produced in previous years was invested in product development during the first few months of 1989. As a result, the co-op did not have sufficient resources in terms of financial capital for the purposes of an extensive marketing campaign.

So the present situation is such that the co-op has developed a number of products some of which are selling reasonably well and [which] have a much greater market potential than anything else it [the co-op] had previously manufactured (Interview 3.2).

In addition, with general carpentry production income was usually received on the completion of a job. With the introduction of assembly-line production, however, the enterprise has had to focus on stock building and has become involved in sales transactions with established commercial furniture dealers. Such dealers usually operate on the basis of credit over a period of thirty, sixty, or ninety days which has meant that the co-op has had to extend credit to these enterprises. Consequently, the cash money owing to the cooperative for goods sold is received much later than the delivery of such goods. The decline in sales has thus been due to an insufficient marketing projection and a lack of financial resources for an extensive marketing campaign. Furthermore, the extension of credit to dealer customers has resulted in cashflow problems for the MCC. This is illustrated on Graph A. In an attempt to remedy the latter, MCC obtained a bank overdraft to the value of R5 000 to make itself more liquid.

With regard to stock building, the cooperative has had to buy raw material for the purposes of making products not to be sold immediately. This contributes to an imbalance between sales and costs. Capital will have been spent on the purchase of raw materials, but the value produced is in the form of stock rather than sales. The co-op's strategy with regard to stock building is related to an attempt at a more efficient production process:

If the co-op is making tables this week, it will make more tables than it can sell this week because it will be making other products next week (Interview 3.2).

It is economically more efficient to produce a set of one product at a time since machines can be set for the specific requirements of that product. The simultaneous production of more than one type of product on one assembly-line would entail the constant changing of machine settings to suit the requirements of the specific type of product being manufactured. This would take up production time which could be used more efficiently. This leads us to a further possible reason, related to the processes of growth and development of the co-op, which has contributed to the interrelated problems of marketing and the decline of the enterprise. The MCC has not yet set up sufficient production lines to enable the enterprise to manufacture a range of products at once. This problem is also related to the size of the enterprise. With a total of eight actual producers, a limited number of machines, and limited shopfloor space, the enterprise is limited to one production line and thus to a small range of products. Furthermore, its technology does not allow for rapid shifts from one product to another.

#### ***(d) Application for Additional Loans***

In response to the state of decline of their enterprise the members of the MCC have applied to the MAG for additional loans, one to the value of R12 000 and another to the value of R13 000.



In a motivation for their application for a loan the members state that since the surplus produced in 1988 was invested in product development and in some on-the-job training for the improvement of skills and quality, the co-op has not had sufficient financial capital to finance an extensive marketing campaign required for the sale of its products. Furthermore, the marketing strategy embarked upon required the enterprise to extend credit to its dealer customers on a fairly large scale. The co-op had not undertaken such a strategy before.

In addition, the stocking of raw materials and of completed products has had to continue, requiring a further input of financial capital. The growth of expenditure in terms of credit extended, raw materials purchased, produce in stock, and produce in production had reached a high of R17 000 by June 1989 from having been at about R6 000 in February of the same year. This capital shortage was dealt with by obtaining an overdraft facility of about R5 000 from the bank, and by an across-the-board wage reduction of 10%. It is stated that these measures taken have proved to be insufficient to cope with the rate of growth of the enterprise. Hence, the application for a loan.

It is further motivated that, on condition that expenditure is maintained at the current level, a cashflow projection indicates that the enterprise would require approximately R10 000 in July 1989 and a further R2 000 in August 1989 should it be expected to make a surplus of about R2 500 in the month of September. The

production of such a surplus in this month was predicted as possible in the light of the completion of a contract for the largest customer of the co-op. Furthermore, increasing sales are predicted for the period just before the Christmas season making it possible to produce a larger surplus in the months following September. Possible further measures to be taken in an attempt to lift the enterprise out of its decline are given, namely, the consideration of a rise in product prices and the reduction of unproductive expenditure.

The value of stock (approximately R13 000) is presented as collateral for the loan requested. The request for a further loan (without collateral) of R13 000, making the entire loan requested R25 000, is motivated on the basis of rapidly increasing living expenses and the need for capital for the purposes of building a more stable enterprise.

In the light of the need for growth, the potential marketability of its products, namely futon bases, the loan application of R25 000 can be regarded as realistic. Most successful economic enterprises operate with certain amounts of debt for the purposes of financial capital required for the growth. Furthermore, in the light of the responsibility assumed by the MAG for facilitating the establishment of the MCC, it is more responsible for the service organisation to provide the co-op with a substantial loan:

Dit is vir my meer onverantwoordelik om te min geld te leen vir 'n co-op as om geen geld te leen nie (MCC Meeting: July 1989).

*(e) Struggles about the form of Financial Assistance*

Significantly, it was not easy for MCC's members to collectively agree on the loan application discussed above. Instead, there was a process of struggle, primarily between the member-manager and producers, over whether to apply for a loan, or a grant from the MAG. The motivation in the loan application for a further loan of R13 000 without collateral is linked to the struggle over asking for a grant. The manager suggested, at a general meeting, that the co-op apply for a loan on the basis of the value of its stock in an additional attempt to lift the enterprise out of decline. A loan to the value of R12 000 could be secured with the stock of the enterprise valued at approximately R13 000. Some co-op members, however, suggested asking for a grant rather than a loan. The majority vote at the general meeting indicated a decision to negotiate with the MAG for a grant. The manager's suggestion was thus overridden in this particular meeting. His comment on this struggle was as follows:

Developmentally this is a very important step because it shows that the manager ~~does~~ not rule the roost. I think that we should not go for funding. But I have to subject my opinion to the will of the members. I view that as development. The meeting took a decision with which I did not agree. I accepted the authority of the meeting. If the meeting at another time rejects someone else's idea, they must know that they must be subjected to whatever the majority decides (Interview 3.2).

It is important to contextualise this particular struggle.

Firstly, the co-op was in a state of decline at the time. All the

members were aware of the financial state of their enterprise through their access to weekly financial reports. The reports from mid-May 1989 to the end of July 1989 clearly indicate an increasing negative bank balance for the MCC. Refer to Graph B. This meant that the enterprise was moving closer towards extending its overdraft facility at the bank. The declining state of MCC caused members much stress and anxiety. In addition, this was the first time that all members openly and collectively shared this stress and anxiety:

This is the first time that they [the producers] share this stress. This is very important. In an ordinary firm the workers would not always know why there has been a wage cut, or retrenchments, or why the boss is in a bad mood. In a co-op the members know exactly what is going on in the business financially. Since this is the first time the members have to deal with this sort of stress it is hard for them. I have had to deal with this type of stress before, but they are learning it now (Interview 3.2).

The majority of MCC's members have not had previous experience of the stress (usually carried by managers) that accompanies the financial decline of an enterprise. Furthermore, the members had been on a 10% wage reduction for about seven months in succession. In the meanwhile, the cost of living had been rising. These factors added to their anxiety around the financial state of their enterprise. Moreover, the lack of experience with credit facilities among most members augmented the suggestion to request a grant rather than a loan:

Die mense kan dit nie bekostig nie (Interview 3.4).

Ons skuld hulle nog vir 'ie masjiene; ons nog 'ie klaar 'ie. Ons skuld 'ie bank. Ons kan nie nou meer diep in 'ie skuld 'ie. Hoe gaan ons hierdie skuld uitkom? En hoe gaan ons vorentoe gaan? (Interview 3.6).

Most members do not have experience of credit - they do not want to owe so much money (Interview 3.2).

Furthermore, the fortnightly general meeting at which all major decisions are made on the basis of a simple majority vote forms part of the context of the struggle in question. Members' equal say in decision-making through their voting rights in this case resulted in the decision to negotiate for a grant. In addition, contact with other cooperatives within the co-op movement in South Africa, the majority of which have had access to large grants, has also influenced members' partiality to this form of assistance. Members' vote for a grant cannot be seen as a step towards self-sufficiency and viability. Nevertheless, these struggles are indicative of MCC's growing pains.

MCC's motivation for a grant from the MAG, however, proved to be very difficult in the light of MAG's policy regarding financial assistance to cooperatives. Hence the decision to apply for two loans one of which would be without security. MAG's policy of making available loans rather than grants to cooperatives which it supports has thus also been part of the context for the struggle over the form of financial assistance to be requested.

***(f) Distribution of Revenue and Provision of Members' Material Needs***

***L. Wages***

All members are paid on the basis of hourly rates with the exception of the manager. Wages are paid fortnightly. The distribution of revenue with reference to wages is unequal. The manager earns about R900 monthly; experienced members earn R200 fortnightly while inexperienced members earn R120 fortnightly<sup>a</sup>.

These figures compare favourably with 1989 wage levels in the Montagu woodworking industry as suggested by the Wage Board:

unskilled labourers: R43, 24 weekly; thus R86 fortnightly;  
artisans: R107, 18 weekly; thus R214 fortnightly (Telephone Call, Labour Research Service, September, 1989).

The wage figures in MCC compare even more favourably with the average monthly wages in co-ops: R144 (Philip, 1988: 146). These comparative figures indicate that the MCC is more successful than other co-ops in providing for its member's materially, and that it manages to pay living wages as set by the Wage Board.

The wage scale is based on members' experience in carpentry work and on the length of permanent membership. Some members regarded this wage scale as fair and noted that they, too, will be entitled to higher wages once experienced. Others found the unequal wage scale to be unfair since they perceived themselves to be working as hard as experienced male, regardless of their lack of skill and experience.

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<sup>a</sup> These are wage figures for 1989 after the 10% wage reduction.

Importantly, older members are mainly skilled carpenters, while recently appointed members are generally unskilled people learning carpentry skills in the co-operative. The wage scale is thus based on both skill and length of permanent membership. There is, however, an awareness among older more skilled members that wage differentials should not be too large. With regard to possible wage increases, one suggested measure to reduce this differential is that newer members in the lower wage scale would receive a higher percentage increase than experienced members, while the latter would receive a higher percentage increase than the manager. It is not clear, however, when presently inexperienced members will be considered to be sufficiently experienced, and hence eligible for a higher wage. It thus remains to be seen whether the hierarchy of remuneration on the basis of skill and length of permanent membership will persist in the MCC.

The issue of remuneration in a co-operative enterprise raises important and complex questions. Some people argue that co-operators should be paid equal wages, regardless of their skill and experience, for the purpose of democratic practices. Others argue that an agreed upon hierarchical remuneration system is not necessarily undemocratic. Since some skills for example, management skills, are generally scarce and yet necessary in a co-op, it is more realistic to have unequal wages in a co-operative enterprise. Democratic organisation, and especially

democratic organisation in transition, does not necessarily imply the demise of all forms of hierarchy.

Furthermore, the members of the MCC have started a savings club to which all members contribute a small amount each fortnight. The purpose of the savings club is to allow members (and only members) of the coop to borrow money in times of personal financial hardship or emergencies such as unexpected expenditure related to ill-health. The formation of the savings club is yet another means by which the cooperative provides for the material needs of its members.

#### ***(a) Marketing***

The MCC produces goods for a high income market. This is often met with criticism from various sources within the progressive movement in South Africa: 'Co-ops should be making people's products to be consumed by the people' (Interview 3.1) Since the majority of 'the people' are poor, however, and demand cheaper goods, the production of 'people's products' by a small cooperative in the context of capitalist competition and mass production, is unviable.

Initially, during the phase of general carpentry production, marketing demanded little attention since customers literally 'came through the front door with work'. During the transition to assembly-line production, however, the co-op attracted lucrative



contracts. With the final shift to assembly-line production, marketing the co-op's products has come to demand central attention.

The realities of a lack of marketing skills in the MCC and a lack of capital layout for an extensive marketing campaign have proven to be obstacles to a coherent and well synchronised (with product development) marketing strategy on the part of the co-op. Furthermore, the marketing strategy currently employed entails the extension of credit to large customers. The aforementioned factors have contributed to MCC's decline.

Attempts have been made to address these weaknesses. The enterprise has managed to promote its products at the 1989 Design for Living exhibition held in Cape Town, a strategy which has led to the promotion of its products within the appropriate market context. The potential fruits of this strategy have been manifested in a very gradual projected increase in sales, and in increasing orders from the general public. Furthermore, the possibility of securing an appropriate market in the Johannesburg area was being investigated. Moreover, the recent establishment of the Overberg Co-operatives' Service (OCS) for the purposes of providing specific scarce skills (like marketing skills) required by the producer cooperatives in the region, should be seen as part of a strategy towards improving the marketing of products manufactured by MCC.

With reference to MCC's competitiveness, the uniqueness of the predominant product manufactured, namely, the wooden futon-base which can easily be converted into a couch or chair, and the high quality of the products in general are able to facilitate its secure place in the market. Furthermore, according to the co-op coordinator, the MCC was among the first enterprises to enter the market for futons. MCC thus has its foot in the door with regard to competitiveness. Moreover, the adaptability of the enterprise to slight changes in customer demands, and its access to a skilled designer further contributes to its potential competitiveness. The small size of the enterprise, however, and its current limit to one production line could prove to be an obstacle to competitiveness in the future.

#### ***(b) Entrepreneurship***

What is commonly known as entrepreneurship broadly involves taking risks by engaging in innovative activity in the spheres of investment, product development and choosing marketing strategies, among others. Entrepreneurship is a skill which is severely lacking in the majority of co-ops in South Africa, including the MCC. Fortunately, however, the MCC has had continuous access to entrepreneurial skills through its access to the skills of the MAG co-op coordinator. And, with the inclusion of product development in the manager's, some such skills have been introduced into the co-op.

The recent establishment of OCS (July 1989) has emerged primarily because of a common need for transport among the producer co-ops in the Overberg region. A subsequent idea, however, in relation to possible further services to be provided by OCS involves the "institutionalisation of entrepreneurship" (Interview 3.1). This entails the establishment of a collective organisation of people skilled in various aspects of entrepreneurship (such as design, product development, market research, and project appraisal, among others) for the purposes of providing such services to the producer co-ops of the region, including MCC. At the time of research OCS had three potential members, one of whom is skilled in furniture designing, and a contact person skilled in market research.

In the light of the high market price partially due to their scarcity, and of the need among co-ops for such skills, the 'institutionalisation' of entrepreneurial skills in the form of a service cooperative presents an innovative approach to a possible solution for their lack in co-ops.

The general pattern amongst co-ops in South Africa with regard to the provision of entrepreneurial skills is as follows: Someone employed by a service organisation, in a capacity relating to co-op development, a trade union employee, or a member of a political organization promoting co-ops will have identified a market and thought about the possibilities presented by it. Such

initiative in the field of entrepreneurship often happens only at the beginning of the formation of a producer co-op.

Unfortunately, entrepreneurship does not stop there. It is an ongoing process within a business because a business has to change and adapt all the time. And, what very often happens is that people in the service-type function are the initial entrepreneurs, and then they withdraw and they expect it [entrepreneurship] to continue, and it doesn't (Interview 3.1).

The 'institutionalisation of entrepreneurship' can thus possibly provide for the *continuous* input of such skills in co-ops in this way helping to ensure their survival over the long term.

### ***(c) Discipline and Efficiency***

The division of responsibilities among departmental production coordinators has created clear lines of authority on the shopfloor. If assistants in a particular department work sloppily, the coordinator of that department is responsible for correcting sloppy work. Should the coordinators not be doing their job, the overall production coordinator is expected to approach them. Besides these clear lines of authority and responsibility, members have a sense that the work is 'theirs'. This perception contributes towards general work discipline.

Additional mechanisms by which work discipline is ensured include systems of timecards and jobcards. Each member has a timecard on which s/he is required to enter on a daily basis his/her times of arrival at and departure from work. This information is used to determine the number of working hours per member. Each task to be completed has a jobcard upon which members enter the daily labour

time spent on a specific task. This information is used to assist the manager in calculating costs in terms of the labour time spent on a product.

Members are relatively disciplined about meeting the above requirements. The delegation of authority and responsibility to production coordinators is a relatively efficient form of organisation. In this way minor problems are dealt with departmentally while only new and/or major problems are shared with more experienced members in other departments. Furthermore, since quality is a priority in each department, quality control takes place at every stage of the production process. This results in the production of relatively high quality products.

Moreover, the existence of a clear division of labour in the production process contributes to the efficient organisation of production. The shift from general carpentry production to assembly-line production facilitated this development. This structural change in the organisation of work in the co-op has thus contributed towards increasing efficiency in production.

The presence of a manager as a member also contributes to the efficient operation of the enterprise. If producers were required to do deliveries, go to the bank, or gather information they required, production would be constantly interrupted. Since the manager's tasks have become more clearly defined the focus on production has been sharpened. The manager's responsibility for

weekly reports on the financial state of the enterprise and on the level of productivity contributes to efficient organisation. Should such reports indicate financial decline and/or low productivity, measures can be taken in time to prevent any serious problems arising. When weekly reports indicate that production has been low producers take responsibility to increase production during the next in an attempt to maintain a constant average level of production per week. Evidence of this is indicated on Graph C which depicts a long-term upward trend in weekly production in the enterprise from January to July, 1989.

There are some factors which contribute to inefficiency in relation to productivity and the intensity of work. One of these is a contradiction arising from the delegation of authority and responsibility for the production process among the producers. According to the manager,

the people in the workshop have taken over production completely so one cannot expect it to happen as smoothly as it used to. So it is less efficient than before, and it is certainly less efficient than it can be. But that is the price you pay for giving people the opportunity to take control over their work (Interview 3.2).

This contradiction is indicative of a tension between democracy and efficiency. It remains to be seen, however, whether the contradiction is temporary and can be overcome with members' increasing experience in the production process and with a focus on measures towards more efficient production, or whether it will prove to be an obstacle to organisational and economic efficiency in the long term.

A further contributing factor mentioned by the manager is the general lack of a work ethic in rural areas. This observation is confirmed by the easy atmosphere which reigns on the shopfloor. Producers are relaxed about their work and could possibly work more intensely in an attempt to make full productive use of the working day. Some members think that the easy atmosphere is 'good' for production since they would otherwise feel pressurised and thus liable to work inefficiently. Others think that 'rustye' [rest periods] could be reduced for the purposes of more efficient production. So, there is room for increasing efficiency in production.

In addition, the diverse tasks required by the manager and a lack of specific management skills such as marketing, for example, contribute to inefficiency at the entrepreneurial level. The establishment of the service co-op, OCS, however, may lighten the heavy load currently carried by the manager in addition to providing the skills lacking in the co-operative.

### ***M. Skills and Education***

A significant feature of the MCC is the relatively high level of skill among older members, and of education among most members. Two of the older members are skilled cabinet-makers while one of these members is skilled in general carpentry. Two of the older skilled members have also had some years of experience in carpentry work. One of the newer members has recently acquired

some carpentry skills at a technical school. The majority of the members have had senior secondary school education with four of these having completed standard nine. Two to three of the members have had primary school education. Furthermore, the manager has had tertiary education, in addition to some experience in operating an enterprise involved in furniture repairs and restoration.

Since the membership of most co-ops in South Africa are largely unskilled, illiterate and innumerate, the level of skill, education, and experience among members of the MCC is a relatively significant feature. The presence of three skilled producers in the co-op enables skills training to be done on-the-job by skilled members. The relatively high level of skill among some members has facilitated production of high quality goods suitable for upmarket consumption.

#### ***N. Summary***

The fact that the MCC has (a) developed a relatively unique product (the futon base); (b) that the level of skill among its membership has enabled production of high quality products; and (c) that it was among the first enterprises to enter the market for this specific product, are indicators of the potential economic viability of the enterprise as a whole in the market. Furthermore, the emphasis on the co-op as primarily an economic enterprise has contributed to its viability in the market. Its



small size, however, and the limited range of its products may be obstacles to economic viability in the future.

It is clear from the sections on organisational structures and economic viability in the MCC that the form of democratic organisation has developed to include (a) a manager who is accountable to his fellow-members; (b) a system of production coordinators through which authority and responsibility for the production process has been delegated; (c) an efficiently conducted fortnightly meeting during which members participate in decisions through their vote; (d) a system of weekly production coordinators' meetings during which production is evaluated and planned collectively; and (e) a clear division of labour in production and in decision-making. It is clear from the analysis in these sections that the form of democratic organisation in the MCC contributes to the internal economic viability of the enterprise. For example, we have illustrated that the appointment of a member-manager and the development of a clear division of labour in the co-op has contributed to increasing internal efficiency in production and hence, to increasing internal and potential economic viability.

It is clear from the information provided on economic viability in the MCC that the enterprise has been having increasing difficulty in managing its costs effectively and in effectively investing its limited resources. These difficulties, however, have emerged mainly because of the processes of growth and

development of the enterprise as an economic unit. Such difficulties are not unusual in the context of a small economic enterprise. The initial undercapitalisation of the enterprise and a lack of a continuous input of skills in marketing and entrepreneurship have contributed to the difficulties faced by the co-op. In the light of these difficulties, and judging from the historical development of the co-op, the enterprise has successfully addressed most of the obstacles confronting it. The establishment of OCS, the service co-op intended to provide a range of entrepreneurial skills to the producer co-ops in the Overberg region can be seen as a positive development towards increasing the viability of the MCC.

## ***O. Co-operative Consciousness***

### ***(a) Introduction***

The information in this section has been obtained mainly from in-depth interviews and informal discussions outside of working hours with MCC's members. In the introduction to the dissertation, we point to the importance of the development of a co-operative consciousness among co-operators as an integral part of co-operative development. We also note our underlying assumptions in this regard.

In this section we follow the work of Bate and Carter (1986) (reviewed in detail in chapter one), specifically their

distinction between 'ideational' and 'ideological' factors involved in people's predisposition to form and join co-ops. We attempt to show that in the case of the MCC, one of the primary 'ideational' factors contributing to co-operators' predisposition to forming and joining the co-op has been their relatively common experience of 'racial' discrimination in their previous work environments. Members' resentment of their experiences of 'racial' discrimination in the workplace has had a marked effect on their initial frame of reference to co-operation and their engagement in defining their enterprise as a co-operative.

#### ***P. Members' Previous Work Experiences***

The founder member of the MCC (now no longer a member of the co-op) had worked for 'white' bosses in Montagu before he approached the MAG for assistance to initiate the enterprise. According to the co-op coordinator of the MAG, among the reasons for this initiative on the part of the founder member was his personal need to "benefit more directly from his labour than he had been" since he had worked for a series of 'white' employers who had "benefitted from the proceeds of his knowledge" (Interview 3.1). Furthermore, eight of the ten current members of MCC had worked for 'white' bosses before joining the co-operative. Five of these members had worked either in Montagu itself or in one of the towns in the Overberg region. Two of these members had worked in Cape Town in capitalist firms owned by 'white' employers.

Fifty percent of the membership of the MCC has thus had previous work experiences in the Overberg region. With reference to these specific experiences it is important to recognise the predominant social relationships at work in the context of the local capitalist economy in the Overberg region. From the interviews conducted with MCC's members and from observations of the social relationships at work in some of the local supermarkets, it is clear that the predominant social relations are expressed in terms of 'race' with class differences forming the basis for such relationships.

Classified Coloured workers in most supermarkets and cafes in the local area are required to address their 'white' superiors as 'ou nooi', 'juffrou', 'baas', and/or 'missies'. In turn, 'white' employers tend to address classified Coloured workers as 'jong' and/or 'meid'. Such is the context of work in capitalist firms in most of the Overberg region. The nature of the wage relationship experienced by half of the membership of the MCC has thus been characterised by a clear power relationship based on interlinking class and colour relations.

When asked about the differences between their previous employment and their work in the co-operative, some of the members who had worked before responded as follows:

By Langeberg werk jy onder 'n baas. In die ko-operatief is jy op jou eie (Interview 3.3).

Ek het by die Langeberge gewerk. Nou daar, as jy nou net toilet toe gaan of so dan word jy uitgeskel.....Nou skel die boere ook nog! Maar hier, jy werk vir jouself; jy word nie rondgeshout nie (Interview 3.5a).

Na skool het ek werk gaan soek en ek gaan maak toe 'n grap en gaan toe by die blommewinkel in en ek vra: 'Missies, het missies nie vir my werk nie?' 'Wag net gou vir die grootnoot', sê hulle toe vir my....En ek vat toe die werk....Maar in die loop van die week was dit ook nie my fout nie, gaan ek in 'n toilet in, ek kom daar uit, toe sê sy vir my: 'jy mag nie daar in gaan nie. Ons gebruik dit. Julle toilet is oor 'ie straat'.....Diep in my hart het dit my seergemaak.....In die MSK voel ek baie gelukkig (Interview 3.5b).

Die verskil is toe ek in die stad was, jy het vir 'n baas gewerk. Die lekkerste is om in die MSK te werk omdat hy nou 'n ko-operatief is. Jou kennis kan jy verskriklik uitbrei.....In die private sektor besit die baas die brein want anders kan hy nie die besigheid bestuur nie. Hy se wat word gemaak. Jy is onder bevel in die private sektor, en jy is nie onder bevel in die MSK nie (Interview 3.4)..

Geen baasskap is mos daar in die ko-operatief nie (Interview 3.7a).

The experience of 'baasskap', a South African term referring to work and other hierarchical relationships experienced in terms of 'race', is thus predominant among most members of the MCC. By comparing work for example, at 'Langeberge' with work at 'MSK', the co-op, the members are able to develop a conceptualisation of work at the co-op as different work - work without 'baasskap'. Counterposing their present with their previous work experiences is thus an important process in the growth of a critical consciousness in terms of a rejection of 'baasskap'. The shared negative experience of 'racial' capitalism and of most power relationships in terms of 'race' among most of MCC's members, clearly contributes to the level of solidarity among them, to their commitment to work co-operatively, and to the meaning that the co-op has come to have for its members.

Previous work experience thus has important implications for the development of a co-operative consciousness.

#### ***Q. Members' Understanding of the Concept 'Co-operative'***

During the in-depth interviews conducted, one of the questions asked was: Wat verstaan jy onder die konsep 'ko-operatief'. The predominant reply was that a co-operative does not have a baas ('white' owner, and/or authority figure in the workplace).

Members are thus engaged in a process of defining the co-operative in terms of what it is not. This process began by contrasting their experience of work relationships at the co-operative with their previous work experiences. The following quotations illustrate the predominant tendency among members to define their enterprise in terms of what it is not.

'n Co-op het nie 'n baas nie en het nie 'n beperkte ledetal nie. Jy werk vir jouself. Jy kan uitbring wat op jou hart is wat jy nie in die private sektor kan doen as jy vir 'n baas werk nie. Jy kan nie vir hom sê ons moet nou so en so maak nie want jy sal nie gehoor word nie. Want wat die baas sê is wet. En as daar 'n probleem is luister hy na jou maar hy luister nie met 'n vol oor na jou nie. Dit gebeur nie in 'n co-op nie - as jy praat het jy 'n stem - en jy is geregtig op daai stem....En 'n mens kan die MSK 'n ko-operatief noem omdat daar is 'n gevoel dat daar nie 'n baas is nie (Interview 3.4).

Hoe ek 'n ko-operatief sien is, niemand is baas nie, elke lid het 'n stem. As daar 'n probleem is dan los ons dit saam op. En net die lede van die ko-operatief behartig die sake van die ko-operatief omdat hulle nou daar werk (Interview 3.3).

Ko-operatief is van die mense. Ko-operatief sit ons op 'ie pad van 'ie struggle. Daar is 'ie 'n baas 'ie - ons probeer self (Interview 3.6).

Kyk, in 'n ko-operatief werk jy nie onder 'n baas 'ie; jy is op jou eie (Interview 3.7a).

Ons het 'n bestuurder maar nie 'n baas nie (Interview 3.5a).

It is clear that members define their co-op in terms of what it is not - it is not run by a 'baas'. They have come to such an understanding of a co-op through their experience in the MCC. The practical activity of members of the MCC in an attempt to eliminate 'baasskap' in their workplace has thus given their experience meaning. Furthermore, their criticism of their previous work experiences has assisted in creating an awareness among them of their new work environment - the co-operative work environment. In this way MCC's members are engaging in the process of developing a co-operative consciousness. A positive view of their enterprise is embedded in their recognition that they have a voice in MCC.

Although the absence of 'baasskap' is the predominant way in which members perceive the enterprise, there are other factors which contribute to their conceptualisation of the MCC as a co-operative. For example, some members stress the ability to work as a team and to take initiative:

As 'n span moet 'n mens kan saamwerk in 'n ko-operatief. As een span moet jy kan baie idees self kan gee in die ko-operatief. Die idees moet van die span self af kom. As daar nie kan spanwerk wees nie dan ly produksie daaronder. (Interview 3.3).

Others stress the importance of the enterprise in the community:

Ons wil self ons gemeenskap probeer opbou (Interview 3.5a).

Die MSK se goeie punte is dat hy verskaf werkseleenthede vir die mense in die gemeenskap. Ons wil mense oplei sodat hulle hulle hul kennis kan verbreed (Interview 3.4).

The fact that each member is expected to share in both the profit and the loss of the enterprise is another way in which members come to conceptualise the MCC as a co-operative. Furthermore, the understanding that each member is responsible for the work delegated to him/her forms part of members' conceptualisation of the MCC:

Ons werk op ons eie daar, jy sien. As ons miskien nie ons tyd reg bestee om ons produkte te maak nie, jy sien, dan is dit van ons eie tyd wat ons mors en ons eie geld wat ons mors. Daarom voel ons as daar werk gedoen moet word, dit moet gedoen word - en as daar rustyd is dan is daar rustyd (Interview 3.3).

Die werk wat ek nou kry weet ek dat ek dit moet doen. Hy [the manager] gaan nie meer op my kop sit nie om te sê dit moet so en dit moet so. Ek weet ek moet dit doen (Interview 3.5a).

As 'n mens onder druk werk is jy seenuweeagtig en jy kan nie lekker werk 'ie. Jy voel vry om jou werk te doen [in the co-op]. Die feit dat jy nou respek het vir jou werk - jy voel 'dit is myne' (Interview 3.5b).

Jy hoef nie iemand moet jou stoot agter jou nie. Jy sien self hoe gaan jy maak. Die werk hang by jou. Jy moet self moeite maak (Interview 3.6).

The process, among members of the MCC, of coming to conceptualise the enterprise as a co-operative does not simply occur through their negative definition of it - 'daar is 'ie 'n baas 'ie'. Instead, they know how their enterprise is different from a 'baasskap'. This knowledge is manifested in their understanding that they need to take responsibility for their work in the interest of the co-op as a whole, and that they need to work co-operatively. The practice among members of taking responsibility



and of working co-operatively contributes to a process of defining new forms of behaviour at work.

In South Africa authority in the capitalist workplace is often exercised through the legitimacy of power relations based on 'race' and class. People know how to behave in a capitalist firm; and they know how to behave in the context of 'racial' power relations: 'Missies, het missies nie vir my werk nie?'. .

In the case of members of the MCC, their engagement in defining new forms of behaviour at work - behaviour perceived to be appropriate to co-operative work - can be seen as a move away from old forms of behaviour at work. This is part of the process of building cooperative consciousness.

#### **IV. Conclusion**

MCC's working structure facilitates democratisation. The system of elected departmental coordinators has facilitated delegation of authority and responsibility to the producers. Structural change in production organisation from general carpentry to assembly-line production has contributed to developments in the division of labour both in production and decision-making. This change has allowed for increasing producer participation in and control over the affairs of the enterprise. Mechanisms ensuring members' control over management and management's accountability also facilitate democratisation.

The rejection of 'baasskap' among most members and their assumption of responsibility for their work engenders a sense of solidarity and collective commitment to the enterprise as an alternative workplace. Finally, the dynamic relationship between the MCC and MAG makes room for democratisation in the enterprise.

All these factors, in addition to members' high skill levels, the high quality and uniqueness of the products, and MCC's ability to generate its own income contribute to the potential economic viability of the co-op. The marketing and cashflow problems experienced by MCC at the time of research can be seen as problems of enterprise growth rather than viability.

In the light of Abell's (1981) five principles of democracy, the MCC reflects a relatively high degree of democratisation. Despite the fact that a hierarchy of experience hinders full participation in entrepreneurial management in this way limiting effective member participation to production management, participation on the basis of one person one vote is widely practiced. The delegation of specific tasks and decisions to the manager and department coordinators is in tandem with Abell's principles of representation and special competence. Furthermore, the principles of efficiency and meta-democracy are relevant in this case. Members' decisions about problems facing the enterprise are indicative of steps taken towards goal fulfillment. The appointment of a member-manager because of the lack of managerial skills in MCC and the introduction of a clear

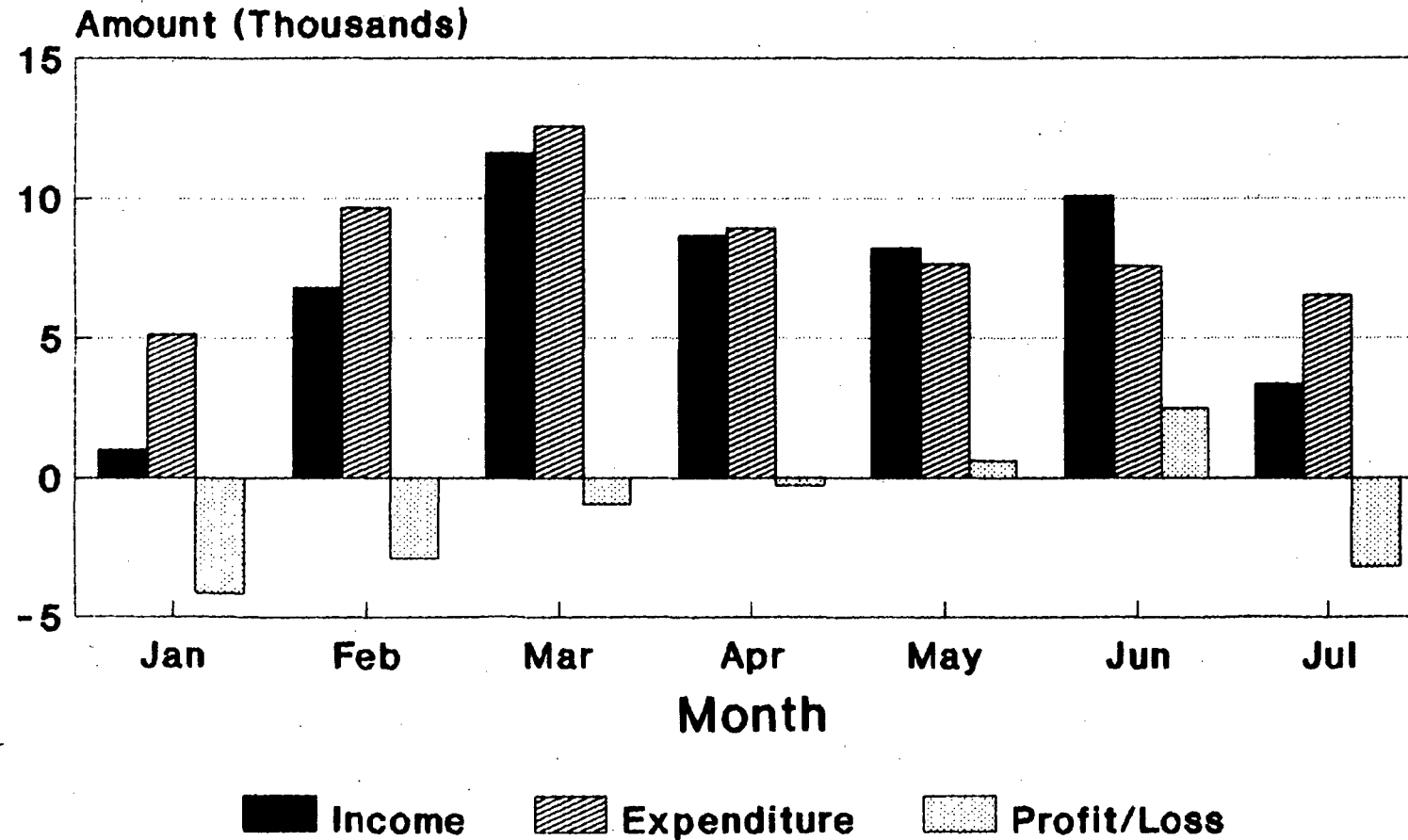
division of labour in production and decision-making are examples of such decisions. Since these decisions were made democratically, the principle of meta-democracy is relevant in the MCC.

Similarly, in terms of Bernstein's (1976) minimally necessary conditions for effective and sustained participatory democracy, the MCC reflects a high degree of democratisation. A combination of both direct and delegated participation in decision-making is practiced in the co-op. Weekly management reports and fortnightly general meetings allow for the sharing of management-level information with producers. Although MCC's members do not have an independent board of appeal, the small size of the enterprise facilitates peer discussion of grievances. Members' assumption of responsibility for their work and their engagement in redefining the nature of work are indicative of a particular type of consciousness: important steps towards building a cooperative consciousness. Although not formally written, practices in MCC reflect guaranteed individual rights. Further, the 10 per cent wage reduction decided on by members can be seen as feedback of economic results. Considering that Bernstein's minimally necessary conditions are present in MCC, we conclude that this co-op has the potential to become a sustained and effective participatory democratic organisation.

This account of MCC shows that it exhibits the features of Brecker's (1988) characterisation of potentially viable cooperatives.

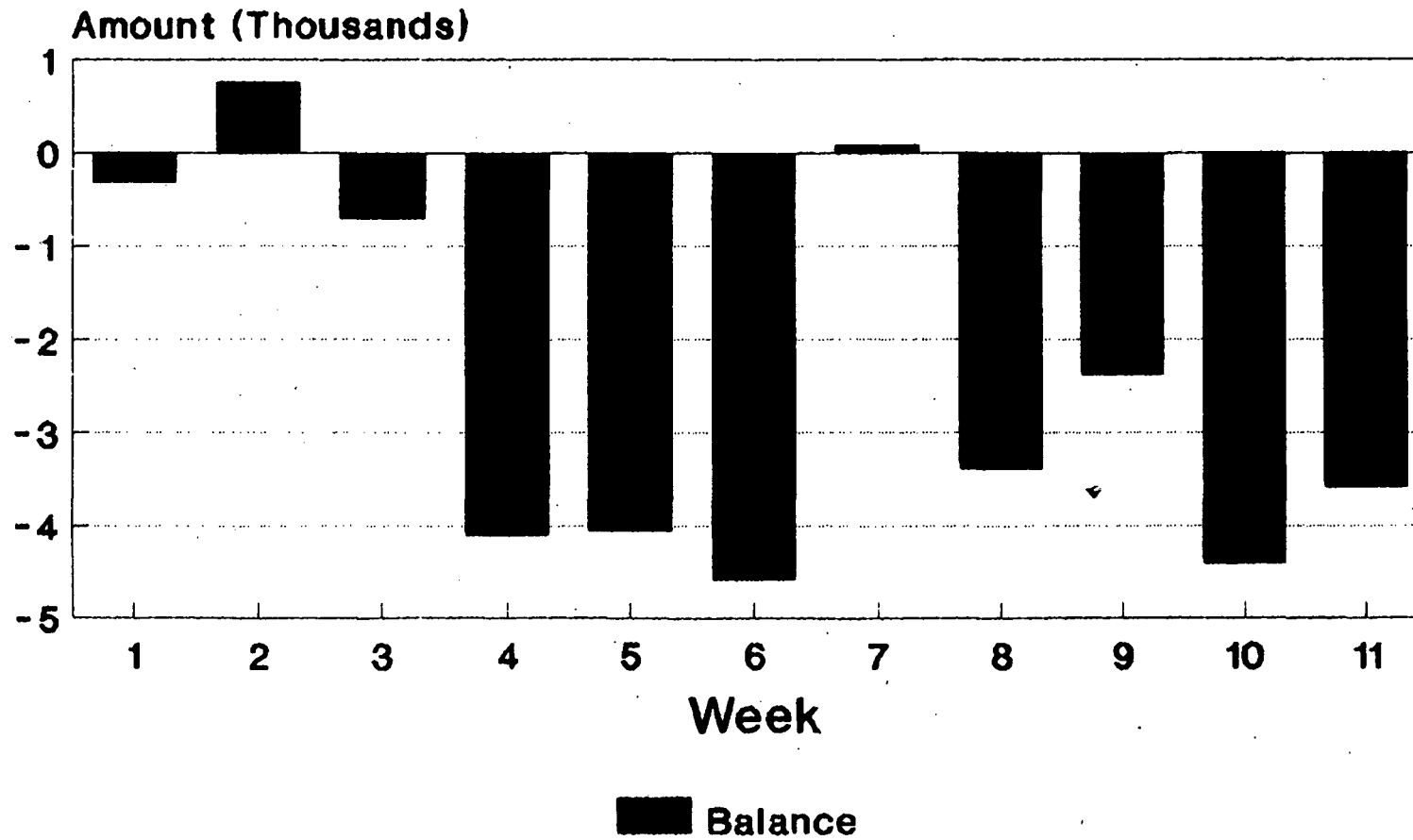
# Montagu Carpentry Co-op

## Income and Expenditure Trends, 1989



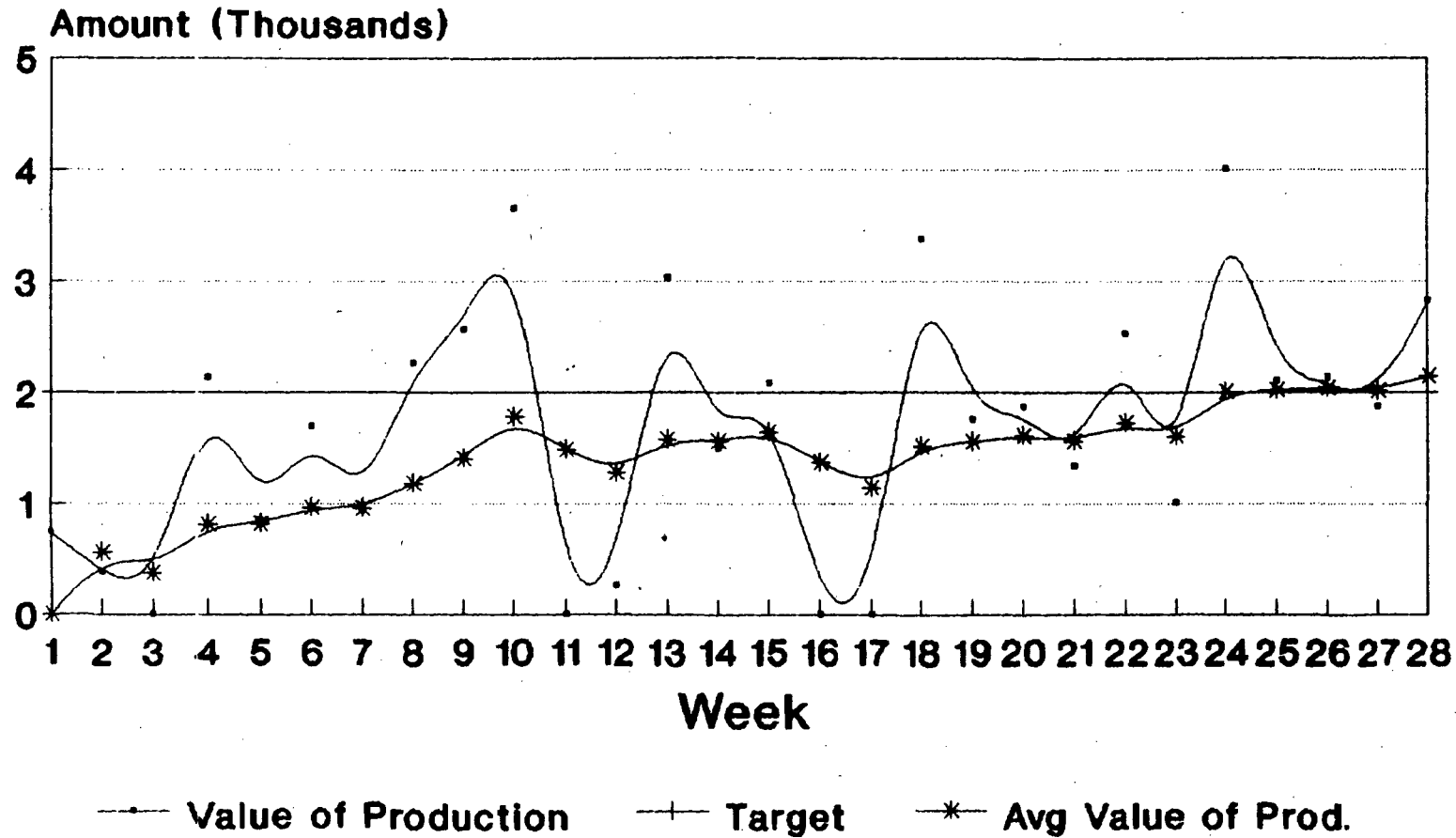
# Montagu Carpentry Co-op

## Weekly Bank Balance



# Montagu Carpentry Co-op

## Weekly Production Trends



# Montagu Carpentry Co-op

## Production and Sales Trends, 1989

