CO-OPERATIVES IN SOUTH AFRICA AND BEYOND

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Alternative approaches to economic development are gaining popularity in many countries. Co-ops may not be considered an alternative approach because they've been around for several decades and probably precede the onset of capitalism. In this article the writer looks at the status of co-ops in South Africa.

With the global economy in a seemingly permanent state of crisis, consideration of alternatives to the status quo and orthodox thinking are on the rise. While South Africa has been gripped by talk of so-called Radical Economic Transformation (RET), alternative forms of production, such as co-operatives (co-ops), have gained little traction in mainstream conversations. This gap compels a discussion on concrete alternative economic models. Co-ops are defined as an "*autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise*. (The International Co-operative Alliance, 1995)." Co-ops are seen to be preferable over traditional profit-driven forms of enterprise as they would ideally increase the bargaining power of participants, foster community participation and development, offer stability through risk sharing and offer greater legal protection for members (The Department of Trade and Industry, 2012).

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Capitalist enterprises are usually motivated by greed, competition and selfishness. By contrast, co-ops are rooted in the values of self-help, self-responsibility, democratic ownership, equality, equity and solidarity. They are governed by seven core principles, namely: Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education Training and Information, Co-operation among Cooperatives, and Concern for Community (The International Co-operative Alliance, 1995).

While a number of different types of co-ops exist they can be classified broadly into two distinct categories: (1) User and (2) Worker co-ops. The key defining feature of workers co-ops is that they are owned and controlled by their worker-members. User co-ops, on the other hand, have members who use the co-op's economic services without necessarily being workers in the co-op (Philip, 2003).

CO-OPS IN SOUTH AFRICA

The state of co-ops in South Africa has changed drastically since the early 1900s. Initially white agricultural co-ops received support from the state, both legislative and financial. The 1912 Land Settlement Act, 1913 and 1936

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Land Acts, Co-operatives Societies Acts of 1922 and 1939 and many more all served to support these co-ops. Yet it is important to note that these co-ops did not adhere to the seven Principles of the International Co-operative Alliance and were mere extensions of successive White Nationalist governments (The Department of Trade and Industry, 2012). State support for agricultural co-ops before the fall of apartheid was substantial, this resulted in agricultural co-ops making up more than 70% of co-ops. This dominance has however subsided in post-Apartheid South Africa with the co-op sector diversifying due to further legislation supported by the ANC government (Ibid).

Between 1994 and 2009 the number of registered co-ops grew from 1 444 to 22 619. However this growth can be misleading. According to the Department of Trade and Industry (DTI) only 2644 of these co-ops can be considered operational. The most successful of these sectors is the housing co-ops sector, with 32% of the co-ops being operational.

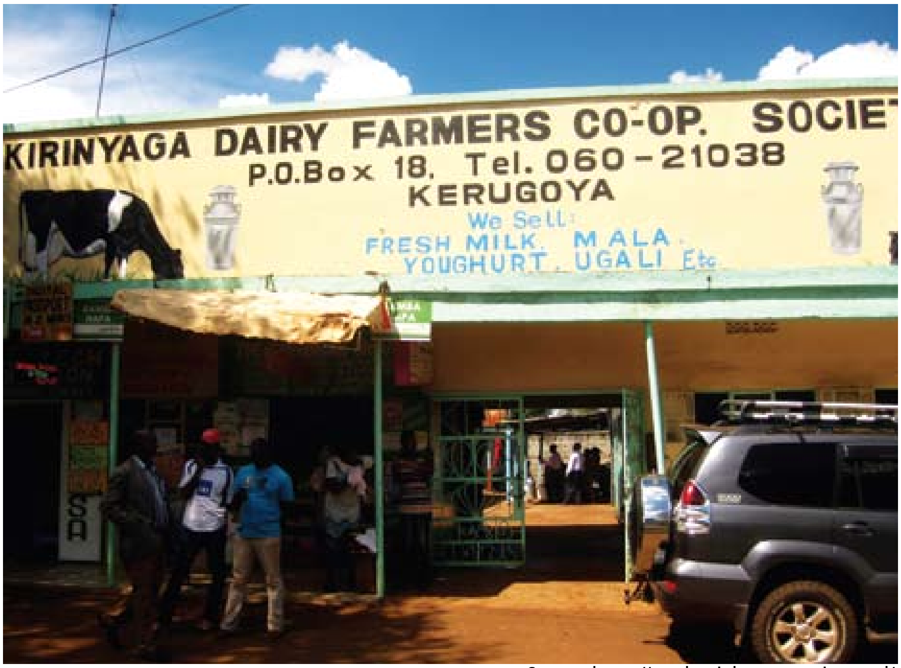
The state of worker co-ops has historically been poor in South Africa. At the end of apartheid, worker co-ops made up a negligible number of co-ops in the country. By 2003 worker members earned an average of R133 a month from their co-ops (Philip, 2003). The greatest barrier to the success for these co-ops has largely been due to a lack of access to capital, credit, skill and market share (Phillip, 2007).

CO-OPS BEYOND OUR BORDERS

The lack of success for co-ops in South Africa means that we have to look beyond our borders for lessons and inspiration. While co-ops have varying degrees of success across the globe, countries like Spain, Italy, and Kenya offer up valuable insights for the sector in South Africa.

One of the most common factors in countries with functional co-ops is strong legislative support and enforcement of existing laws. In Italy and Spain support for co-ops is enshrined in their constitutions. The tax laws in the respective countries also enable co-ops to function more effectively. In Italy co-ops are not taxed if they reinvest 30% in their indivisible reserve funds, this exemption is also dependant on the co-ops having a mutual purpose as opposed to profit making. Spanish co-ops are taxed at 10% as opposed to the corporate tax rate of 28% (Corocran & Wilson, 2010).

Mondragon Corporation, a collection of various Spanish co-ops, is often touted as the clearest case for the ability of co-ops to succeed in a competitive economy. While this article has largely focused on the external factors contributing to the success and failure of co-ops, Mondragon offers lessons on what actions differentiate co-ops from mainstream corporate values and ethics. One of the most striking of these is in pay scales between the highest and lowest earners. Highest earners earn on average six times more than the lowest paid members. (Flecha & Cruz, 2011). In comparison, chief executives in Spanish corporations earn 127 times more than the average pay of a worker (Ferdman, 2014). The lower differential in Mondragon is attributed to a strong democratic culture where the pay ratio is determined through a vote by



Source: https://ruralsociologywageningen.nl/

Source: http://www.coopcampus.eu

all worker-members, in line with the principle of "one member one vote" (Flecha & Cruz, 2011).

Mondragon's long term success can also be attributed to constant reinvestment into the co-op. While Spanish law mandates that 20% of surplus be invested into a co-op's reserve fund and 10% towards their education and pro-cooperative fund, Mondragon goes over and beyond those requirements. Of the remaining 70%, half goes towards the reserve fund and the remaining amount goes into workers capital (Ibid). This ensures that the bulk of the profits made by the co-op are dedicated to their long term viability even in the face of recessions. These and many other internal measures have resulted in the Mondragon Corporation being one of the largest in Spain.

On the African continent, Kenya has a thriving co-op culture particularly in the agriculture sector, with co-ops handling 72% of coffee sales, 95% of cotton sales and 76% of dairy produce sales. The success of co-ops extends beyond the agricultural sector, with 63% of Kenyans directly or indirectly deriving their livelihoods from co-ops. (Wanyama, 2009). In addition to this, co-ops in Kenya contributed 45% of GDP in 2007 (Khumalo, 2014). Much of this success can be attributed to strong government support, specifically through the Kenyan Ministry of Trade, Industry and Co-operatives.

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Co-operatives have a clear potential to significantly change the performance of the South African economy in the key areas of employment and poverty alleviation. However, for this potential to be realised the government would have to create an environment conducive for cooperatives to succeed. This can be done by studying how co–ops are run in Italy, Kenya and Spain. Various avenues for financing should be explored, existing laws and regulations should be enforced and new legislation should be introduced to nurture a culture of development through co-ops.

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