Chapter Four

The NUM Co-op Programme

1. Worker co-ops: their limits and potential

1.1 Back to basics

In June 1988, I finished my Honours thesis, entitled ‘Producer Co-operatives in South Africa: Their Economic and Political Limits and Potential.’ I joined NUM as a member of staff shortly thereafter, tasked with initiating NUM’s co-op programme, just as the litigation over reinstatement for dismissed mineworkers was ending and the pressure to set up co-ops began.

While processes unfolded in ways that veered quickly off any anticipated paths, and were always at the mercy of forces way more powerful than planning processes informed by co-op theory, I certainly brought a set of theoretical assumptions to the process that will be treated as the starting assumptions – limited though their formal reach and resonance may have been in NUM. This theoretical framework, and the conclusions drawn in my Honours thesis about the terms on which producer co-ops
could create jobs within the framework of an alternative form of work organisation and ownership will be treated as the starting hypotheses for this section.

Co-op development as a form of development intervention has its own long history, accompanied by a developed body of theory and debate. This introductory section is a brief summary of how these debates were reflected and understood at the start of the process.

1.2 Co-ops: social protection from below

People all over the world have found different ways to co-operate in the production and distribution of goods and services, across different types of economic systems, but it is the forms of such co-operation that were formalised along with the formation of market economies in nineteenth century Europe that are at issue here.

Co-ops were seen as social and economic alternatives to the impacts of emergent industrial capitalism, and can be seen as an attempt to create a form of social protection from below, as part of Polanyi’s ‘double movement’ within society. Polanyi devotes some attention to the early attempts by the ‘Owenites’ and others to construct such alternatives. (Polanyi: 109)

According to the International Co-operative Alliance (ICA), co-operatives grew within five distinct traditions:

(The) consumer co-operatives, whose beginnings have long been popularly associated with the Rochdale pioneers; the worker co-operatives, which had their greatest early strength in France; the credit co-operatives, which largely began in Germany; the agricultural co-operatives, which had their early roots in Denmark and Germany; and service co-operatives, such as housing and health co-operatives, which emerged in many parts of industrial Europe as the century drew to an end. (ICA: Co-operative Information: Background Paper on the Statement of Co-operative Identity: 2002: 2)

In South Africa, it is producer or worker co-ops (from now on called worker co-ops), that have caught the popular imagination, and that are promoted as a strategy for job creation in a context of high unemployment. Worker co-ops are distinct from all other forms of co-ops in a key respect: while all forms of co-ops are defined on the basis that they are owned and controlled by their members, the members in most forms of co-ops are not also workers in the enterprise, but are instead users of its
services. In worker co-ops, however, the members are also workers in the enterprise.

In worker co-ops, worker-members own and control the co-op on the basis of ‘one member one vote’. In this way, worker co-ops provide an alternative to the employment relationship found in conventional enterprises. In practice, many of the difficulties they face relate precisely to this attempt to redraw the relationships between ‘owners’ and ‘producers’ - when co-op membership combines both roles.

In user co-ops, the employment relationship between the co-op and its employees is usually no different from employment relations in any conventional business. In these co-ops, members come together to create economies of scale, as a way to enhance their economic access or to gain economic advantage, whether in relation to purchasing, marketing, access to financial services, to housing, to utilities, or to social services such as educare and health. In such ‘user’ co-ops, profits are shared on the basis of formulae agreed by members, often linked to the extent of use of co-op services by members. Members do not usually depend on the co-op for their livelihoods, but use it to enhance them.

These differences mean that worker co-ops face a particular set of challenges that are more complex and contested than those faced in user co-ops. While user co-ops have thrived in various forms in both developed and developing countries, worker co-ops have a much more ambiguous track record – despite some notable success stories. These include the Mondragon Co-operative Corporation, in Spain, and the track record of worker co-ops within the *Lega Nazionale delle Cooperative* (the Lega) – the largest co-op federation in Italy, where co-ops are sufficiently influential in the economy to be defined as ‘the third sector’ of the economy.¹ Within the Lega, however, members in worker co-ops are a relatively small proportion of the total membership. These examples demonstrate that under the right circumstances, worker co-ops can indeed succeed.

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¹ For more analysis of Mondragon and the Lega, see Philip 1988 and Philip 2003 (4).
However, the distinction between worker co-ops and other forms of co-op is poorly understood in South Africa, where examples of the successes of consumer co-ops and, for example, the 6 million farmers in Indian dairy co-ops (ICA Case Study of Co-op Success: 2003) are used to promote worker co-ops as a strategy for job creation. While these are certainly stories of co-op success, these are not worker co-ops, and membership in such co-ops can’t be equated with jobs. Yet, somewhat perversely, despite their success, these forms of co-op have not attracted particularly high levels of policy support in South Africa, nor have they caught the public imagination in quite the same way as worker co-ops.

The difficulties faced by worker co-ops, and the reasons for their poor performance relative to other forms of co-op has generated its own set of debates. These debates informed the focus of my Honours thesis, and are described below.

1.3 Worker Co-ops in political economy

With co-ops emerging in response to the industrial revolution across Europe, they attracted attention and dissension within the Marxist tradition. Bettelheim characterises the critical limitation of co-ops in this way:

(T)he contradiction between capital and labour, abolished at the level of the unit of production, is maintained on a social scale. (Quoted in Cornforth 1983: 12)

The key defining features of worker co-ops relate to their structure of ownership and to the organisation of production internally. This has no wider systemic effect on the structure or logic of the market economy:

While co-ops can change the relations of ownership and control internally, capitalist relations of production still define the parameters within which they operate – and in particular, it is the role of the market which most directly affects the co-op. Regardless of the efficacy of its structures of internal democracy and control, a co-op has to be economically viable to survive….co-ops have to compete on a capitalist market. (Philip 1988: 40)

Nevertheless, the introduction of democratic forms of ownership and control within the limits of an enterprise were seen as posing a ‘more humane’ alternative, and a potential embryo of socialism within the womb of capitalism. In 1914, the New Statesman published a ‘Special Supplement on Co-operative Production and Profit Sharing’, by Beatrice and Sydney Webb.
The Committee of Enquiry into the Control of Industry began its investigation with a definite purpose. We are familiar with the disadvantages of the present system of control of industry by the individual owners of the instruments of production, inspired by the motive of their own pecuniary gain and employing at wages a propertyless proletariat. We believe that this system of control by a class of property owners... can, and will, and should be superseded by an organisation of industry deliberately based on the advantage of the community as a whole. (Webb and Webb 1914: 1)

The Webbs' starting assumption was that co-ops might provide such an alternative. Yet after their extensive study of 'associations of producers' in France, Belgium, Britain, Italy and Germany, the Webbs conclude with little optimism for this form of enterprise. Their conclusions have been central to debate on the economic and political limits and potential of worker co-ops ever since - although far more so within the British discourse on co-operatives than in Europe.

The Webbs argued firstly that such 'self-governing workshops' have a tendency to fail, and reflect on 'the melancholy uniformity' of co-op collapse:

They are extremely unstable, springing up with comparative ease, but dying with equal rapidity. They are born, in fact, at the rate of about one a week, but the death-rate about equals the birth rate. ...They often arise immediately after strikes. They attract usually workmen of exceptional zeal, energy and self-denial, who display the utmost industry and self-denial in building up their enterprise. (Webb and Webb 1914: 6)

After examining a wide range of factors, the Webbs attribute the lack of competitiveness of such producer associations to the following:

Applied to the democratic control of industry, such a form seems to suffer from three leading disadvantages which may be seen militating against efficiency in practically all recorded experiments. The group of workmen who make a particular commodity, though they may know all the technical processes of their industry, do not seem able, when they control their own enterprise, to secure, in a high degree, either (1) adequate workshop discipline, or (ii) the requisite knowledge of the market, or (iii) sufficient alacrity in changing processes. With regard to workshop discipline, experience seems to indicate, with human nature being as it is at present, it does not do for those who have in the workshop to obey the manager to be, as committee men, the direct employers of the manager. (Webb and Webb 1914: 21)

The second part of their conclusion was that where co-ops do manage to overcome all the challenges that threaten their viability as a business, such co-ops tend to leave key elements of the co-op form behind, and revert to more conventional forms of enterprise. Economic success, they suggest, precipitates political failure.
Moreover, those societies which have had any marked financial success, or have grown to any size, prove, for the most part, to have departed considerably from the form of the Self Governing Workshop – to such an extent, indeed, that it is not far off the truth to say that the chance of success seems to increase the further that form is left behind! (Webb and Webb 1914: 20)

The Webb’s termed this phenomenon ‘degeneration’ and it is manifest in three main forms:

1. A breakdown of internal democracy in the co-op; manifest as a shift from more direct forms of democratic control in production, to more indirect forms of democracy, including, for example, the appointment of external management rather than the election of management internally.

2. The dilution of worker-ownership, or of the ‘indivisibility of co-op capital,’ either through the partial sell-off of shares in the business or the full conversion of the enterprise to a conventional form of share ownership.

3. The introduction of ‘wage-labour’ – workers in the enterprise who are not members, and do not have any automatic right to become members by virtue of working in the enterprise.

Each of these represents a break with key co-op principles, and hence ‘degeneration’.

The tendency for co-ops to fail is unfortunately sufficiently well-established that the debate in this respect has focused rather on why this is the case, and what therefore to do to support co-ops to overcome the challenges they face, in a context in which the social benefits deriving from co-ops are seen to make this worth the effort.

The difficulties co-ops face in achieving business viability are widely recognised as including inter alia problems of access to capital, skills, markets, and management at all levels. To a significant degree, however, these problems are shared with other forms of small enterprise, which also have a high failure rate. The key question is whether the features that differentiate co-ops from other forms of enterprise limit their ability to adapt and respond to these challenges, and whether this acts as a binding constraint on their viability as a form of enterprise.
Must democratic ownership and control necessarily limit economic efficiency and productivity? If so, does it matter? Do the social and economic benefits of co-ops perhaps justify a certain cost in relation to such a loss of efficiency and productivity?

This is certainly the implicit rationale for subsidies and special protection for co-ops in relation to other forms of enterprise: but if this is seen as a legitimate social cost, then there needs to be a legitimate prospect (a) of co-ops succeeding and (b) of co-ops remaining true to the social goals that were used to justify such special measures when they do succeed.

The ‘degeneration’ theory of the Webbs is therefore more hotly contested than the observation that co-ops have a tendency to fail, because the implications are more fundamental. If successful co-ops do have a tendency to convert to conventional forms of enterprise, then the significant effort in getting them to succeed becomes an exercise in futility. This in turn removes any compelling rationale to provide special measures of policy support for co-ops as opposed to other forms of enterprise.

Within the significant literature around this issue, two key tendencies arise. The first focuses on degeneration as a political phenomenon, manifest by the breakdown of democracy and by the dilution of ownership, and ascribed largely to voluntarist factors. A lack of commitment or form of class betrayal by members is often implied. Martin Fairclough provides the following critique of this approach and in the process introduces the second tendency:

The Webbs and Marxists have studied co-operatives from a methodology that viewed politics and economics to be inextricably connected in social reality. This methodology frames the main contribution that they make to understanding the problems experienced by co-operatives and how they can be avoided. The problem is that the economics side of their political economy has been neglected in translating their works into a contemporary debate where degeneration is defined in almost exclusively political terms i.e. about what participatory forms best ensure democratic control. (Fairclough 1986: 2)

Instead, Fairclough argues that the Webbs locate co-ops as part of ‘small capital’, and point to their relative weaknesses in relation to ‘big capital’, and the ways in which this negatively affects their access to finance, leading to undercapitalisation, low productivity and an inability to compete in the market. These pressures lead co-ops to take steps that set them on a ‘degenerative’ path - such as selling equity to
raise capital in order to invest in the new technology required to compete successfully.

While debate on the causes of co-op failure and degeneration continue, the evidence for both tendencies continues to mount. For example, despite the recognised success of Mondragon and the worker co-ops in the Italian Lega, both have ‘degenerated’ in key ways. In the co-ops in the Lega, it is not uncommon for more than half the workforce in the co-ops to be employees and not members, and member participation in decision-making is largely ring-fenced to Annual General Meetings. Yet the Lega co-ops remain highly politicised and active within Italy’s broader socialist movement. (Oakeshott 1990: 8)

By contrast, all workers in the Mondragon worker co-ops are co-op members - although participation in decision-making is again limited largely to the AGM. Mondragon, however has ‘degenerated’ in another respect, in relation to the co-op principle that the capital in the co-op is indivisible – key to the concept of ‘common ownership.’ Mondragon has instead developed a unique mechanism that creates capital accounts within the co-op for each member, to which part of the reserves are assigned, which grow in value within the enterprise, and which can be withdrawn when the member leaves. (Slott: 13)

1.4 Countering co-op failure and degeneration

My Honours thesis explored the above issues in a great deal more depth, along with case study material from co-ops in the emergent co-op sector in SA at the time, in order to develop an understanding of the kinds of strategies that could support co-ops to succeed, and deter them from degenerating.

Such strategies generally consist of a mix of policy and regulatory constraints on degeneration, subsidies and special support measures to mitigate the impacts of competition, attempts to create protected markets, and a focus on strong internal political education and organisation. The factors outlined below were identified as critical in Philip 1988, and reflect the starting assumptions for the sections to follow.
1.4.1 Co-ops need protection

The Webbs note the roles played by the state in France and Italy in creating space for the development of national capital – and co-ops - and in providing tariffs and taxes to protect these from international capital. In the context of apartheid South Africa, the potential of co-ops to influence national policy was not considered high, and the focus was instead on forms of protection that could be mobilised from below.

The central role of a wider co-op movement, and in particular, of consumer co-ops, was highlighted by the Webbs:

(T)he Self-governing Workshop, where the workers enjoy absolute autonomy, is proved by long and varied experience to be, in all but very exceptional cases, neither stable nor, so long as it endures, economically efficient, and that where any commercial success has been attained it will be found that it has been gained with a close market, nearly always the partially tied market of the Associations of Consumers. (Webb and Webb 1914: 29)

While these forms of co-op barely existed in SA at the time, the need for a co-op development strategy to include this wider spectrum of forms of co-op seemed clear. In addition, while SA did not have a developed sector of consumer co-ops, it did have high levels of political mobilisation at community level. One form taken by struggles at the time was the widespread use of consumer boycotts, which were seen as demonstrating the nascent potential to mobilise consumer power in a different way and for a different purpose.

Yet even then, the limitations of such consumer solidarity were noted, with experience already showing that communities would tend to give preference to co-op products only if they could match the quality and price of the alternatives - providing preferential market access only within such a competitive framework. (Philip 1988: 154)

While the critical role of a developed co-op banking sector in Europe was noted, the potential to develop equivalent financing instruments in South Africa seemed remote at the time.
1.4.2 Developing appropriate structures of Ownership

At the heart of debate over degeneration at the level of ownership structures is the notion of ‘the indivisibility of co-op capital.’ This is at the core of the concept of ‘common ownership,’ and went along with the following 1966 co-op principle:

Share capital should only receive a strictly limited rate of interest, if any.

The purpose of this principle was to ensure that co-ops would not be destabilised when individual members left, by limiting the capital they had the right to withdraw to their original contribution, plus nominal interest.

In practice, as with all the co-op principles, different interpretations and applications of this principle developed, with some co-op movements placing more emphasis on ‘common ownership’ and on the indivisibility of co-op capital than others.

While government policy can incentivise the co-op form, co-op federations have also seen it as their role to be the guardians of co-op principles, and to put a range of structural constraints on degenerative tendencies. In particular, this has meant the creation of a form of social ownership within the ambit of the co-op federation – acting in loco parentis for a future socialist state. In this model the assets of individual co-ops are held as assets of the co-op movement, in order to protect the principle of common ownership. If a co-op disbands, its assets revert to the co-op movement.

Roger England explains this as creating a form of social ownership within capitalism, ‘to prevent aspirant entrepreneurs from using co-ops as a means to accumulate capital, which they withdraw when it suits them’. (England: 139) This model - in place in the UK’s Industrial Common Ownership Movement (ICOM) and Zimbabwe’s Organisation of Collective Co-operatives of Zimbabwe (OCCZIM) - has given rise to a set of contradictions of its own.

In particular, as Ellerman and Pitegoff have argued, this ‘social ownership’ model eliminates any incentive for workers to use their surplus for capital investment, because they have no recoupable claim on surplus invested in this way. (Ellerman
and Pitegoff: 444). This pattern of skewed incentives was evident also in the context of Yugoslavia's self-managed firms. (Nove 1983: 136)

While the need for such ‘structural constraints’ is argued in Philip 1988, a dilemma is recognised in relation to the potentially contradictory impacts of such structures, already manifest in the case studies conducted at the time. The example of the Sarmcol Workers Co-operative, SAWCO, set up in the context of dismissals following a metal-industry strike, had particular resonance. Here, ownership vested in a structure made up of representatives of the wider group of strikers as well as of the co-ops that had been set up, with the following consequences:

At SAWCO, the form of social ownership that developed meant that workers did not in fact control the product of their labour in any direct way, which gave rise to forms of alienation. (Philip 1988: 156)

This gave rise to conflict. Clearly, any attempt at putting structural constraints in place needed to heed Nove on this topic:

The important point is by trial and error to devise a pattern of personal interest which would incline the workforce to support economically (and socially) efficient decisions. (Nove 1983: 217)

1.4.3 The role of internal organisation

In all the literature, it’s clear that the issue of democracy in production poses a complex set of difficulties. The problem was, however, interpreted in Philip 1988 as being largely an issue of balancing democracy and efficiency, and as a function of skills, education, and the commitment and political consciousness of co-op members.

1.4.4 Building a democratic alternative

The conclusions in Philip 1988 take the social and economic crisis of the time as their starting point, and point to the opportunities for co-ops that arose from the historic exclusion and neglect of black communities and consumers from the core economy, the lack of access to a wide range of services and retail outlets in townships, the failure to meet the needs of a rapidly urbanising population, and the ‘growing consensus in business circles that the black market potentially provides a different kind of South African gold mine.’ (Philip 1988: 148).
Despite such opportunities, Philip 1988 notes that there are no simple formulae for building viable co-ops, but argues that in grappling with the challenges, co-ops have a key role to play in strengthening the broader process of democratisation then underway in the society, and in putting issues of economic democracy on the agenda:

In the process of grappling with the difficulties of building democratic control of economically viable production units, they can provide key insights into the terms of a feasible socialism in the future. (Philip 1988: 158)

While the significant challenges in developing viable co-ops were recognised, it was assumed that in overcoming the market pressures necessary for co-op survival, co-ops would also be tackling the degenerative pressures arising from such market competition: leaving ‘degeneration’ as a largely political phenomenon.

Philip 1988 advocates a core focus on getting the economic fundamentals right within co-ops, complemented by the use of forms of community solidarity to promote protected markets for co-ops. It sees the role of a wider co-op movement as providing a ‘structural constraint’ to degeneration, by standing in for the missing democratic state as well as representing a form of social ownership; with political organisation and education as the complementary bulwark against any residual risk of degeneration. Philip 1988 ends on this note:

However, co-ops in SA today are fragile and underdeveloped. One of the problems in making them viable is that they are being built on the margins of the economy, amongst the most disadvantaged and desperate sectors of the community. Their role in the short term is primarily defensive, as a rear-guard action against the worst ravages of capitalism under apartheid. This means that if they are to survive, let alone maximise their political potential, they will need a range of forms of protection, support and servicing from within the broad framework of the democratic movement in SA. Unless this challenge is met, co-ops in SA may well be doomed to follow in the melancholy footsteps of so many of their predecessors around the world. (Philip 1988: 161)

In South Africa, these issues have renewed contemporary relevance, despite the significant changes in context, because of the priority being given to co-ops as part of job creation strategy - with this emerging as one of few areas of agreement in the 2003 tri-partite Nedlac Growth and Development Summit between government, the private sector and labour. (Nedlac Growth and Development Summit Agreement, 7 June 2003).
The NUM co-op experience is very relevant to this contemporary context. It is perhaps predictable that the NUM co-ops will provide some lessons on why co-ops fail, and there will certainly be no shortage of supporting evidence for that tendency in the pages to come. But that is the more predictable outcome. Less obviously, and much more interestingly, the NUM co-op experience also includes some stories of success, and with these, some real insights into why successful co-ops tend to ‘degenerate’ – as several NUM co-ops did. These outcomes have implications for co-op development strategy, and for its place as part of job creation strategy.

2. The NUM Co-ops

2.1 Introducing the Programme

Against the backdrop of the power struggles described in Chapter Three, four new NUM co-ops finally went into production: in Qwe Qwe (outside Umtata) and Flagstaff in the Transkei, South Africa, and in Quthing and Leribe in Lesotho. These co-ops represented a rather steep learning curve for NUM, in which most of the kinds of problems experienced in the ‘associations of producers’ described by the Webbs – and quite a few they could never have anticipated – were manifest in stark forms.

The learnings from this early phase were fairly rapidly translated into a second-phase strategy. This was better resourced, with funding from Kagiso Trust which capitalised new co-ops, and allowed the NUM Co-op Unit to significantly enhance its staff capacity, bringing in a mix of organic intellectuals from amongst the ex-miners, along with professional financial management and specialist agricultural capacity.

In this second phase, it was agreed that the NUM Co-op Unit should focus on the establishment of agricultural production co-ops. Ex-miners were confident they could secure land through the chiefs, with intensive and irrigated vegetable production seen as the most productive use of limited land resources, and poultry production as a complementary element. The strategy was seen to have the following advantages:

- We can develop effective support services for the co-ops, with specialisation in the skills needed in agriculture; training workshops can bring together members from different co-ops to develop skills, learn from each other and build co-op solidarity. The co-ops can set up a central
service to buy inputs in bulk to strengthen their economic viability. In future, we can set up food processing units supplied by several co-ops. (Philip in Workteam 11, 1991)

At the same time, the Co-op Unit was increasingly exposed to the more established co-op movements in Zimbabwe and Botswana, where experience and conceptual thinking on key issues was far ahead. Our exposure to key co-op movement players such as Gavin Andersson from CORDE in Botswana, Carl Brekker from the Co-op Self Finance Scheme (CSFS) in Zimbabwe, and Andrew Nyathi - CSFS Chair, ex-ZIPRA combatant turned co-op leader, and author of ‘Tomorrow is Built Today’ - created a heady context of engagement and debate in which the agenda items were co-ops, national liberation, and the future of socialism.

The Co-op Unit’s capacity had also expanded, with offices in Umtata, in the Eastern Cape, and staff located in the BMLC office in Lesotho, and a staff-member in Swaziland. While most of the staff were drawn from amongst the ex-miners, external skills had also been brought in, including for example, Mary Cobbett, who had been involved in co-op development in the United Kingdom, development professional Zane Dangor, and agriculturalist Malineo Nkhashe in Lesotho. In addition, a range of staff members with specialist skills were drawn from the returning exile community, including agriculturalist Tux Mtolo, poultry agriculturalist Reuben Mkwanazi and poultry expert Dr Ed Wethli, who had worked with co-ops in Zimbabwe and Mozambique at the same time as being involved in the ANC’s armed wing, Umkhonto we Sizwe.

James Sarakusebwa was also recruited to the NUM Co-op Unit from CSFS at this time, as Deputy CEO. He brought with him significant Zimbabwean co-op experience along with considerable business acumen, and took over the leadership of the co-op programme. ²

As more co-ops developed, NUM’s Co-op Forum – comprised of representatives from each co-op – became a platform for significant inter-co-op learning and exchange.

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² James was a key strategic role-player in MDA and would be a key informant for this period, but he died of cancer in 1998.
With meetings translated routinely into three languages at least (Xhosa, Sotho, sometimes English, and sometimes SeSwati) these meetings tended to extend through the night, with co-op members' passion for participation unflagging through to dawn. The issues discussed in this chapter were at the heart of these Co-op Forum discussions, and debate was intense.

Although the focus here is on the developments in the Transkei and Lesotho, there were other co-ops linked to NUM’s programme also, listed in Figure 1 below, which reflects the status at the height of the programme in 1993. The co-ops in the Transkei had a rapid failure rate, however, and so the focus shifts to Lesotho, where performance was better and where a handful of the co-ops that were started in this period survive today.

Finally, these processes also took place against the backdrop of history in the making, as political leaders were released in South Africa in 1990, the ANC and SACP were unbanned, the constitutional negotiations at Kempton Park began, along with negotiation over the content of the Reconstruction and Development Programme between the ANC, Cosatu and the SACP.

In NUM, these developments were highly influential, and NUM was influential within them. In the Eastern Cape, the terrain shifted from one in which security police raided the co-op house in Umtata, to one in which instead, I received a phone call to say that Bantu Holomisa (now in charge, following his rather populist military coup) had come to the NUM office in Umtata to buy a NUM T-shirt: and they weren’t sure whether to sell him one, give him one, or refuse to do either.

Within this wider context, certain key co-op themes were constant. The first and overarching challenge for the co-ops was to achieve economic viability - measured as the ability to provide a consistent, sustainable income equivalent to a living wage for members. There were two levels at which this challenge had to be met. The first challenge was pragmatic; and required building the practical skills and experience required for members in the co-op to run a productive, competitive enterprise - with all the complexity this entails.

The second level related to the more specific challenge of doing so as a co-op, in ways that built a democratic workplace, owned by the members. These two levels
will be explored below - starting with the core challenge of achieving economic viability.

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<tr>
<th>Co-operatives</th>
<th>Number of members</th>
<th>Type of Production</th>
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<td>Transkei</td>
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<td>Qwe Qwe Co-op (Umtata)</td>
<td>10</td>
<td>Block and brick production</td>
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<td>Noluthando Co-op (Tsomo)</td>
<td>20</td>
<td>Agriculture</td>
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<td>Masikhule Xonya (Engcobo)</td>
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<td>Mangoloaneng East Co-op (Mount Fletcher)</td>
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<td>Tsolo Mineworkers Co-op</td>
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<td>Cala: Poultry Supply Centre</td>
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<td>Supply of birds to village groups</td>
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<td>Blocks and bricks, and agriculture</td>
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<td>Blocks and bricks, and ploughing</td>
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<td>Agriculture and poultry</td>
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<td>Candles</td>
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<td>Baking and poultry</td>
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<td>Agriculture and poultry</td>
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<td>Nqwenya Co-op</td>
<td>8</td>
<td>Poultry brooding</td>
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<tr>
<td>Kukhanya Kulanga Co-op (Lubombo)</td>
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<td>Poultry and vegetable cultivation</td>
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<td>T-shirt printing</td>
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<td>Pawco Hawker Network</td>
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<td>Hawkers of T-shirts etc</td>
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<tr>
<td>Witbank Trainee Group</td>
<td>16</td>
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Figure 1: NUM Co-ops 1993
Taken from: ‘Development Strategy for Retrenched Mineworkers’: National Union of Mineworkers, March 1993; Information dossier
2.2 The core challenge of economic viability:

2.2.1 Feasibility Studies are Key

In the first two co-ops in the Transkei, although feasibility studies were done, they were seen by ex-miners as an irksome delay, given that the members had already decided to produce cement bricks and blocks. It is very common for co-op members to decide to produce a product or service that they are familiar with without ever really exploring its viability, seeing the feasibility study as just another hurdle to overcome. Often, as a result, the chances of achieving viability end before the enterprise has even begun.

As a result of sheer luck and location, the Qwe Qwe Co-op was essentially a viable business, given Umtata’s sprawling peri-urban growth; but Flagstaff probably never was.

However, the terms of the ‘breakfast agreement’ that tripled the number of workers in the co-ops relative to their productive base and to the absorption capacity of the markets they were in, dealt an early blow to the viability of both these co-ops.

While the context of this decision was specific, it is an error often repeated. In the name of job creation, the enterprise is burdened by an oversupply of labour from the start, in order to ‘create more jobs’, and also because this is the benchmark against which success, and often, funding, is measured. Far from creating jobs, this becomes a key factor sabotaging the potential viability of the enterprise. The impacts were described in an article by the author in Workteam, the regional co-op magazine produced in Botswana at the time:

Co-ops have a hard time when they start. Often, there are months when there is little or no money for wages. If you have more workers in your co-op than the co-op can support, then that little money has to be divided in half again. And half of nothing is not enough to live on.

Having more people in the co-op than it can support cripples the co-op in a number of ways. Co-ops have to keep their prices at market levels, and still cover their costs. Even community solidarity won’t get the customers to pay more for their blocks! If the co-op has more workers than it needs for production, then it will be hard to keep prices low, and still pay wages – unless the wages are so low they are just for survival.
But we have seen that a co-op that only pays survival wages will face the following problems:

Co-op members end up exploiting themselves just to get a survival wage. They end up working for long hours for the same starvation wages paid by the bantustan factories which we are fighting. As a trade union, we didn't support co-ops with this future in mind for our members.

When members are only just surviving, it is hard to build up reserve funds, or spend the money on maintenance of machinery. It is hard to decide to ‘feed’ a tractor when you haven’t fed yourself.

As a result, the co-op fails to become self-sufficient. Every time a machine breaks down, the co-op has to have another injection of funds, or else collapse. ...

Most importantly, bare survival is not a long term solution for workers. Workers want to improve the quality of their lives, and if the co-op doesn't allow that, workers will start to look elsewhere.

In practice, it is usually the more skilled members of the co-op who can find other jobs. And if they leave, the co-op struggles to develop leadership with management skills. Without those skills, it is doomed to dependency.’ (Philip in Workteam 11: 1991)

All these impacts were felt in the early NUM co-ops, including the loss of skilled members. Most co-ops saw numbers dwindle rapidly as the problems outlined above manifested themselves. But although the oversupply of labour certainly complicated the challenge of achieving business viability, it was not the only flaw in the early processes.

There was another fatal flaw in the feasibility study for the Flagstaff co-op. While several trips were made to verify that there was a reliable source of river sand in Flagstaff, the NUM party conducting the feasibility study was on each occasion diverted from this purpose into protocol meetings with chiefs, tribal authorities and local magistrates instead. In the end, the claim made by Bhala and the Flagstaff co-op members that ‘sand was near’ was accepted at face value. This was no doubt partly as a result of an urban bias that river sand is the kind of thing that can be expected to be near in rural Transkei.

Soon after the co-op started, I received a phone-call from Regional Co-ordinator Sonwabo Msezeli, who broke the news that in fact ‘sand was far.’ There was no usable river sand within an economic distance from the co-op.
After visits to countless river banks yielded only mud and clay, Regional Co-ordinator Sonwabo Msezeli reported back good news. In a nearby-enough village, there was a river with river sand. But there was a problem. In order to get to this river, it was necessary to pass through a large area of illegal dagga fields that were policed by local youth. This could be done only with the permission of the chief. Msezeli was dispatched to do his best, and as usual in matters of local politics, he was successful. It was agreed that NUM representatives would be allowed into the area under escort to see the sand. We set off on a route that was less and less a road, although still well within the capabilities of a hired car (which, in NUM’s hands, are very versatile vehicles).

Although the fields looked pretty much like ordinary mealie fields, it became evident in due course that the route was flanked with youths, spread out thinly across the fields. Some just stood and watched; others just stood and watched with AK47’s slung across their shoulders. Some - but not all - of these were clearly carved from wood. In the end, even the hired car could go no further, and it was necessary to set out on foot across what was now clearly a field of mealies inter-cropped with dagga. And then there it was: a bend in a slow wide river, and a great, huge, ancient mound of tons and tons of river sand.

There was, however, no passable route to this sand. This problem was solved through negotiation with the local community, which lead to a community event called an ilima being held. This is a traditional form of collective work that usually takes place when a member of the community needs labour beyond what is available within their own household, for a specific effort of asset creation or productive activity. Members of the community participate, and in return, a sheep is slaughtered, and large quantities of home-brewed beer are consumed.

A road to the sand was built through the mealie/dagga fields in this way, and this was the sand used by the Flagstaff Ex-miners Co-op for the rest of the life of the project.

It is doubtful whether the access provided to this resource, or the road built to it, would have been achievable were it not that it was NUM and the ex-mineworkers who were asking for it. In a context in which there is barely a rural village in
Southern Africa that has not sent men to the mines, NUM’s access into the most remote rural areas was always remarkable.

While this has ended up being an anecdote that illustrates the kind of community support on which the NUM co-ops could draw, it is nevertheless an example of a flawed feasibility study that underestimated the constraints on access and hence the costs of a critical input for the co-op. This is not an unusual error in the set-up process, and it too can sabotage a co-op before it starts.

Finally, a critical flaw in many feasibility processes related to the identification of markets. Typically, demand would be measured by how much of a given product was already being bought within the local economy. Yet this measures the level of demand already being met – and for which supply is already in place. To secure market share, the co-op would have to displace existing suppliers, which is not necessarily either easy or particularly developmental. Measuring unmet demand was much harder to do – and was generally an entirely speculative affair.

2.2.2 The discovery of management

The understanding of running the business was a big problem because they could not understand when are we making profit, or how do we make profit, or how should we make profit, or how do we, you know, increase production, or maybe do the best quality of the bricks or blocks so that we compete as well... we could not understand all these dynamics of the market - that we have to compete. Actually we didn’t understand business. (Interview with Salae: 2003: 29)

‘The problem of management’ - in all its forms - was the most consistent headache in the co-ops. The realities of racial authoritarianism in the South African workplace means the management function is experienced and seen by labour almost solely as an authority function. The skills involved in effective management and the catalytic and integrative role that management plays in the creation of value in an enterprise was not recognised. This problem was compounded by the specific context of the mining industry, where the wider functions of management are even more than usually opaque to workers.

Although the issues are close to inextricable in the co-op context, the particular complexities of ‘democratic management’ in the co-op will be discussed later; while
the focus here is on the functions of management—broken down into a cursory list of elements below:

- Start with enough working capital in hand to initiate a cycle of production;
- Order inputs in advance of need so that they are available on site at the right time, quantity, quality and price;
- Allocate the labour, skills and equipment in the co-op optimally to ensure the product is produced to the right quality and quantity, and within the required time;
- Secure sufficient sales or orders to break even at least;
- Ensure the product is available and/or is delivered when the customer expects;
- Secure payment from the customer;
- Budget for the maintenance and replacement of equipment and ensure these are done in ways that don’t interrupt production;
- Record all financial transactions, in order to account for and analyse co-op finances, plan and assess the needs of the next cycle, and then assess whether and how much co-op members can get paid—unfortunately often a contingent decision;
- Start the cycle again.

This is a bare-bones list of management functions, to be performed not as a set of serial tasks, but simultaneously across several overlapping cycles. It requires the integration of all of these elements and more for an enterprise to survive—let alone make profits. Constraints on the capacity of the early co-ops to achieve these functions were considerable, and there were co-ops which never managed to master the technical aspects of management. This alone was enough to lead to their collapse. Others, however, became highly skilled at it, but it took patience and time.

MDA Lesotho’s horticulturalist Malineo Nkhase describes her experience building production planning skills at Butha Buthe Agricultural Co-op:

I trained them to develop their own production plan... I will just come and check them and advise them: ‘No, if this was planted on the first week of October it will do better than when it is planted first week of November’. I will just polish their production plan...

But it has been difficult for me especially to work with retrenched mineworkers who most of them are illiterate. They take time to understand things. I remember in Butha Buthe I used to have a hard time with those co-op members.... They will just say, ‘We don’t want to be ruled like we were ruled in the mine.

I didn’t want to confuse them with production plans, I just wanted them to know the importance of planning their work. I will just say, ‘Comrades can you come up with what you want to grow here and why; and how are you going to do it...
I used to agree with them that we will buy a certain amount of kilograms for spinach, carrots, beetroot. Six packets of fertilizers and at least one load of kraal manure. When I came back, nothing had happened. I just sat down with the Chair and said, ‘Ntate why didn’t you do what we agreed last time when we had a meeting?’ He just said, ‘This soil doesn’t need fertilizer, it’s rich enough, we can just plant anything now, it’s okay, you will see when it comes out that the soil is rich. (Interview with Nkhase: 2003)

The outcomes of these processes of production planning in Lesotho are illustrated in the Production Report from Lilepe Co-op at Thaba Bosiu, overleaf.

Despite the significant planning and implementation skills represented by the levels of production against planned targets, some critical scrutiny of this Production Report casts into relief the small scale both of production and of returns.

The ‘Grand Totals’ in this report represent the total income from cultivation for a year; and do not take account of the costs of production. Viewed in this light, the returns to members were low indeed, even taking into account that these were augmented by the more regular income from Lilepe’s poultry unit.
Lilepe Co-op: Yields and Income September 1992 – August 1993

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<tr>
<th>Cycle 1</th>
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<td>Crop</td>
<td>Acreage (Hectares)</td>
<td>Expected Harvest</td>
<td>Actual Harvest</td>
<td>Expected Income</td>
<td>Actual Income</td>
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<td>R3,220</td>
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<td>800 kg</td>
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<td>R2,160</td>
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<td>Peas</td>
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<td>500 kg</td>
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<td>R1,500</td>
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<tr>
<td>Rape</td>
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<td>800 bunches</td>
<td>R1,600</td>
<td>R1,600</td>
<td></td>
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<tr>
<td>Perm Spinach</td>
<td>0.1 ha</td>
<td>800 bunches</td>
<td>800 bunches</td>
<td>R1,200</td>
<td>R1,200</td>
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<tr>
<td>Total</td>
<td>1.2 ha</td>
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<td>5,000 heads</td>
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<td>R2,000</td>
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<td>Tomatoes</td>
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<td>1 ton</td>
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</tr>
<tr>
<td>*Rape</td>
<td>0.1 ha</td>
<td>800 bunches</td>
<td>800 bunches</td>
<td>R1,200</td>
<td>R2,200</td>
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<tr>
<td>Perm Spinach</td>
<td>0.1 ha</td>
<td>800 bunches</td>
<td>800 bunches</td>
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<td>R6,400</td>
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<tr>
<td>Florida</td>
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<td>500 bunches</td>
<td>R500</td>
<td>R500</td>
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</tr>
<tr>
<td>Rape</td>
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<td>500 bunches</td>
<td>R500</td>
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<tr>
<td>Swiss Chard</td>
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<td>1,000 bunches</td>
<td>1,000 bunches</td>
<td>R1,000</td>
<td>R1,200</td>
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<tr>
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<td>Swiss Chard</td>
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<td>700 bunches</td>
<td>R840</td>
<td>R840</td>
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</tr>
<tr>
<td>Rape</td>
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<td>500 bunches</td>
<td>400 bunches</td>
<td>R600</td>
<td>R480</td>
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<tr>
<td>Peas</td>
<td>0.25 ha</td>
<td>200 kg</td>
<td>200 kg</td>
<td>R1,000</td>
<td>R400</td>
<td></td>
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</tr>
<tr>
<td>Florida</td>
<td>0.1 ha</td>
<td>500 bunches</td>
<td>300 bunches</td>
<td>R600</td>
<td>R360</td>
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<td>Total</td>
<td>0.7 ha</td>
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<td></td>
<td>R3,040</td>
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<tr>
<td>Grand Total</td>
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<td>R31,890</td>
<td>R26,460</td>
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Figure 2: Lilepe Production Report: Lesotho 1993. Compiled by Malineo Nkhasi, Agricultural Officer.
2.2.3 The challenge of marketing

If the co-op cannot sell what it makes, then the value of members’ labour cannot be realised, and the members will earn nothing. For workers from a formal employment context, production was the ‘work’ of the co-op: it was how value was created by labour, it was how wages were earned, and what happened thereafter was not really their problem. It took time for co-op members to come to terms with the fact that a return on their labour could only be realised if the product was sold – and that selling the product was as much part of the ‘work’ of the co-op as producing it.

In addition, experience soon showed that consumer solidarity could not really be relied upon to provide a protected market, with early lessons in this respect derived from the experience of the Phalaborwa T-shirt Printing Co-op (PAWCO).

PAWCO was set up by 60 workers who had been dismissed from Foskor Mine, in Phalaborwa, for going on strike to demand May Day as a public holiday in 1986, and its inception predated the wider programme.

PAWCO was targeting the ‘solidarity market’ in NUM and Cosatu. There was just one small problem – NUMSA, the metal workers union, had already set up just such a T-shirt printing co-op to support dismissed workers from Sarmcol. (Philip 1988) This was SAWCO’s strategy, and there wasn’t really room for both co-ops in the protected market that Cosatu provided – a market which became even more crowded when textile union ACTWUSA (later SACTWU) set up their own co-op, Zenzeleni – initially producing T-shirts, but later printing them too. (Adato 1996: 279)

While not reliant on this market alone, Zenzeleni nevertheless expected both SAWCO and PAWCO to provide a secure market for them – but transport costs made their T-shirts more expensive than the ones PAWCO was already sourcing, and PAWCO complained about erratic delivery times. (Interview with PAWCO Chair, Charles Ramahlalerwa and Secretary, Stanley Mathebule, in Workteam 9, 1990: 25)

PAWCO had discovered early on that Cosatu unions, including NUM, would only give them preferential market access if they could compete on price and quality – and indeed, PAWCO lost contracts for national NUM events for a period when it could not
do so. Any expectation that PAWCO would pay more for Zenzeleni T-shirts meant that PAWCO’s own margins would therefore be squeezed. Despite attempts at brokering co-operation between the three co-ops, the reality was one of de facto competition.

All these co-ops were also at the mercy of another feature of this market: a tendency for trade unions, civic organisations and youth groups to fail to pay for T-shirts they had ordered and the co-op had delivered (Adato 1996 279-280). PAWCO developed a highly innovative response to these market conditions, however, which certainly contributed to PAWCO outlasting the other two co-ops, surviving at least long enough to present MDA with a clock to mark the tenth anniversary of the co-op.

PAWCO converted most co-op members into self-employed hawkers, who were deployed to the mines where they acted as agents of the T-shirt co-op – whose numbers were reduced to six. The hawkers still took orders from organisations for key events, but at their own risk – and hence with their own assessment of quantities. The co-op gave the hawkers credit terms for such T-shirts, and rather than the hawkers delivering the T-shirts to the organisations that had ordered them, they sold them directly at community or union events. In this way, PAWCO retained the strengths of the solidarity market, overcame the problem of non-payment – and the oversupply of labour in the co-op, all at once. (Interview with PAWCO Chair Charles Ramahlalerwa and Secretary Stanley Mathebule, in Workteam 9, 1990: 25)

Rob Berold, of the Grahamstown Power Station Co-ops, explained some of the further limits of the wider ‘community market’ also targeted by many co-ops:

At first sight it seems easy, but this is a tough market to work in. There are already many informal sector entrepreneurs, many of them forced to practice cut-throat exploitation to survive. There is the competition of cheaper goods from the chain stores... Finally, because township customers are poor, collection of money in this market is often difficult. (Berold in New Ground 3, 1991: 30)

In practice, there was little alternative for co-ops but to tackle the challenge of competing in markets. Any form of protection that community solidarity provided was a welcome but brief respite from this overarching imperative.
In Lesotho, despite produce dumped from the Orange Free State, the agricultural co-ops made serious headway in local markets. Agricultural officer Malineo Nkhasi reports on the development of marketing skills in the Lesotho agriculture co-ops:

When I arrived here at MDA, those people who were involved in agriculture, believe you me, they didn't have even a lunch pack for their lunch. They will sit the whole day irrigating with buckets from the river. The first crop that Thaba Bosiu or any of the mineworkers had was tomatoes, when I first joined MDA. They had a very good crop of tomatoes....It is true that they didn't have the best variety for the market but the way they managed or maintained that crop, it was amazing. It grew up to 1.2 metres, it was tall and it had a very big fruit which was clean, no cracks. But unfortunately, the problem was the variety for the market - it was just good for food consumption but not for storage. It wasn't good for supermarkets. (Interview with Nkhasi: 2003)

With better varieties they were able to secure a range of markets:

We managed to win a market at Maseru Sun Cabanas and at Shoprite - by that time it was OK Supermarket. We won the market, we were providing them twice a week, on Wednesday and on Friday, we provide tomatoes to Shoprite and to Maseru Sun, at 7 o'clock sharp - and we were able to maintain that, and on other crops apart from that first crop of tomatoes.

We used to have a problem of marketing these green leaves vegetables like Swiss chard or spinach, beetroot, and carrots but we approached these street vendors in Maseru and made them aware that we have a plot in Thaba Bosiu, and we are producing throughout the year.

We even took them with a pickup, if you remember that red Nissan which was driven by Salae at that time. We took them freely in the morning, Salae will be there at 7 o'clock and myself and the Marketing Officer from Agric, and we went straight to Thaba Bosiu, and showed them: This is the place, if you want to buy now, we will take you back to the market free of charge... (Interview with Nkhasi: 2003)

Lilepe Co-op at Thaba Bosiu had the advantage of relative proximity to Maseru, but other factors differentiated their performance also:

Co-op members from Thaba Bosiu were slightly different to those people from other co-ops, they were committed. They won't wait for the office or Salae to come and assist them, they will just go out and seek and search, even in the schools, can we provide you with vegetables? But some of the co-op members were not committed, they would just wait for Malineo, or Philemon or Salae or Ace to come and advise them. (Interview with Nkhasi: 2003)

Despite these marketing efforts, Thaba Bosiu ended up with more of this early crop of tomatoes than they could sell. Undaunted, they first dried some of them, and then they had the idea of fermenting them to make tomato beer. With this, the NUM Co-
ops could claim their first foray into new product development. According to Nkhase, ‘it used to taste very nice and it was nutritious.’ They sold it all.

By 1994, the NUM Co-op Unit in Lesotho claimed that the Lesotho Co-ops were the single biggest Basotho suppliers into the Lesotho market. Nkhase defends this claim:

It was true, in 1994 we had a massive production in all the co-ops, by that time they understood quite well the importance of following the production plan, using the best varieties, irrigation and maintenance was perfect. We had a very good crop of potatoes in Buthe Buthe, we supplied supermarkets and restaurants in Buthe Buthe, even in Maseru and the grade was first grade of potatoes, large enough for chips. So we were supplying the market in Buthe Buthe and in Maseru with potatoes from Buthe Buthe and beans from Buthe Buthe and beans from Berea Co-op. For Thaba Bosiu it was so exciting.

They supplied Upper Qeme (the Maseru vegetable market), they supplied street vendors with vegetables, they also supplied Shoprite which is the biggest supermarket and Fairways with vegetables. We were well known in Lesotho from 1992 to 1996, not only in Maseru. Because people coming from other districts will come to Upper Qeme Fruits and Vegetables to buy in bulks to their district, so we were very proud about that and we had to hire more fields because the fields – the acreage that we were planting in Thaba Bosiu was 1,5 hectares at that time, we had to extend to 3,2 hectares. It was very excellent and the lifestyle of the co-op members changed, they were eating now, they had their lunch packs, they had their wages at the end of the month and they had surplus which they can take home at the end of the day, and eat with their families.

(Interview with Nkhasi: 2003)

2.2.4 Financial management challenges

Many co-ops faced months when something went wrong – when, for whatever reasons, the co-op was unable to meet its targets and faced a shortfall. Sipho Nqwelo explained what would happen in the general meeting when this was the case:

We don't get money; that is all you have to explain. Because what usually happens at the end of the month, we will have this general meeting, with reports - the first person to report, the sales manager, gives us the sales report; and then workers are starting to calculate, even though there are no papers, they want to know the money that came in.

And then we will go now to the money spent; then we look at the money in the bank that is left. The bookkeeper would talk about all the expenses and the treasurer now will go according to the bank statement, if the bank statement is here already: the withdrawals, what was drawn on such a date, how much for what. Then at the end we have to check what do we share. Now it was when we will encounter problems..... you will see that your operating budget for the month (excluding wages) is about R6 000; and in our account maybe we have got R7 000. Now there will
be demands that, no – let’s cut a little bit on cement and let’s take R3 000 (for allowances). ...leaving only R4,000 for operations; and this accumulates itself, next month going down, down and your salary goes down, down - that was the problem.  (Interview with Nqwelo: 2003)

When targets aren’t met, a co-op is often faced with a choice of either cutting into members allowances, or cutting into its working capital. A situation where the bank account is empty is hard, but that particular decision is at least easy. There’s nothing to share. A situation in which the co-op has funds, but only enough to finance either the next cycle of production or small allowances at the cost of reduced output, is far harder. It is hard because it requires a trade-off between the current survival needs of the members of the co-op, which can be real and pressing; and an investment in the enterprise as an entity, and the hypothetical returns to members that could mean in the future. The critical issue in general meetings was often effectively over whether the co-op would survive, and if so, at what cost to members. Mpapea describes the scenario at Lilepe:

Sometimes if there is a problem, maybe there is a disease, Newcastle disease for chickens, then there is nothing, there is no money...or just enough to buy inputs. Then they say, ‘Okay fine we want money, nothing else, we are supposed to get money, this is Christmas, we were supposed to get money, let’s get money.’ They said that to the committee....

The problem is that the co-operative is run democratically, you have to sit down all of you, you have got only seven people who are the committee members, who say, no, please, let’s go and buy inputs; then the rest of the people, about twenty, they pick up their hands and say fine, we want that money now.  The co-operative is run democratically.  (Interview with Mpapea: 2003)

There were few co-ops in which the members simply plundered the working capital from the start - although it did happen. More common was that co-op members sacrificed returns to themselves again and again, to ‘feed’ the working capital needs of the co-op, trying desperately to keep it alive, with whatever resources were available, including their unpaid labour, only to see it sink deeper and deeper into the donga with declining returns to their effort and input, as they grappled to achieve all the functions of management outlined above.  Despite often Herculean achievements in one sphere, they would all too often find the enterprise falling short in another: producing to target only to find a glut in the market; ensuring all the necessary inputs were in place only to have the equipment break down; securing advance sales of an entire batch of chickens only to lose them all to Newcastle’s
disease; leading them back, time and again, to a general meeting in which their own immediate material needs would be offset against the survival of the enterprise.

2.2.5 Discontinuity of Management

A feature of the co-ops, particularly in the early days, was the tendency to regularly replace elected co-ordinators, in a process of ‘reshuffling’ that posed a serious constraint on the depth of management capacities that were being built in the co-ops.

What was happening is that if you are a manager and you are seen maybe to always have a cigarette, there will be some caucus, ‘No, they are eating our money, Why is he having this?’ and then another one is campaigning to come to this position, among us, so he is organising other people that no, we must chase him out of this position.

You must remember, we were involved with money now, it wasn’t like the days of the struggle. When we were elected shaft stewards during those times, it was not easy – nobody liked to be a shaft steward because it is either three things: you are fired by the mine manager, or you are arrested, or you are killed. So nobody wanted to be elected – if you are elected, you know that you are in trouble.

If you check the union now, because the country is free, there are fights for leadership these days. What is happening now, there are more opportunities if you are elected to be a leader.

So it was like that in the co-ops, we started fighting for these positions and then they will put this person to be in your position after chasing you out. This person will mess up and mess up and they will realise later and chase him.

I remember at one time I was chased out and ... the co-op was in chaos, there was no money. I had to start the co-op from fresh and I had to ask for money from Transido. (Interview with Nqwelo: 2003).

The co-op brought Nqwelo back as chair, in a context in which the co-op had effectively collapsed. As a matter of pride, and even though the collapse had not happened on his watch, Nqwelo was not prepared to report it to NUM, nor to request further working capital. Instead, he secured a commercial loan from a parastatal development finance institution, Transido, against a business plan – the first time any of the co-ops had done so. The co-op was back in production, and Nqwelo recalls this grudging compliment paid by one of the co-op members after his return:

So, Tegeta commented while we were just sitting – he said: ‘No, you know sometimes a jackal is better, because when he eats the meat of a sheep, he will eat only the inside things, the livers and others, and leave
the rest; but just take a wolf, he will eat the whole thing.’ What he was trying to say, you know, is that it is better to go for somebody better who will just take some of the money, he won’t take it all. And people were laughing – but we were in pain, because we didn’t have anything, we were not getting even what we used to get in the co-op. So, you start afresh. But people forget quickly. (Interview with Nqwelo: 2003)

This ‘churning’ at the level of elected co-op management was cause for serious concern. Notes of a Co-op Unit meeting in this period provide a snapshot of the way support staff engaged with this issue in one of many such sessions:

Sonwabo Msezeli: Transkei Co-ordinator:

There is really a problem of trust in the co-ops. When the management structures give reports, the members don’t believe them.

Timothy Mzoboshe, Co-op Education Office, Transkei:

To trust someone is not a petty issue. Trust is a problem at all levels of society. But in the co-ops, people are hungry, and we have to take into account their level of education. For example, at Flagstaff, we have to take time to explain if we’re dealing with finances.

Mapota Molefi: General Secretary, BMLC:

And sometimes the members are right. Sometimes co-ordinators are not doing what they should, and act like bosses. Production targets are planned, but when it comes to implementation, they set themselves light jobs. Sometimes all the members of the committee will be sitting debating nothing while the members are working, and in meetings, they don’t give clear reports, especially about money. For example, at Butha Buthe, the Chair is just roaming about, saying he is taking money to the bank.

Tux Mtolo: Transkei Agriculturalist:

The co-op members always suspect misuse of finances – but that is because there is nothing going to their pockets. It takes some convincing that the money is safe, when they are not ‘safe’ themselves, socially or economically. This question of trust is connected to their living standards.

Prosper Nyirimarunga: from the Rural Finance Facility:

In order to make the transition to trust, we need to understand and address the skills base of trust – the literacy levels of the members, and the skills of the co-coordinators – so that they are able to do what is expected of them. If they are underperforming, it erodes trust.

Maybe we need to move from trust as an interpersonal issue to ‘institutionalised suspicion’ – we need to build better structural mechanisms of accountability. Perhaps the co-ops could institutionalise an internal auditing system.
Sonwabo Msezeli: Transkei Co-ordinator:

But it is not only about trust. In some co-ops, there is just resistance to authority in any form. So much so that co-ordinators are scared of giving instructions.

Timothy Mzoboshe, Co-op Education Office, Transkei:

Sometimes that is because of the way co-coordinators give instructions. By giving respect, you receive respect.

(Author’s Notes of undated Staff Meeting circa 1993, with initials of staff noted next to comments recorded)

This section has focussed primarily on the challenges of mastering the functions of management, but as the above discussion illustrates, this challenge was inextricably linked to the wider issue of democratic management as a way of making decisions, of delegating authority within the co-op, and the meanings and practices associated with this - to which issues the focus now turns.

2.3 Beyond viability: Democratic ownership and control

2.3.1 Add democracy: and stir

Management was a big problem. The committee could sit down and have some recommendations and then the meeting was held - after the meeting was held then it can be taken to the members and then the members don't abide by that. That is when the problem started....

For example, the committee took a decision to look for a marketing place where they can sell their cabbage or anything there and they even looked at the finances, they notice that the finance is all right. Then after taking this decision, they said fine, let’s tell the members. The members, they denied that; they said look, you cannot go and have a marketing place there, yet here we don’t have enough money for our families, therefore why should we go for a marketing place there? That is an example.

There was one time when we came to town to look for the market for carrots; that was towards Christmas and then someone said, okay bring 10 tons of carrots – that was good, everyone agreed. Then they took all the carrots and put maybe a heap of them instead of taking those carrots to town as agreed. They said, no this is a hell of a job, why that customer doesn’t come and take these carrots here – no, we’ll leave them here. And they rotted. It was tough. (laughter)

(Interview with Lilepe Co-op Chair: Jack Mpapea: 2003)

The problems with decision-making, management and the linked issue of a collective discipline were a recurrent concern in the co-ops. Core elements of how the
challenges were understood are reflected in this interview with Leribe Co-op Chair Molefi Molefi in 1993, which was used in NUM’s co-op training materials. Molefi was asked how he understood the meaning of production democracy:

There are many wrong ideas about this one. If some of the interpretations of democracy in production are going to become the order of the day, then our co-ops are going to fail. If members think that because the co-op belongs to them, each one can do as he likes, then that is not co-operation. You can’t organise production on those lines.

When we come together as a co-op, we are coming together with a clear purpose: to produce as a means to our livelihood. That is our goal; that is why we are there. And we are agreeing to co-operate together in order to reach this goal. The demands of production in a co-op have to be given priority over anything that a person thinks he has the right to do. If there is no production, there is no livelihood, and there is no co-op.

A co-op is a business, and a business has its own demands. There are tasks that have to be done, or else you are just playing. Let’s say someone is supposed to be mixing cement, and he neglects it, and says no, I rather think I’ll go to town with some excuse and come back in five hours – that is not co-operative behaviour. It is not democratic behaviour. It is selfish. That person is undermining the whole co-op, because production is disrupted...

When it comes to making decisions about our direction and our production targets and goals, that is when we come together, and we take democratic decisions. We can criticise each other, we can assess, we can look at different ways of doing things. Everyone has a say. But once we have reached agreement, then our mandate is to get on with the job, and implement those decisions in the most efficient way possible. (Interview with Leribe Co-op Chair, Molefi Molefi: in NUM Co-op Training Materials for course on Democratic Management.)

As reflected here, the problem was understood at a range of levels - not only in the NUM Co-op Unit, but across the emergent co-op movements in the region.

At the most basic level, the problem was addressed as one of ‘co-operative behaviour’. Botswana-based Workteam Magazine ran an illustrated series which identified ‘Bad Habits’ in the co-op, drawn from the De Morais Theory of Organisation, which was influential in the regional co-op movement at the time. This included ‘the Risk Taker’, who proposes buying a tractor without doing the costings; ‘the Centralist’, who takes decisions without consulting and monopolises skills; and ‘the Anarchist’ who doesn’t abide by the agreed workplans in the co-op. (Workteam 5: 1988: 31) NUM’s Co-op Unit added two of its own ‘bad habits’, rather more specific to the NUM experience: ‘The factory floor fighter,’ who knows how to fight the bosses, but is not used to taking responsibility for production; and ‘the Chief’
The “Chief” confuses democratic structures with hierarchical ones. Once he has been elected to any position, he thinks it is his for life. Once he has been elected, he thinks that means he can never be wrong, and cannot be criticised. He forgets that he is elected to represent the members, not himself. He forgets that the members can take his position away the same way they gave it to him. (‘Let’s Fight Bad Habits in the Co-op’: Democratic Management Workshop training materials, NUM Co-op Unit)

The challenges clearly went far beyond bad behaviour, however, and to the heart of understandings and meanings of democracy:

Because of the kind of society South Africa is, we tend to confuse authority with authoritarianism. Democratically electing people to positions of authority is still democracy, as is democratically assessing the performance of managers. (Rob Berold in New Ground 3, 1991: 31)

This issue of the meanings ascribed to democracy in the co-ops, in the context of the wider democratic transition taking place, is explored in depth in Michelle Adato (1996), which includes extensive interviews with members in the NUM co-ops.

In its attempts to find pragmatic solutions to the problems around decision-making in the co-ops, the NUM Co-op Unit attempted to differentiate between ‘practical’ and ‘policy’ decisions. Policy decisions were defined as including not only overarching co-op policies, such as the constitution and disciplinary code, but also production plans. Once these were agreed, the expectation was that they would provide a policy framework agreed by the whole co-op, within which managers could then make the ‘practical’ day to day decisions necessary to ensure implementation of such decisions. So if the co-op had agreed to plant a half-hectare of cabbages, the production co-ordinator did not have to come back for a separate decision or mandate to buy the required cabbage seedlings.

In practice, while the co-ops agreed to such production plans in General Meetings, the managerial authority to go ahead and purchase the seedlings was rarely delegated – and required another full membership meeting. This problem of a lack of delegated authority for managers was highlighted by Adato, in her report back of research analysing the way democratic management was understood in the co-ops, commissioned by NUM. This was recognised as the heart of the problem.

The managerial authority of managers in the co-op derives from the members. If members are not willing to delegate authority to managers, then the managers have
no authority to manage. In the NUM co-ops, this lack of delegated authority was particularly acute in relation to the allocation of finance, and the allocation of labour - two rather fundamental components of the management of an enterprise.

In those co-ops where levels of authority were delegated, and that were able to develop some stability of management, this tended to be because the co-op leadership in these instances was able to draw their authority from outside the co-op: from their status within local structures of traditional leadership, from the leadership role they played in NUM, from their ability to draw on the external authority of the BMLC or NUM, or from a combination of all of these.

In this context, the NUM Co-op Unit sought advice and assistance from CORDE in Botswana, and CSFS in Zimbabwe. They were requested to run a series of workshops with representatives of all of NUM’s co-ops to assist in guiding them to find solutions to the array of problems being confronted, as expressed in a letter to Carl Brekker (CSFS) and Gavin Andersson (CORDE):

Let's start at the end. Basically, where we want to get to (really, practically) is: viable, self-managed co-ops; which don't lose their skilled members all the time; which are able to plan for themselves, hope for the future, improve the quality of life of their members; pay regular wages; contribute to their local economy, be independent, empower all their members, even in small, basic ways.

At present, the members are disempowered by the experience, the co-ops have drained the reserves of the members not the other way around; their viability is in question, intensive agriculture is not sustainable; they are green islands in their villages and the cabbages have water but the villagers do not....

On the other hand; there is a little seed there; there is commitment; many of the members are proud of their co-ops; and rightly so. (Correspondence between K. Philip and Carl Brekker: 1993)

Workshops were held in Umtata and Maseru, in mid-1993. These excerpts from the workshop reports prepared by CSFS and CORDE illustrate how the issue of democracy in the co-ops was tackled:

**Democracy in your co-operatives:**

In a co-op, democracy has two systems:

a) For members as co-op owners who make the policy, decide the rules, constitution etc. Owners elect officials whose task it is to assure the co-op
is running according to its policies and constitution between members meetings. Elections are usually once a year.

b) A parallel or interlocking system of democracy for members as co-op workers involved in production. Production is the heart of co-op life. It is under the supervision of a Production Co-ordinator who is appointed by the committee. The Production Co-ordinator is responsible to the committee between members meetings. The Production Coordinator is also accountable to the members as owners in members meetings. Between these meetings the members as workers are bound by the rules (they made as owners) to accept the supervision of the Production Co-ordinator. The Production Co-ordinator oversees the entire production process but involves the team leaders who involve members as workers. Because production is the life of the co-op and determines success or failure, it allows maximum involvement of members as workers but under very strict conditions which protect the production process from stoppages for meetings, from absenteeism or from poor productivity. (Corde/CSFS Lesotho Workshop Report: 13)

The workshop addressed the issue of delegation of authority by proposing that members suspend their rights as owners when they are in production, and accept their status as workers in production, under the authority of a production manager – until the next general meeting, when the production co-ordinator reports to them in their capacity as owners again.

This is an attempt to address the core institutional contradiction in the co-op form, identified by the Webbs – that a scenario in which members directly elect a manager, who is accountable to them in their capacity as owners, but also manages them in their capacity as workers in production, and to whom, in this capacity, they are accountable, is simply rife with real and potential conflict and contradiction.

Attempts to differentiate and create distance between these different spheres of decision-making – or between the capacities of the members – are a theme throughout co-op experience. In Southern Africa, it is reflected in debates about ‘destructive democracy’, ‘wrong democracy’, and ‘democracy that will destroy us:’

The most important fact to bear in mind is that the technical and the financial spheres of the co-op are separate from the political side. The technical side is not affected at all when elections are conducted each year. ...Co-ops which have not separated political and business organisation do strange things. Members may elect a new bookkeeper/treasurer every year. This causes chaos in the co-op and will cause the co-op to fail. Democracy does not mean choosing people to do jobs they cannot do. False democracy of this kind destroys our hard won achievements. It should be destroyed and burnt to ashes. (The All Are One Co-op, Zimbabwe: Quoted in Workteam 7: 1989: 11)
This ‘false democracy’ is, in fact, direct democracy in production. These various formulations are all about ring-fencing production decisions away from direct democratic control by ‘members as workers.’ They are de facto about limiting democracy in production, removing it from workers and relocating it at the level of ownership – as reflected in the explanations from Corde/CSFS:

The Production Co-ordinator should be appointed by the Committee. Because if members are the ones to elect the Production Co-ordinator, then he or she will have big problems doing the job. For example, if the Production Co-ordinator wants members to work hard, or to water in a certain place, he or she must beg, and be afraid that “if I ask the members to do this, next time I will be voted out of this job.” The Production Co-ordinator becomes a prisoner, who cannot do the job. Most of the old and experienced co-ops who earlier tried to elect Production Co-ordinators learned that it is better to appoint one instead. (Corde/CSFS Lesotho Workshop 1993)

The terrible truth seems to be that direct democracy in production has to be institutionalised, mediated, and transformed into a form of indirect democracy if the co-op is to survive. In successful co-ops, this is done with the consent of the members, on the basis of their experience of what works for the co-op. Complex as it may seem, this formulation has worked in many developed-country producer co-ops, such as Mondragon and the Lega, where member control is ring-fenced to the AGM, and managers are appointed by and report to an elected Board.

When I described our problems of democratic management to the Head of Lega Bologna in Italy in 1993 and sought his advice, all he could do was shake his head, aghast, and repeat: ‘But that can’t work; it just can’t work; workers electing their managers – that just can’t work’ - as if the very idea was so foreign to the Italian co-op movement that he had difficulty understanding how a co-op movement could get itself into such dire straits.

But the democracy in production aspired to in the NUM co-ops then, and still hegemonic in the discussion of co-ops in South Africa now, entailed a much more direct democracy than this. The members did not easily grasp the separations of capacities described, or the associated separations of rights and functions being proposed – or perhaps they simply did not accept them.

Lesotho took what they liked from the approach and adapted it to their particular needs, by separating the political leadership function in the co-op from production
management. So while they continued to elect their co-ordinators, the role of the Chair – often occupied by powerful ex-NUM leaders - was converted to a political function that entailed representing the co-op in the wider community, with no decision-making role in production. ‘Scrambling the map,’ as Adato called it, to suit their own purposes.

2.3.2 Ownership and authority

Salae on ownership:

The understanding was that the co-operatives were owned by NUM. Not by the members. That one was clear that these are the co-operatives formed by NUM and they are actually owned by NUM, not us. It was a debate, again; some would say, no, no - like the old man, Jack - would say: ‘We own the co-operatives – we own the constitution; but the assets belong to NUM.’ (Interview with Salae: 2003)

Nqwelo on ownership:

The members, it was clear, they knew that this is their co-op but this co-op is given to them by NUM, and so they have the right to demand whatever from NUM. That was the position... The assets are theirs, they were given to them. (Interview with Nqwelo: 2003)

Molefi on ownership:

Ja, that issue of ownership brought a lot of confusion, you know; because the members would say: ‘This is our thing, we can do what we like with this, there isn’t anybody who can just come and simply tell us what to do here.’ But some of the members would understand, and say, ‘No, it doesn’t work like this, the co-operative. We must have somebody who will give us a direction; that’s why they will say, this belongs to the National Union of Mineworkers. Some of the members would simply tell you, this property here, all the property here belongs to the union, we are just workers here; but there were those who would argue and say, no, it’s ours, we have been contributing towards the union, this is our money, so it’s paying us back, you can’t just simply tell us that it belongs to the union.

So the ownership was confusing really, a lot...The Head Office here in Maseru, they would simply say, no, the property belongs to Head Office; but the members there at the co-ops would say, no, this is ours – we are working here.

So we tried to solve that. In the end that was solved, really, by our umbrella body, BMLC. By saying that our umbrella body will be composed of the chair and the secretary from each co-op, that helped us a lot because the decisions that were taken (in BMLC), were taken by those people from the co-operatives themselves. The problem was a little bit solved. (Interview with Mapota Molefi: 2003)
Clearly ownership issues were far from clear, and as much subject to ascribed and scrambled meanings as the concept of democratic management.

Given the levels of conflict over access and control over co-op resources in the early stages of the programme, NUM saw little alternative but to use its wider authority to keep a tight formal hold on ownership of the embattled assets, with co-op members expected to account to NUM for their productive use. This was seen as no more contradictory than the ‘social ownership’ function performed by co-op movements around the world, with NUM in a caretaker role while such a movement was built. Yet as the quotes above illustrate, there was no shortage of contradictions in practice – and NUM was criticised for this ‘big brother’ role by CSFS and CORDE, who saw the social ownership function as needing to derive from below.

To complicate matters further, as leadership within the co-ops and their associated structures grappled with highly diverse challenges, in practice, they simply derived their authority from wherever they could get it at the time – above or below – to try to intervene in the best interests of the co-ops as they saw it. As Salae explains:

Of course I was using NUM all the time - it was my weapon: ‘Guys, if you don’t do this I will have to tell the president of the NUM, as simple as that. Okay, if you don’t accept this, let me now phone Cyril Ramaphosa and tell him and Motlatsi and the NEC that you are refusing’ - I was using that as a threat….. For instance if people were misusing the equipment, the property of the co-ops, the assets – that one I would immediately say ‘I will call NUM’. Again if they were also not reporting - not accounting to their committee – some of the things like money – I would simply say, ‘But we went to a course for five days but now you are unable to account, you don’t report, blah blah, this matter has to be taken to the NEC of NUM. (Interview with Salae: 2003)

When NUM did finally, formally, transfer this ‘social ownership’ function to the Basotho Mineworkers Labour Co-op (BMLC)-controlled by member co-ops from below - it was ambiguously received. In the context of NUM’s programme, the issue of ownership was always further complicated by the complex ways in which it related to the identity of the co-op members, and of their relationship to NUM. As long as the co-ops ‘belonged’ to NUM, then so did they.

In the early period, at least some of the turbulence was about the struggle by ex-miners to retain their identity as part of NUM - by remaining part of NUM. Mine employers could exclude them from the industry, but for many ex-miners, the loss of
a NUM identity was not something they would accept, retaining a powerful allegiance to NUM and to their identity ‘as’ NUM for years afterwards, and to this day.

This issue played a powerful role in the extent to which NUM retained final authority on internal co-op matters regardless of the formal status of co-op ownership at any given point. So while NUM was trying to assert the principles of co-op independence and member control - from above - the co-ops continued to confer authority in co-op matters on NUM - from below.

So the issue of who owned the co-ops - and the identity of the co-ops as entities - was wrapped up in this issue of belonging. Even when a core of Lesotho co-ops became genuinely self-sufficient, and the BMLC assumed this ‘social ownership’ role as a legitimate and co-op-controlled entity - whose independence from NUM was always fiercely defended by the Lesotho co-ops - this somehow still went hand in hand with the notion that this very independence signified a betrayal by NUM.

### 2.4 Success, degeneration and new challenges in the Lesotho Co-ops

By 1994, many of the Lesotho co-ops were doing well. In their different ways, they had institutionalised ways of managing their co-ops that worked. Butha Buthe had reserves of over R40,000 in its bank account; Lilepe Co-op similarly. Problems at Leribe and Quthing were being mediated entirely by the BMLC. This included taking control of unutilised equipment at Leribe and redistributing it to other co-ops: and having the legitimacy to do so, with no involvement of NUM. (Interview with Mapota Molefi)

Like the co-ops themselves, the BMLC had consolidated and matured as an institution, and a range of norms and procedures had become institutionalised as ‘the way things are done,’ in a context in which most of these had no easy precedents in other forms of organisation with which the members were familiar. The BMLC drew its authority increasingly from below.

In parallel processes, the NUM Projects Department had broadened its focus, and was converting into MDA. It had established its first ‘Development Centres,’ in Mhala and Mount Ayliff in the Eastern Cape, and as part of this wider shift in strategy (see
Chapter Five), the Lesotho Centre was launched to provide support services for enterprise development more widely in Lesotho. The BMLC was represented on the Lesotho Centre board; Mapota Molefi was appointed as Centre Manager. Five different Lesotho Ministers attended the launch, and the situation seemed stable - a most dangerous assumption.

Shortly thereafter, I received a call from MDA’s administrator in Lesotho, Keneiloe Tlaitlai. She said:

Me Kate: Ntate Salae and Ntate Jack have been arrested for the murder of Moses Mokhehle.

Moses Mokhehle had not featured in the NUM co-ops since the Lesotho army had been called out to protect the BMLC AGM at which he was ousted as chair in 1988 - seven years earlier. Why and how had he returned into the picture?

While the immediate answer was that he had lodged an appeal against his removal from the post of President of the BMLC in 1988 with the Registrar of Co-operatives, the wider answer certainly lies in the politics of Lesotho. The links and connections between the co-ops, NUM and the ANC have been described. In addition, within Lesotho, an alliance of ex-miners, students and academics at the National University of Lesotho had formed a political party called the Popular Front for Democracy, with Salae as secretary, and had contested the elections in 1993. They were a tiny party taking on both the BCP and the BNP, and they won only one seat. But in this context, the growing stability and economic success of the co-ops, coupled with the launch of the Development Centre, were probably not entirely welcome in all political quarters in Lesotho. By now it was entirely clear that this kind of development was no ‘anti-politics machine’.

On 6 June 1995 the Registrar of Co-operatives made a ruling against the BMLC in their absence ‘In the Quasi-Judicial Court of Registrar of Co-operatives,’ and in favour of Moses Mokhehle. It reinstated Mokhehle as President of the BMLC, retrospective to 1988, and further ordered:

... that all the property belonging to the presidential office usurped from the applicant as the de facto and de jure president of the Basotho Mineworkers Labour Co-op Ltd as from the incident on 25 November 1988, and all the property hitherto procured for the purpose, should be
restored to his office. (Papers attached to Court Order: 11 July 1995, in the case of Applicant Moses Moeketsi Mokhehle)

The order was confirmed by a magistrate, who further ordered that this should be put into effect ‘if necessary by use of police.’ The BMLC’s bank accounts – including the bank accounts of every co-op - were frozen, pending this handover of assets.

The BMLC, supported by NUM, secured an urgent court interdict in Lesotho’s High Court to stop the process, but a new order authorising Mokhehle to assume control of the BMLC office was issued by the Registrar of Co-ops regardless.

Shortly thereafter – and before another urgent interdict could stop them - Mokhehle and a group of his supporters arrived at the BMLC office, armed and excited, with the apparent intention of taking control of the office and the BMLC assets. Unknown to them, however, the BMLC was holding an emergency executive meeting, attended by representatives of all the BMLC co-ops, which was underway at the time in the large meeting room adjacent to the BMLC reception area.

In this meeting, the co-op members were confronting the implications of their situation. All their hard work and sacrifice, their sweat equity, and in particular their hard-earned cash reserves, were frozen under the authority of the Minister. They were unable to buy inputs, let alone pay wages. The co-ops were at a standstill, their future in the balance, with the assets to be placed under the authority of Moses Mokhehle – associated with the most turbulent, violent and corrupt phase of the BMLC’s history: a turbulence that had been tamed through the institutionalisation of norms, procedures and processes within the BMLC. But the maintenance of this institutional stability relied on a framework of governance and of the rule of law, and with the rule of law seeming to have failed them, the future for the co-ops looked bleak indeed.

It was in the context of this discussion that the BMLC members at the meeting heard the administrator scream, as Mokhehle and his armed and blanketeted supporters stormed the office. The co-op members burst out of the meeting room, and in the fight that followed, Mokhehle was killed. He was shot; his head was also smashed in with a sandstone block from the stone-cutters co-op, on display in the reception
area. Puseletso Salae, Jack Mpapea and one other were arrested and charged with his murder.

Amongst many things, this incident is a particularly stark illustration of the problems that can arise as a result of forms of ‘quasi-social ownership’ vested in Co-op Ministries. In Lesotho, the Registrar of Co-ops has significant authority to call an AGM (or not), to approve the appointment of office bearers in a co-op, and to attach and redeploy the assets of a co-op.

Where such powers are subject to political capture, or where the rule of law has limited reach or an ambiguous hold, then for an enterprise to subject itself to such ownership-oversight is high risk indeed. As a co-op becomes stable or successful, it is at increased risk of being targeted for some form of ‘asset harvesting’.

In the aftermath of these events, it was small wonder that the BMLC co-ops started to explore converting to limited company structures. Far from acting as a structural constraint on degeneration, this particular form of ‘social ownership’ directly incentivised the opposite.

BMLC and the co-ops overcame this crisis. As a result of legal challenges, the accounts were unfrozen. The murder case was postponed for several years, until finally a plea of self-defence was accepted and the case was dropped.

The co-ops returned to business, and while there have been no further events to match this level of drama, there have been a number of developments of interest for the concluding analysis.

The co-op members at Lilepe Co-op at Thaba Bosiu - Lesotho’s most successful co-op - wrote a letter to the MDA office in Maseru, requesting that it take over the signing powers on the co-ops accounts, and appoint a manager to the co-op.

They are the people who wrote the letter, they sat down themselves and wrote a letter: ‘Please Office, come and intervene, and we give you a time, not a long time, about 6 months, to intervene so that maybe you use anything you want to implement, like a manager, a bookkeeper, and something like that. (Interview with Mpapea: 2003)
According to Philemon Ralenkoane, Technical Support Officer for Poultry Projects, this was prompted partly by the co-op witnessing the establishment of two poultry supply centres at Maputsoe and Mafeteng, which provided a supply service to local communities. These were managed as business entities by MDA, who appointed managers and employed staff:

Thaba Bosiu wanted to have a manager, even if it is a manager from outside, who will be able to manage the project and everything, and they are answerable to him, so that he can pay them at the end of the month.…

They said, ‘Let’s suspend this thing of a co-op, let’s run this as a business, here is a manager – what does the manager do to us, and we should listen to him what he wants’... (they) approached the office and said, ‘please office, can you make sure that we are running this as a business, we don't know exactly what we are going to do. We notice that Mafeteng is doing well and Maputsoe is doing well, therefore we want to do exactly like Maputsoe and Mafeteng for a period of twelve months. (Interview with Ralenkoane: 2003)

The office agreed; and appointed Jack Mpapea to manage the co-op: as he had been doing for several years. He was paid more than the members in the co-op, but he was paid out of the co-op's own income. The benefits of this arrangement did not involve any form of subsidy to the co-op, nor any change in the actual management of the co-op. The only difference was that democracy was removed from the equation. When the agreed time period came to an end, the co-op asked MDA to continue the arrangement, but MDA did not want to become the custodian of the co-ops once again, and did not see why the co-op could not appoint him themselves: but the co-op did not want that authority returned to them.

In April 2004, the BMLC held an AGM, at which the following co-ops were present: Butha Buthe, Berea, Pheka, Lilepe, the stone cutting co-op, Quthing and Kolo Diamond Co-op. The stone cutting co-op has 21 members; the combined membership of the rest of the co-ops is about 30 people. All of them, except for the stone cutting co-op (which works on a piece rate system) employ workers as casual labour – often more workers than there are members in the co-op. At Lilepe Co-op, the members now earn regular wages of R550 per month; their target is R600. (Interview with Mapota Molefi: 2003)

When asked why the co-ops now employ workers rather than taking them in as members, the answer was to point to events at Leribe Co-op. One of the first NUM
co-ops set up after the strike, Leribe Co-op had become one of the most stable, mature and successful of the Lesotho Co-ops: until it had accepted new members.

These new members, newly retrenched from NUM, dragged the co-op back into struggles and debates over ways of working that destabilised the institutionalised forms of consent, and - years after such practices had ended in other co-ops - they plundered the working capital of the co-op to pay themselves out of deposits made by customers.

When the new members came into the co-op, they found that there were no rules, no regulations that will just regulate the timing of the new members. So the new members would just come with sort of good ideas or whatever they want to do. Ja, that co-op collapsed just because of the new members....Because the new members when they came they simply said, 'Well I have been in the National Union of Mineworkers for quite some time, I know how to run all these things, we should just do it in this way.' So the members would just listen to such a person, because he did not find the rules, the regulations, the policies, in place there.

Q: But surely there were rules and regulations in the co-op?

Well, we used to call those the working rules. But by rules we mean the rules that are, say, drawn from the legal documents, they must be organised. They must bear the stamp from the legal office, you know, all those things: 'If this is a co-op, the co-op should be run in this way.' The co-op must be guided by all those rules....So, they just destroyed that co-op. (Interview with Mapota Molefi: 2003).

For Molefi, policies and rules made by co-op members themselves did not suffice to protect the co-op. To be beyond the reach of democratic processes, the rules needed to be external - to be 'stamped in a legal office' and hence not open for renegotiation by new members in the co-op.

The employment of workers who are not members of the co-op is a key feature of 'degeneration'. Yet as the Lesotho experience illustrates, there are real risks to the co-op from incorporating new members - particularly when these may outnumber the existing membership. In Italy, workers have to work in the co-op for at least five years before they can be considered for membership - and even then, it is entirely at the discretion of the existing members. This is one of the respects in which the Italian co-ops have been criticised for 'degeneration'.

Rather than representing backsliding on co-op principles, approaches such as these may just represent the wisdom of cumulative experience in co-ops, aimed at
protecting their survival. Certainly, this was the lesson drawn by the surviving Lesotho co-ops - none of which look set to take in new members any time soon.

3. Reflections on the Starting Assumptions

3.1 The Viability of the Co-op Form

The opening analysis was concerned firstly with those factors that may predispose co-ops to fail as economic entities. The NUM experience illustrates many predictable reasons why co-ops set up on the margins of the economy, with an oversupply of labour relative to their productive base, and with low levels of literacy and numeracy, might be expected to fail - even in the context of a relatively developed framework of technical support. Many mistakes were made, and many key lessons were learnt. Yet it is a concern that support to co-ops seems to continue to repeat the same mistakes, despite a very different context, with different opportunities. This seems unnecessary.

The second focus of the opening analysis was on the tendency for those co-ops that do succeed, to ‘degenerate’ in certain predictable ways. Despite significant odds, there were co-ops in NUM’s programme that managed to succeed – not against the kind of benchmark anticipated at the start, but simply in that they survived as economic entities, able to provide a very modest but predictable income for their members.

In many ways, these co-ops provide the more interesting lessons, in particular in relation to the way ‘degeneration’ is understood - and, in turn, how the strategies to address such degeneration may need to be reconsidered.

In my 1988 analysis of the Webbs‘ article and the debates surrounding it, the focus was on the impact of external pressures on co-op viability that arise from competition in the market economy, and on the internal politics of democratic ownership and control. Remedies to these problems were sought in ‘structural constraints’, and strong political leadership and organisation.
However, based on the experience with the NUM co-ops, there seems to be a need to look beyond these, and to revisit the comment made by Beatrice and Sydney Webb in their classic study, that there is a need to look at what it is *in the very form* of producer co-ops that makes them unstable as economic entities and ‘ill-adapted to survive.’ (Webb and Webb 1914: 21)

It is on this question that the analysis will now focus, arguing that there are intrinsic and systemic flaws in some of the forms taken by worker co-ops and in the applications of certain of the classic co-op principles, and it seems that adaptations to the traditional worker co-op form are indeed a necessary condition for co-op success. Rather than it being successful co-ops that degenerate, it is perhaps co-ops whose members have the courage and vision to adapt the co-op form that not only succeed, but that therefore also represent the best hope of developing a vibrant worker co-op movement true to the spirit of co-operation.

Both those stalwarts of producer co-op success, Mondragon and the Italian co-op movement, are in fact examples of this. Both of these two remarkable success stories are used to make the case that worker co-ops *can* succeed; yet both have features that fit the definitions of ‘degeneration.’ While these tend to be seen as aberrations to be overcome, they may instead be part of the conditions for their success.

This section will draw from NUM’s experience to explore these issues in relation to the three critical areas in which degeneration typically takes place.

### 3.2 Degenerating Towards a Viable Co-op Movement

#### 3.2.1 Democracy in Production

The NUM co-op experience – and experience across the sub-region – reinforces the Webb’s early point:

> With regard to workshop discipline, experience seems to indicate, with human nature being as it is at present, it does not do for those who have in the workshop to obey the manager to be, as committee men, the direct employers of the manager. (Webb and Webb: 21)
The same core institutional contradiction inherent in direct democracy in production was evident in co-ops across Southern Africa in the 1980's in strikingly similar ways as these were manifest in Europe in 1914. Nearly a century later, worker co-ops in Europe have institutionalised mechanisms that address this inherent contradiction in worker co-ops in ways that now seem obvious and immutable to them.

In Southern Africa, a decade ago, a nascent co-op movement was grappling with these issues in its own highly committed way, and attempting to elaborate innovative solutions appropriate to our context. Few of these pioneering co-ops have survived; there is unfortunately also little evidence that the practical and conceptual headway made in developing democratic alternatives to ‘democracy that will destroy us’ has survived, either.

Instead, in South Africa at least, it seems to be back to the default position: Direct democracy in production – with few co-ops surviving to tell the tale – and a co-op movement floundering at the level of co-op failure, never degenerating sufficiently to succeed.

### 3.2.2 Dysfunctional Ownership structures

It is central to co-op theory that the members own the co-op: but as with so much in co-op theory, some of the ways in which this seemingly simple and straightforward principle has been interpreted actually remove the materiality of ownership – and the benefits of ownership - from co-op members in the name of defending co-op principles.

In 1995, the ICA Co-op Principles were changed for the first time since 1966, after extensive debate. The principle limiting interest on share capital was replaced with the following:

*Principle 3:*

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities
This far more agnostic principle reflects the debates and ambiguities within the global co-op movement on these issues, and allows significant latitude in interpretation.

The argument here is that the fundamental problem with the notion of ‘indivisibility of co-op capital’ is that it is unfair on co-operators. It means co-op members have no claim against the capital value they create in the co-op; they are unable to realise any benefit from what may be years of unpaid or low-paid labour; or from reinvesting surplus that they created, had a claim over, but opted to invest into the expansion of the co-op.

Quite simply, they have no claim over the value they add to the capital growth of their co-op. In this sense, the beneficial rights of ownership are expropriated from them by the co-op principles themselves; any surplus value they have re-invested into the capital of the co-op is effectively removed from them as surely as if they were in a capitalist firm.

Attempts to prevent degeneration in this area by vesting ownership in some form of quasi-social ownership structure only compounds the problem, removing ownership even further from co-op members, incentivising extraction of value, disincentivising investment in assets, and skewing business decision-making in the co-op.

These problems also have a different set of implications in the developing world, where the wider social welfare nets such as pensions and public health that co-op members in the North can rely on when they leave the co-op do not exist, posing a particular set of challenges and contradictions. While remedies can be identified, they are not currently in place.

The consequences of this, and the personal implications for co-op members were expressed poignantly by Jack Mpapea, Chair and stalwart of Lilepe Co-op at Thaba Bosiu, when I interviewed him in 2004. Old and grey now, Ntate Jack was responding to the question of why he left the co-op – which continues today – and whether he would do it all again. He said:
I worked for a co-operative for more than thirteen years. Now I am exhausted with co-operatives – I would choose business, a straight business rather than the co-operative.

I noticed that really, for the past fourteen years, I did all of this: here are buildings, here are poultry sheds, here is irrigation equipment; everything is in place. But at the end of the day I am going to be alone at my home. I won’t take any of these things home.

That is why I decided to leave that co-op, to go alone, looking for other opportunities. Now I have my own small business. If at all I can get some funds somewhere – very little funds, I can be able to stand on my own. (Interview with Jack Mpapea: 2003)

3.2.3 Co-ops and Employment of Wage labour

The incentive structures in worker co-ops are not geared towards job creation. This is not just because so many of them fail. Even when they succeed, there is a disincentive for them to invest in capital growth. Co-op movements have tried to address this by enforcing minimum levels of investment of surplus, but this attempt to deal with the symptom of the structural contradiction in the ownership form simply makes the co-op form less attractive for any enterprise that has growth potential.

Where a co-op nevertheless does decide to expand, the question arises as to whether to include new members, or to employ workers.

Once again – as the Leribe case illustrates - the problem is more complex than it seems, and the assumption that co-ops should take on new members on the same terms as the old may place the survival of the co-op at risk. It may also be unfair on the original members in another way:

As a simplistic but illustrative example, suppose a pharmaceutical workers co-op were to reinvest $100 000 on laboratory equipment to screen exotic rainforest plants for a new cure for malaria. For the first five years, nothing is found; there is little return on the reinvested capital and research consumables spending reduces the co-op’s net income. All the co-operators suffer financial hardship. In year 6, through the good luck and judgement of the co-op’s scientists, a new drug is found and patented. After clinical trials, use on humans is finally permitted in year 14, and the co-op’s potential income increases by a factor of 100 overnight. Such is demand, that the co-op must take on new workers to meet it. In this case, the major component of the co-op’s effective capital is its patent on the new drug. If it were a capitalist firm, its market value (and share price, if it was a joint stock company) would rocket. Its fate as a co-op would depend heavily on its ownership structure. A key question
is to what extent should newer and future members get to share in the
delayed, intangible capital created by risks, decisions and efforts of the
older and past members? Now that the firm is a reasonably safe bet for
the duration of the patent, who should reap the rewards? What about
members who have retired or left at various times during the last 15
years? (Major 1996: 5)

Lilepe Co-op may not be patenting any malaria drugs soon, but the issues raised
here do apply in marginal co-ops also. As Major says:

If long-standing members of a co-op have no way of reaping the full
benefits of decisions and risks they have taken in the past, which turned
out to be well-judged and will continue to pay off in the future... there
may be two adverse effects. Firstly, because the incentive to take risks is
reduced, co-ops may tend to behave over-cautiously, which may put them
at a disadvantage in respect to capitalist firms. Secondly, if a co-op is
successful, the incentive to take on new members is reduced to avoid
'dilution' of the benefits of past decisions. (Major 1996: 4)

In practice, the co-op principles actually incentivise co-ops to employ workers instead
of broadening membership. In addition, new members, with equal voting rights, will
change the balance of forces in the co-op - and may not recognise the claims of
longer-serving members. Ironically, it is co-ops with the highest levels of direct
democracy that are most at risk of being de-stabilised by the participation of new
and inexperienced members in production decision-making - as the experience at
the Leribe Co-op graphically illustrated.

3.3 Comparative results from contemporary
experience

Against this background, there is a need to re-assess the core assumption on which
this Chapter - and Philip 1988 - were based, which is that co-ops are a good
mechanism to create jobs at the same time as creating alternative forms of
democratic ownership and control of enterprise. However, it could be argued that
NUM's co-op experience took place in a particular context, and that despite its
‘melancholy uniformity’ with the trends identified in 1914, the lessons are of limited
applicability today. This section will therefore draw briefly on more recent research of
the trends in worker co-ops in the post-apartheid period - in a far more conducive
policy environment.
A baseline study of co-ops done by the National Co-op Association of South Africa (NCASA), and called ‘Hope in Action,’ provides a stark contrast between the idealism with which co-ops are promoted, and the harsher reality of the co-op experience reflected in the report’s own findings:

Faced with massive economic restructuring and unemployment or underemployment, millions of South Africans are discovering the potential of the workers co-operative, a collective entrepreneur model (rather than that of an individual entrepreneur) that provides decent and sustainable employment and a democratic workplace. (NCASA 2002; their emphasis: 10)

This is certainly the goal of co-op development, but it is very far from the current reality of worker co-ops in South Africa. This is demonstrated by the results of both NCASA’s 2002 report, and a 2005 study of co-ops in Gauteng done by the Cooperative and Policy Alternatives Center (COPAC).

In NCASA’s sample of co-ops, 45% of those interviewed were registered under the Co-operatives Act, and the survey covered about 75% of such registered co-ops (excluding the large-scale agricultural co-ops). The sample therefore includes the most developed end of the co-op spectrum, not just the most marginal end.

Yet NCASA reports that ‘40% of co-ops surveyed report generating no income for members.’ This figure is based on responses from 72% of the total sample, of which 90% were worker co-ops.

The more recent 2005 survey by COPAC of co-ops in Gauteng is even more sobering. It too relies largely on formally registered co-ops, and while these may still qualify as ‘enterprise on the margins’, co-ops in Gauteng are nevertheless closer to markets and to the core economy than the NUM co-ops were. The average education in these co-ops is significantly higher also, with over 60% of the members having Grade 10 or more. (COPAC 2005: 20) Yet the COPAC figures on income returns to members are breathtaking – with 77.1% claiming not to have been paid wages at all.
### Wages to members

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### Surplus of Co-operatives

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<td>2.4</td>
</tr>
</tbody>
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**Figure 3: (Reproduced from COPAC 2005: 34)**

In the NCASA survey, only 36% of the total co-ops surveyed provided monthly income figures for their co-ops, but from this sample, NCASA reports as follows:

> The typical co-op... generated R2,000 per month, or R24,000 per year. If the typical co-operative had 15 members, then the typical member was earning only R1600 per year. (NCASA 2002: 32)

This translates into R133 per month. In addition, this quote also illustrates a typical problem in the analysis of co-op finances. What, actually, is this amount that has been ‘generated’? We have to assume that it is some form of net income, or what is left at the end of the month when all expenses have been paid. But this amount is clearly calculated before any payment for labour is included, because it is the basis on which ‘earnings’ are then estimated.

The co-op dream is that instead of the bosses capturing their surplus value, workers will own the means of production, and not only be paid for their labour, but also share in the profits – often referred to as ‘surplus’ in the co-op context. Instead, by sleight of hand, labour isn’t even treated as a cost; and the definition of ‘surplus’ seems to be a variable form of net monthly income, calculated before labour is paid. In this process, the actual meaning of profit – and the potential for workers to share in it – is removed rather far from the equation.
The idealism with which co-ops are promoted as a strategy for job creation, and as beacons of hope for decent work and democracy in production just doesn’t convey the real conditions experienced in co-ops, which are amongst the most marginal and survivalist of all enterprises in South Africa today. This has to have implications for policy and strategy.

4. Conclusions

In Philip 1988 and the opening analysis, the focus was on finding remedies to degeneration. Now, the argument is that the Webbs were right; there are indeed systemic flaws in the traditional form of worker co-ops, and these create perverse incentives and unfair outcomes that mitigate against the development of successful worker co-ops – even where the initial hurdle of economic viability can be crossed. Adaptations to the traditional co-op form are therefore an important part of facilitating the success of worker co-ops.

This explains why it is that worker co-op success seems to correlate with ‘degeneration’ – or with adaptations to the traditional co-op form. NUM’s experience illustrates that these issues do not only affect successful co-ops in the developed economies, but impact on marginal co-ops in a developing context also.

Philip 1988 also assumed that a strategy of co-op support could create jobs, in a context of high unemployment, at the same time as developing a democratic alternative to the traditional firm. This assumption has proved to be deeply flawed, and is the element of the NUM co-ops experience that has the most direct implications for co-op policy debate on co-operative development today.

This is not because worker co-ops cannot work. They can and they do. However, by tying the goal of job creation to the goal of creating democratic alternatives to the traditional workplace, both of these goals are being sabotaged. Two birds really are being killed with one stone.

Worker co-ops are highly complex forms of enterprise, and they face challenges to their viability that go beyond the challenges faced by other forms of enterprise. As
such, they do not provide an easy entry point into self-employment for the unemployed. In fact, they significantly raise the hurdles for people whose immediate and often desperate need is to generate an income, rather than to pioneer new forms of democratic ownership and control.

The COPAC study showed that 75.9% of co-op members in Gauteng joined co-ops because of poverty and unemployment. (COPAC 2005: 19) The consequence of such ‘hope in action’, however, is that over 77% of them are earning no wages from their co-ops at all. These simply cannot be described as jobs – nor do they even constitute much of a contribution to livelihoods. Conditions in the informal sector are bad, but these co-op statistics are about as bad as it gets. Even in the informal sector, no one is ‘employed’ for no wage at all.

The COPAC report does acknowledge this, with its argument that these co-ops represent ‘a pushback into poverty’. Their solution, however, is more funding and more support. The argument here is that it is time for a much more fundamental and honest critique of the notion that setting up co-ops is an effective way to create jobs.

At present, co-op development strategies are targeted mainly at unskilled, unemployed people, on the margins of the economy. From a base of often chronic poverty, they are expected not only to employ themselves, but also to lead the way in building alternative models of work organisation, worker self-management and worker ownership.

This challenge should instead be taken up by workers in the most established, viable sectors of the economy; in established businesses where workers are well-organised, the skills and market share are in place, high quality technical and institutional support is on call, and the focus is on transforming ownership and ways of working. This won’t be easy either - but it is a more likely context for worker co-ops to succeed in South Africa, and from that success, to be able to create a support environment that could over time broaden the base of worker co-ops - and even create new jobs.

With such an approach, support for co-ops would fit into strategies to broaden black economic empowerment, and could create new ownership options in the established
private sector. In the context of the Financial Sector Charter, access to capital should not pose an insurmountable hurdle; and the unions have built up the kind of in-house skills necessary to leverage funds and structure such worker buyouts within their investment companies.

At the same time, however, if the goal is to build a co-op movement, then there is a need for a greater focus on those forms of co-op that have an international track record of success – the user co-ops.

As Chapters ahead will further illustrate, these forms of co-op also have a role to play in supporting job creation, by assisting self-employed entrepreneurs and small enterprises to create the kinds of economies of scale that can improve the viability of their businesses.

Whether formalised as co-ops or not, there are a host of ways in which economic co-operation between entrepreneurs and survivalists of all kinds can enhance their incomes, improve the viability of their businesses, and in this way contribute to job creation and the reduction of poverty: for example, by sharing workspace, buying inputs collectively, sharing transport, skills and experience, or appointing a marketing agent for a network of enterprises. These and other forms of economic co-operation have a key role to play in enhancing the economic returns that can be earned by self-employed people.

Unfortunately, however, in South Africa the focus on worker co-ops as an alternative form of enterprise has lead to a discourse in the co-op sector that has at times appeared hostile to other forms of enterprise, including – and sometimes even particularly – to individual entrepreneurs and conventional small enterprises. Yet it is entrepreneurs like these who have often been the back-bone of strong co-op movements in other countries, and who have used co-ops to build the economies of scale they otherwise lack – such as the often-cited dairy farmers in India.

The role of different forms of economic co-operation will recur in later Chapters. In the meantime, however, MDA was faced with developing alternative strategies to address the challenge of job creation for unemployed, unskilled people on the margins of the economy.