

Informalization from Above, Informalization from Below: The Options for Organization

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Abstract: The paper examines different strategies for the collective organization of informal workers, on the basis of a number of empirical illustrations from South Africa. It argues that the situation of workers in the informal economy is best understood in terms of two inter-related processes. The first is “informalization from above,” whereby employment is increasingly externalized, resulting in a layer of workers ostensibly located in the formal economy to whom labor standards increasingly do not apply. The second, “informalization from below,” is manifested by the expansion of self-employment and survivalist activities. The dominant form of membership based organization in South Africa has been trade unionism. For reasons that are canvassed in the paper, however, trade unions have not been able to respond effectively to informalization from above. Trade unionism also does not represent an appropriate model of organization to respond to informalization from below. What is needed, rather, is an entrepreneurial form of organization. The paper therefore advocates a paradigm shift towards building collective organization from the bottom-up, based on a culture of self-reliance and of communal solidarity. In this context it discusses the current upsurge of new cooperatives and emphasizes the potential of the cooperative form of organization and the notion of building the social economy as a means of empowering informal workers.

Introduction

Perhaps the arts are better able to express what is happening in South Africa in the era of capitalist globalization than the social sciences. Although South Africa’s contribution to world cinema is a modest one, it is surely no coincidence that in two critically acclaimed films of the post-apartheid era the theme is crime, against a back-drop of social disintegration.¹ In *Tsotsi* the protagonist is a young gangster who finds his humanity when it turns out that a vehicle he has hijacked has a baby in the back seat. There is no such theme of redemption in the more recent *Jerusalema*. Here the gangster styles himself the head of a housing trust, whose ostensible object is to accommodate the poor and homeless. He gets rich by “stealing” buildings.²

Crime in this paper is a signifier of social disintegration. The social indicators most often invoked in public discourse about crime are unemployment and inequality. It is often suggested, for example, that there is a causal relationship between crime and unemployment. But unemployment does not suffice as an explanation for the violent nature of crime in South Africa. Inequality does not provide a ready explanation for crime directed at the most vulnerable sections of society, women and children in poor and working class

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communities. There are societies elsewhere where inequality is extreme but where crime is demonstrably less of a problem.

What differentiates South Africa from the rest of Africa, some would argue, is that it has both high unemployment and a small informal economy.³ It is also the smallness of its informal economy that differentiates it from other societies with extremes of inequality, such as India. Official statistics appear to confirm this. Probably these statistics underestimate the extent of the “informal sector” (as it is described), and informality is certainly increasing.⁴ Even so, what is distinctive about South Africa, along with some other middle-income countries, is rather the numerical and historical significance of its working class.

There are two factors associated with this predominance of the working class in relation to what would otherwise be characterized as the poor. The first is what I term a “wage culture.” This is a societal norm in terms of which people in general, particularly men, aspire to or expect waged employment as a means to subsist. This is in contrast with societies in which there is no such expectation, and where poor people are either self-employed or engage in the range of entrepreneurial activity that is generally conceived of as constituting the informal economy.⁵ The second is the historical ascendance of trade unions as a form of membership-based organization in poor and working class communities.

Trade unions played a key role in establishing and defining a tradition of communal solidarity in poor and working-class communities in the apartheid era, I argue.⁶ Communities with a strong tradition of communal solidarity will be more coherent and less susceptible to crime. But the political and cultural transition associated with the dismantling of apartheid coincided with South Africa’s economic integration into the global economy, at the precise point at which trade liberalization began to take effect.⁷ Capitalist globalization in turn has widened the gap between rich and poor in what Sklair has termed the class polarization crisis.⁸

The effects of class polarization in South Africa have not been adequately theorized. It is nevertheless clear that inequality is increasing between what is traditionally conceived of as the working class and those who are relatively more deprived.⁹ At the same time, the prospect of waged employment is increasingly unrealistic for ever larger numbers. Realizing this, individuals and groups have devised various strategies to enrich themselves, of which the protagonist of *Jerusalema* is an exemplar. Personal greed, rather than communal solidarity, is the order of the day.¹⁰ If there is any prospect of re-establishing a tradition of communal solidarity, I argue that another form of membership-based organization will have to be promoted in poor and working class communities. It will also be necessary to recognize that a “wage culture,” insofar as it creates unrealistic expectations, is part of the problem that has to be overcome.

The scheme of the paper is as follows. The next section is a historical outline of the role of trade unions in establishing and defining a tradition of communal solidarity. This is followed by an analysis as to how membership-based organizations and communal solidarity have been undermined by a process of informalization, both “from above” and “from below.” The paper then proceeds to consider organizational responses to informalization. It concludes that a different paradigm is needed, if membership-based organizations in poor and working class communities and a tradition of communal solidarity is to be re-established. In this context, the paper emphasizes the significance of the cooperative form of enterprise. The paper then turns to consider case studies of cooperatives established in South Africa and discusses the extent to which the cooperative form of enterprise has the potential to establish a new paradigm.

The membership-based organizations that emerged in the period of the struggle

South Africa in the 1970s was predominantly an industrial country with a working class divided along racial lines. There was a white working class that was one of the beneficiaries of apartheid and a black working class that was disadvantaged to varying degrees (the term “black” is used here in its generic sense, to include both so-called “coloureds” and Africans). The black working class was generally perceived as poor and the poor as working class. The following quotation accurately sums up how the national situation was conceived at the time the foundations of a “new” trade union movement were being established, in the late 1970s. “Most black South Africans are workers,” it begins. “We believe, therefore, that to understand the problems facing black South Africans we must begin with the labour situation. It is the situation in which there is the greatest potential for forging new organisations through which blacks can reclaim their human dignity.”¹¹

In retrospect, the urban and gender bias of the statement “most black South Africans are workers” is apparent. Half of black South Africans are women. There were black women workers, notably in low-wage manufacturing industries such as clothing and food manufacturing, and women also predominated in domestic work. Most women, however, were relegated to the rural areas and so-called homelands by apartheid’s policy of influx control. There they were forced to live off traditional agriculture and the kind of survivalist activities that are nowadays categorized as informal.

It was nevertheless true that the labor situation had the greatest potential for forging “new” organizations, as the next decade was to prove. Of course the trade unions that emerged in the 1970s and 1980s did not represent an entirely new form of organization. There was already a long established tradition of trade unionism, including of trade unions organizing African workers.¹² But this tradition had to be reinvented, in the course of a series of debates internal to the unions: whether workers were best represented by trade unions or plant-based committees; whether trade unions should organize generally or industrially; the importance of non-racial unionism; what proper organization entailed; and the relationship between trade unions and the community.¹³ These debates were in turn shaped by the experiences of organization on the ground.

These trade unions were of course not the only membership-based organizations to emerge during the struggle, but they were by far the most important. This was because, unlike any other organizations or institutions having a membership base (such as faith-based organizations) trade unions drew their support from a working class constituency and the working class in an industrial country was politically potent. This was particularly so to the extent that unions were able to unite different strata of the working class. In this it seemed they were comparatively successful. One gauge of their success was the extent to which they were able to recruit the “ordinary worker.”

The “ordinary worker,” in the low-wage manufacturing industries mentioned, was typically black and female. In most other industries, the ordinary worker was unskilled and a so-called contract worker from the rural areas. Because these unions subscribed to the principle that the members should be in effective control of their organization, they also articulated the need for ordinary workers to be part of the political process. In some instances ordinary workers were elected to high office in such unions. Arguably this was what was really “new” about these trade unions.

By way of contrast, the civic associations that began to emerge at about the same time as trade unions did not feel any need to recruit members to justify their claim to represent the community. More importantly, almost without exception, they had no presence amongst the poorest sections of the African community: amongst contract workers living in the hostels and, with the influx of people from the rural areas, amongst shack-dwellers in informal settlements. The divide between these contract workers and recent arrivals, on the one hand, and urban “insiders” on the other, was at the root of episodes of factional violence in 1976 and subsequently.

There was also a tension within unions in implementing the principle that “ordinary workers” should be in control. It necessitated the adoption of procedures some perceived as laborious and unnecessary.¹⁴ Underlying these tensions was a divide between the “ordinary worker” and a comparatively sophisticated, urban-based, male leadership that was becoming increasingly ascendant. As the unions grew larger, and were inevitably drawn into a political role, these tensions were exacerbated. At the same time, there were unions that were in effect proxies for political organizations and were less concerned with developing a membership base than a political following.

These tensions were not resolved with the formation of the Congress of South African Trade Unions (COSATU). It was accepted that the key policy that was to inform the structure of the new labor organization was broad based-industrial unions, formed on the basis of one union for one industry. But there was no debate as to how these unions should be constituted. Here there were conflicting traditions. There was a tradition that emphasized the importance of the financial autonomy of the union and the autonomy of the branch or local structure over the head office, or national union.¹⁵ With few exceptions, however, the emergent unions had since their inception relied heavily on donor funding and had no tradition of financial self-sufficiency. Partly as a consequence, most unions favored a highly centralized structure, in which the branch or local structure was allocated funds (and hence controlled) by the head office. This “top-down” approach prevailed.

Informalization from above, informalization from below

The trade unions’ reward for their support during the struggle was to institutionalize a political role for themselves and to enact supportive labor legislation. The former took the form of the establishment of a political structure, the National Economic, Development and Labour Council (NEDLAC), in terms of which organized labor and organized business would be consulted about the introduction of socio-economic policy. But for this corporatist project to be credible, it was necessary for government’s “social partners” to be seen as representative of those affected by social and economic policy.

Well before 1994, it was already evident that business had embarked on a process of restructuring that was to have a significant impact on trade unions. There had already been significant numbers of unskilled workers retrenched in a number of sectors, notably in manufacturing, where the “new” unionism had been based. From now on, the typical union member was less likely to be an “ordinary worker” than to be skilled or semi-skilled. In part this process of restructuring can be seen as an endeavor, endorsed by the new democratic government, to “modernize” the economy and integrate it into the global economy. This required protectionist measures to be dismantled and tariffs to be liberalized. In part it appears that restructuring was motivated by an aversion to employment as it was then

structured, with the workplace as a locus of organization, and the risks this entailed for employers. As a consequence employment was increasingly externalized.¹⁶

The first consequence of externalization is that, increasingly, the workplace has ceased to comprise a community of workers with different skills, working in the same physical locality for a single employer.¹⁷ Instead, the workplace has become a community of service providers or intermediaries, each of which employs its own workforce, but which is nevertheless subordinate to a core business. The core business determines not only the parameters on which services are provided but also the parameters on which the service provider or intermediary provides employment, whether by virtue of its control of the workplace, or by virtue of its ownership of the intellectual property rights to what is produced or sold there.

A second consequence of externalization flows from the first. If informalization is regarded as a process whereby economic activity takes place outside the scope of formal regulation, externalization has the effect of informalizing work in the formal workplace. Workers employed by franchisees or temporary employment agencies or service providers in the formal workplace are nominally employees, to whom labor legislation applies. But, they are unable to avail themselves of the rights and protections labor legislation provides insofar as the conditions under which they are employed are in fact determined by a person that is legally not party to the employment relationship, namely the core business.¹⁸ This can be described as “informalization from above.”¹⁹

There is no empirical data as to the extent of this form of informalization, but sectoral case studies suggest it is widespread.²⁰ Moreover, all indications are that workers employed by these subordinate employers earn substantially less than workers employed by the core-business doing comparable work. Interviews with employers pursuant to a study of temporary employment services suggest that the determinant of an appropriate level of remuneration for such workers is what is perceived to be the going rate for “casual” labor.²¹ This would be what one would expect, in a situation where “casual” labor can be readily hired and where there are sufficient “casuals” willing to take the going rate in order to escape unemployment and survive. This, then, is the level at which informalization from above merges with “informalization from below,” representing the range of occupations comprising what is more traditionally conceived of as the informal economy.²² These include self employed workers, working on their own or with others (such as apprentices and family members, whether paid or unpaid).

Informalization has had a profoundly debilitating effect on the level of organization in poor and working class communities. In the case of “informalization from above,” workers in informalized employment are not able to associate, let alone exercise bargaining rights, because their employer does not control the workplace where they work: hence their employment is fundamentally insecure, and they are easily victimized. In the case of “informalization from below,” the difficulties in organizing workers relate to the practical problems of linking-up isolated economic actor in different locations and in identifying how it can be to their mutual benefit to associate.

This situation has not in any way been ameliorated by the creation of a third constituency in NEDLAC, alongside organized labor and business, to represent the interests of “the community.” The only way the community could be represented at this level is through federation(s) of membership-based organizations. But the claims of the federation of civic associations to fulfill this role are not credible. Indeed, corporatist arrangements such

as NEDLAC do not encourage building such organization from the bottom up, as much as lobbying in the corridors of power.

It is also important in this regard to differentiate membership-based organizations from non-governmental organizations (NGOs) on the one hand and social movements, on the other. NGOs form part of what (imprecisely) is sometimes referred to as the “non-profit” or “voluntary sector.” NGOs, of course, may play a supportive role in developing membership-based organizations. The dynamic of an NGO, however, is quite different from a membership-based organization: it is ultimately accountable to those that are the source of its funding, rather than a membership. Social movements, absent a defined membership base, are open to the same objection.

The need for a different paradigm

What, then, should be the organizational response to informalization? Trade unions are the dominant form of organization in the formal workplace. The obvious response to “informalization from above,” and the segmentation and polarization described, seems to be to organize workers into one union. But this has not happened in South Africa, although there are cases where it has been attempted. Rather, where unions have succeeded in organizing workers employed by service providers it has been into separate unions.²³ This implies an acceptance that they belong to a separate sector from their fellow workers in the workplace of the core business. This is problematic.

It is thus an unresolved question as to what form a trade union response to “informalization from above” should take. At the same time it is clear that the historical ascendancy of trade unions as a form of membership-based organization in poor and working class communities is a thing of the past and that other forms of organization need to be considered. This is no less clear in respect of “informalization from below.”

In South Africa, the Self-Employed Women’s Union (SEWU) is the only example of a trade union response to “informalization from below.” SEWU in turn modeled itself on the Self-Employed Women’s Association of India (SEWA).²⁴ But it is debatable whether SEWU was truly a trade union. From its inception SEWU defined its membership constituency as the self-employed.²⁵ In so doing it broke with a conception of trade unionism that holds that its members must be workers in an employment relationship. The self-employed were defined as those who earn their living by their own effort (as opposed to those who earn a regular wage or salary) including a person who employs not more than three others to assist her.

The SEWU had initial success in bargaining with the local authority for facilities and services for street traders. It seems more appropriate, however, to conceive of this kind of bargaining within an entrepreneurial paradigm, in which it is one of a number of strategies the association devises to promote each member’s economic interests. As it happened, it was not able to consolidate on the gains achieved by bargaining, and it then began to focus on other strategies to empower its members economically, such as entrepreneurial education and training and the introduction of a micro-credit facility for its members.²⁶ This raises the question whether the use of the trade union form of organization is compatible with the function of creating entrepreneurs out of its members.

Regrettably, SEWU was not allowed to resolve this question for itself. It was forced to dissolve in 2004 rather than comply with a court order compelling it to reinstate two dismissed (and so far as it was concerned, discredited) officials. SEWU could simply not

afford the cost of the accumulated back pay this decision entailed and was liquidated. Yet the need it fulfilled still exists: at the time of writing some members of SEWU are in the process of reviving the organization under a different name.

The SA Owner-Driver Empowerment Federation is another example of an organization faced with an identity crisis. This is a Johannesburg-based voluntary association representing owner-drivers.²⁷ As its name implies, it regards the owner-drivers as entrepreneurs, rather than workers in a relation of dependence on the firms they service. For the owner-drivers who joined and paid their membership fees, however, the burning issue was that they were being exploited. Many found themselves economically worse off than when they had been formally employed.²⁸

There were two possible ways in which this association could have responded to a situation of exploitation. The first was to adopt the strategies of a trade union. But the association, as we have seen, was conceived within an entrepreneurial paradigm in which owner-drivers were seen as economic agents in their own right rather than workers. So this option was excluded from the outset. The other response was to become an enterprise that was able to advance the members' economic interests.²⁹ However it did not pursue this course either. Instead the Association lingers on, with a declining membership. In fact, the only form of enterprise that this association could have become, within the confines of the law, was a cooperative. That is because in South Africa, as with other countries that have adopted the English corporate model, an association for gain is not permitted unless it is registered.³⁰ But that, of course, is not the primary reason for advocating cooperatives here. Rather it is because, in the current context, today's "ordinary worker" is as likely as not to be someone working on his or her own or with others, with no identifiable employer. The "ordinary worker" in this situation can benefit from association no less than formerly, when employed in a formal workplace. However, to do so effectively such an association needs to operate as an enterprise, and that is what a cooperative is.

The appropriate conceptual framework for developing a cooperative response to informalization is that of the 'social economy': the notion that alongside the private and public sector there exists a third sector, of which cooperatives and other forms of association are an integral part.³¹ Clearly this third sector assumes increasing significance in a context in which, as a consequence of externalization, direct employment in both the private and public sector has been diminishing and public services have increasingly been cut-back.

In the context of the global financial crisis that broke towards the end of 2008, arguments that cooperatives and mutual societies were outmoded business types have come back to haunt some of those that converted to companies in the United Kingdom and elsewhere. According to Birchall, there is now a countertrend. Indeed cooperatives world-wide, and specifically financial cooperatives, are in a comparatively healthy position, and in some instances flourishing, notwithstanding the global financial crisis.³²

But cooperatives are of course not the "magic bullet" that will kill the vampire of market fundamentalism. A cooperative that is not clear about the needs it aims to meet, or is not able to meet these needs, or does not operate reasonably efficiently, will not be sustainable. Also, as with any form of entity, cooperatives are open to abuse. Further, like all forms of membership-based organizations, and particularly those catering for the disadvantaged, cooperatives are also vulnerable to capture by elites seeking to utilise the cooperative to their own advantage.

There is no need to reinvent the wheel. For this reason it is also appropriate to propose a different rather than a new paradigm. The strength of the cooperative tradition, as embodied

in the internationally accepted cooperative values and principles, is critically important in this regard. These principles set up a creative tension between what “is” and “ought to be” in cooperative practice.³³ They also provide a necessary corrective to “top down” approaches to cooperative development that arguably facilitate elite capture.

Case studies of “successful” cooperatives

The history of cooperatives in South Africa illustrates both the potential and limitations of cooperatives. During the last century cooperatives representing primarily poor whites were successful in economically empowering a section of this community. In particular, agricultural marketing co-operatives were successful, and it was this form of cooperative the legislation primarily catered for. But the membership of these cooperatives was in effect racially defined.

There was also the negative experience of cooperatives established in the 1980s and subsequently, with no clear conception of how to operate as an enterprise, and which failed for this reason. Cooperatives continue to be established and fail for this reason until the present day.³⁴ In the 1980s, however, cooperatives faced a hostile economic environment with no institutional support.³⁵ In theory that has now changed, with the adoption of a new co-operative development policy and, in 2005, new legislation.³⁶

Whether in response to the new legislation or for other reasons, there has also been an upsurge in newly established co-operatives in all parts of the country, and in particular in the most impoverished rural areas.³⁷ The first of several purposes of the new legislation is to “promote the development of sustainable co-operatives that comply with cooperative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy.”³⁸ The argument advanced here is that cooperatives represent a model for countering or even reversing informalization. This argument can only be sustained, however, with reference to specific kinds of cooperative operating within specific sectors. The case studies below were compiled following an investigation into “successful” cooperatives operating in the Western Cape province. These cooperatives are considered “successful” only in so far as they had been in existence for a period of three years or longer at the date at which the investigation was concluded.³⁹ In other words, they had proved sustainable. Data was obtained through structured interviews with the leadership of cooperatives.

Case study 1: A transport cooperative

Everyone needs transport. Until the 1980s, the Cape Town working class relied on public transport: to get to work, shops, hospitals and the like. The government’s railway service provided rail transport. Bus passenger transport was provided by the Golden Arrow Bus Service. The same company had had a virtual monopoly on bus transport for decades, and received a subsidy to make it more affordable. But for the working class communities that mainly used its services, the fares were steep. As happened elsewhere in the country, fare increases were often the subject of bitter bus boycotts. No doubt this was one of the things that prompted the government of P.W. Botha to actively encourage mini-bus taxis as an alternative form of transport.⁴⁰ It was consistent with policies to encourage small business and de-regulate the labor market, at a time when the Reagan and Thatcher governments were vigorously promoting such policies in the United States and Britain.⁴¹

For the P.W. Botha government, the mini-bus taxi represented a proto-type of the sort of small business in which a black person could be successful. The vehicles used were relatively affordable, and the overheads of running a mini-bus taxi could be met by the fares the passengers paid. The passengers in turn would have the salubrious experience of being exploited by one of their own instead of by a faceless company owned by whites. The social costs of this initiative, including lives lost in so-called "taxi wars" between the different operators, and the escalation of road accidents, were to prove enormous.⁴²

If the apartheid government did not want the community united over an issue of public transport, one might have expected the converse to have applied in the case of the first democratic government. Converting a privatized taxi industry into cooperatives seemed the obvious way to do so. Yet the political will was evidently lacking, and taxi wars between private operators competing for business continued to flare up until the present. Nevertheless a handful of cooperatives have been established.

In 1999, a cooperative was formed by fourteen small bus operators, who at the time survived on small contracts, providing services to churches and schools.⁴³ The object of forming a cooperative was to pool their resources in order to enable them to tender collectively for larger and more lucrative contracts. This they succeeded in doing. In 2005, they successfully tendered for a contract to provide a bus service to the University of Cape Town. Then they were approached by Golden Arrow to tender jointly with it, as its empowerment partner, for a contract put out by national government. Although the contract was aborted, the cooperative now jointly operates a bus-service between Atlantis and Cape Town. It had fifty-two members in 2007 and was generating substantial surpluses.

Case study 2: A housing cooperative

Until the 1980s, urban housing for the working class comprised flats and houses rented usually from the local authority, and in African communities, hostels for the contract workers. Informal settlements were actively discouraged if not prohibited, although it was clear by the late 1980s that prohibition had not worked. The hostels where contract workers used to live in the heyday of apartheid are to be found in every African working class community. Typically the hostels were designed to accommodate males only. They were erected by the companies that they worked for, who leased or bought the land on which they were located. Nowadays they are sites of overcrowding and urban squalor.

In Hlazo Village, Nyanga, outside Cape Town, the land on which the hostels were sited was leased from the local authority. When the contract labor system was abolished, several companies donated hostels to their occupants. In 2002, some of the occupants established a co-operative and entered into an agreement with the local authority to acquire this land. The cooperative then undertook an ambitious scheme to upgrade the hostels into 274 units, comprising two bedrooms, a lounge, a kitchen, and a bathroom. This represents one unit for each member.⁴⁴ The cooperative was able to undertake this scheme by assisting its members to access a housing subsidy the government provides, which is used to acquire building materials. The costs of construction had to be covered by member savings, or by sweat equity (in other words, by providing their labor). The cooperative also established a savings scheme to help the members to save.

Case study 3: A social cooperative

There were minimal social services for the working class in the apartheid era and certainly none in the informal settlements that started mushrooming around the big cities in the 1980s and subsequently. One such settlement was Crossroads. It was notorious for its factional conflicts and the warlords who presided over the allocation of houses and resources, in collusion with the apartheid authorities. Now it is integrated into the adjacent townships, and the building the most notorious warlord once occupied became a crèche and pre-school.

The crèche was started in 1985, when its founder learned there were women in Crossroads desperate enough to abandon their babies on a nearby rubbish dump.⁴⁵ During the day there are sixty-three children in it, up to the age of six years. There is also a large and flourishing vegetable garden. Produce is sold to the community. To the elderly and sick it is given away.

In 1999, this creche and pre-school was one of fifteen in the area that banded together to form a care co-operative. The largest of these leased premises from the local authority and received a subsidy from the government. Others operate "backyard crèches," from their homes. The costs of administering the co-operative are minimal, since it does not employ anyone itself. But it provides at least two important services to its members.

The first is to negotiate with the local authority and government on a variety of issues affecting the members. The second is training, to enhance the skills of both the members themselves and the persons they employ. Each member employed between three and six such assistants, called teachers. Strictly speaking, then, the members are employers who are in a relationship of power over those who work for them. However the co-operative subscribes to the principle that what each crèche earns should be equally shared between the member and those who work for her.

The incomes of these crèches fluctuate from month to month. People do not require care all the year round, and there are poor parents who cannot afford to pay regularly, or at all. The co-operative regards it as a demonstration of its commitment to the community, in accordance with co-operative principles, to accept the children of such poor parents.⁴⁶ No doubt the community has greater confidence in entrusting their children to a co-operative that displays such commitment. A co-operative is also accountable to the community for the standard of care its members provide in a way an individual operating on her own, or a for-profit organization, could not be.

Case study 4: A marketing cooperative

Making "arts and crafts" to sell to tourists is an obvious way to survive in a tourist town, but the problem is marketing: where to sell your goods. Many sell by the side of the road and at traffic lights. Its better still to sell at a tourist site such as the renovated areas of the Cape Town docks, known as the Waterfront.⁴⁷ But access to the Waterfront is strictly controlled. An individual would simply not be able to trade there on her own.

A co-operative was established in 1991 to overcome this problem, and market "arts and crafts" produced by its members. Its most important asset was the lease it had secured to a stall in a well-placed trading site at the Waterfront. It started with about ten members.⁴⁸ Sixteen years later it had forty members, from a variety of backgrounds, ranging from those who employed workers to assist them, to those who work on their own, to those who have employment elsewhere, and work in their spare time. About half the members were female and more than half black. Everyone worked from home, and most depended entirely on the

income from the goods they produced, which the cooperative sold on at a fifty percent mark-up.

The cooperative made a surplus in 2007. It was not critical that it do so each year, however, and before that it made a loss. Provided losses do not accumulate and it is able to continue paying the rent and the manager's salary, it continues to serve its members interests.

Case study 5: A savings and credit cooperative

The working class have always needed to be able to access cash, whether to avoid debt or to cope with the contingencies of life, such as access to emergency medical care or funeral costs. What are commonly referred to as *stokvels* in South Africa are in essence rotating savings and credit associations (ROCSAs), whose object is meet this need, by providing a lump sum to their members. They are informal and unregulated. Funeral associations represent a different kind of informal strategy to cope with risk. Yet these different kinds of self-help strategy have obviously not eliminated money-lending. Indeed one of the most pervasive signs of the impact of economic globalization in the 1990s is the micro-lender, or "loan shark," as they are more euphemistically known, who have their signs in towns large or small, rural or urban, advertising cash loans in bold print. The activities of the micro-lender are supposed to be regulated, but of the authorities lack the capacity for effectively doing so.

The limitation of *stokvels* relates to their scale. They work where the members are able to trust each other, usually because they live in close proximity to each other. That is also the reason they are able to get by without formal controls, safeguarding against corruption. A savings and credit co-operative (SACCO) is able to overcome the limitation of scale, by being an autonomous local body that is affiliated to a secondary structure that is nationally based. There are some twenty-six such SACCOs affiliated to a secondary co-operative, SACCOL, which also acts as a regulatory body for the SACCOs.

The members of most of these SACCOs are employed in the same workplace. The employer deducts a contribution from the payroll. This suggests that it is a form best suited to workers in a formal workplace. However, there is one SACCO in the farming district of Stellenbosch that is not workplace based. Farm workers are generally regarded as amongst the most vulnerable sections of the employed and include significant numbers of non-standard workers, particularly in fruit and wine areas, where employment tends to be seasonal.

The SACCO started with ten members in 2002. In 2007, it had 3,000 members, the majority of whom were female and all of whom were black.⁴⁹ The SACCO offered its members a variety of products tailored to meet their specific needs as farm workers, including a "quick loan" which is re-payable over six weeks, and a "long-term loan" payable over a longer period. The SACCO encourages members to save, and the amount of the loan for which they qualify depends on the amount of their savings. The interest rate the SACCO charged on its loans was only 2 percent. Yet, despite the low interest rates it still faced competition from the micro-lenders. They have a foot in the market primarily because of the high rates of alcoholism amongst farm workers and their vulnerability to unscrupulous lenders. Despite its low interest rates, the SACCO succeeded in making a surplus for the first time in 2006.

Case study 6: A small farmers' cooperative

Government has identified agriculture and agro-processing as a priority sector, amongst other reasons because it is labor-intensive.⁵⁰ Any attempt to galvanize the sector, however, will be constrained by the slow pace of land reform, and by the pressures farmers face as a result of the government's overzealous liberalization of tariffs in the 1990s.⁵¹ Small farmers, in particular, cannot hope to compete in a global market with heavily subsidized farmers from the North. But there is some hope if small farmers co-operate with one another.

Rooibos is a plant that occurs naturally in a dry, mountainous region north of Cape Town. In 2000, fourteen small farmers decided to form the rooibos tea co-operative. Some individually owned small tracts of land. Some were part of a group that collectively owned a farm. Some rented land. Their original object in forming a co-operative was an extremely limited one: to establish a facility to process each member's tea, so that it could be delivered to a marketing company.

This marketing company was formerly a co-operative that had converted to a company, and some of the small farmers were contractually bound to deliver all their produce to it. However, there was unhappiness at the price it paid. It soon became apparent that the co-operative could get a much better price by marketing their tea through an agent under a fair trade label and as organically produced.

During the first year of its operation the co-operative leased a centrally located facility to produce the tea, some of which was then marketed through an agent. So successful was this that the following year all the members were marketing their tea through the cooperative, and the co-operative realized a substantial surplus. By 2004, the cooperative was confident enough to eliminate the agent and deal directly with the buyers. This required that they obtain the requisite certification from the Fair Trade Labelling Organisation (FLO), a relatively sophisticated process. One of the potential benefits of the cooperative format is that collectively producers are able to engage in such a process as well as to achieve vertical integration of the different units making up the enterprise by means of pooling equipment and collectivizing the costs of seasonal labor.

The cooperative used its surplus to encourage the participation of women. In 2007, it had thirty-six members. Twelve were women, whereas they constituted only two of the founding members. The cooperative has also sponsored a number of training and development programs, which have included topics ranging from financial management to global climate change, an issue of direct relevance to the sustainable cultivation of the tea.

Case study 7: An environmental cooperative

One of the principal initiatives by government to address the issues of unemployment has been the establishment of public works programs. Until 2002, when it committed itself to the adoption of the so-called Extended Public Works Program (EPWP), its flagship program has been the clearing of alien vegetation in various parts of the country under the terms of a program established under the auspices of the Department of Water Affairs and Forestry (DWAF). The alien vegetation in question comprises mostly trees imported from Australia in the colonial era. These trees have spread throughout the country and are choking the indigenous vegetation, as well as the water supply. They also are a potential source of

timber, which can be processed or sold in raw form. This represents a potential entrepreneurial opportunity.

As with any public works program, the aim was to recruit unemployed workers to undertake the clearing of alien vegetation. But the workers would not be employed permanently. In fact, the program was designed so that employment was externalized: the teams of workers actually clearing the vegetation would not be employed by the program at all. Rather they would be employed by so-called emergent contractors engaged by the program. The same result, however, could be achieved by engaging co-operatives composed of a group of workers. Such co-operatives were in fact formed in the Western Cape and elsewhere, but the government was not prepared to support this initiative. To get work at all, one had either to be an emergent contractor or employed by a worker of an emergent contractor.

In 2002, a group of fourteen persons who had become emergent contractors formed a cooperative in Atlantis, a dormitory town of Cape Town.⁵² Their experience as emergent contractors was that they had been compelled to undercut one another to secure the limited number of contracts DWAF provided. They were also compelled to incur expenditure on protective clothing and machinery which as a cooperative could easily be pooled. The cooperative had sixty-five members in 2007, of which only twenty-three were contractors. It had also greatly extended the scope of its activities, which included making crafts from alien vegetation, harvesting reeds to be used for thatching houses and various activities related to tourism. It had also linked up with a crime prevention program in an endeavor to make the area safe for tourism.

Conclusions

There is no simple description of the national issue in the first decade of the new millennium equivalent to the 1970s formulation “most black South Africans are workers...” The following description of the economy in urban slums worldwide, however, mirrors the vision of social disintegration in the films referred to at the start of this paper: “Politically, the informal sector, in the absence of enforced labor rights, is a semi-feudal realm of kickbacks, bribes, tribal loyalties, and ethnic exclusion. Urban space is never free. A place on the pavement, the rental of a rickshaw, a day’s labor on a construction site, or a domestic’s reference to a new employer: all of these require patronage or membership in some closed network, often an ethnic militia or street gang.”⁵³

Yet, the reference to “enforced labor rights” is curious. This is surely not realistic under current conditions, and arguably never has been. In this analysis, the only way that poor people and the working class are able to enforce labor rights is through organization. The alternative to a strategy of enforcing labor rights through trade unions is through cooperating, pursuant to a strategy of self help. The semi-feudal realm referred to is essentially a manifestation of disorganization in poor and working class communities.

One would need a lot more information than can be presented here to make any kind of definitive statement about any of the cooperatives discussed above, and definitive statements about organizations are dangerous. Organizations are always in flux, and today’s democratic and accountable leadership is tomorrow’s autocracy. But, the mere fact that they have sustained themselves for as long as they have is significant. Even more so is the fact that in most instances their membership had grown. It is a membership that is

overwhelmingly black and from a disadvantaged background. Women are well represented, even in sectors where they are generally not.

Of course not all members are from a disadvantaged background and some are relatively well off. Indeed a mix of members with different skills, and from different economic backgrounds, appears to be one of the ingredients of a successful cooperative. This may be because of skills such members have, or because of the bigger volumes their participation brings. In the case of the rooibos tea cooperative, better off members willingly sacrifice a proportion of the surplus that would otherwise be due to them in order to encourage participation by poorer members. That is what a culture of solidarity entails.

Certain of the cooperatives have been the recipient of grants and other forms of financial support. It would scarcely be conceivable to embark on a project of the magnitude of the housing cooperative without significant resources behind it. On the other hand, there were cooperatives that have thrived without any assistance whatsoever, or with relatively modest contributions to capital projects. In most instances the cooperative, once established, was resilient enough to carry on without external support. This is also what a culture of self-sufficiency requires. But, self sufficiency is not a virtue where cooperatives become “stand alone” institutions providing welfare services to their own members without regard to the obligations of the state to do so.⁵⁴ The care cooperative is an example of the use of the cooperative form to leverage resources, where otherwise they would not be prioritized. Self-reliance through forming cooperatives should also not be confused with the kind of models promoted by “bootlace ideologues” that hold the poor responsible for its own deliverance.

It would be premature to say the case studies of cooperatives we have discussed portend a “new” cooperative movement in South Africa. Rather the debate about what form this movement should take has hardly begun. Yet the cooperative case studies illustrate the potential for such a movement. As in the case of the trade unions in the 1970s, this movement needs to be built from the bottom up, and focused on the “ordinary worker.” Its leadership need to learn from the mistakes I have argued the trade unions made in adopting highly centralized structures and undermining local autonomy. If this happens, cooperatives can help bring about a shift from a “wage culture” and help establish a culture of communal solidarity.

Notes

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1. Crime is also one of the burning themes that animates public debate in post-apartheid South Africa. Although crime statistics also remain contentious, there is an overwhelming consensus that crime is out of control.
 2. *Tsotsi* was written and directed by Gavin Hood, and won an Oscar for best foreign language film in 2006. *Jerusalema* was written and directed by Ralph Zulman.
 3. According to Danni Rodrik (“Understanding South Africa’s Economic Puzzles,” unpublished paper, Harvard University, 2006, cited in Skinner, 2006), the average urban unemployment rate in sub-Saharan Africa (excluding South Africa) is 16

percent, in comparison to South Africa's 29.3 percent in a comparable period. The percentage of the informal employment as a share of non agricultural employment in sub Saharan Africa (excluding South Africa) is 74.8 percent.

4. According to the latest available statistics, formal sector employment (excluding agriculture) accounts for 68 percent of total employment. See Statistics SA, Labour Force Survey, September 2007, page x. A study conducted by the UNDP indicates the shift away from formal employment. Those in formal and informal employment are given as 67.5 percent and 32.5 percent of a total of 10,896,420 persons employed in 2002. What is significant about this figure is that the total of unemployed is given as 4,783,502, and that the total of unemployed plus those in informal employment significantly exceeds the number in formal employment. This is compared to a situation in 1990, when the number in formal employment was 82.7 percent of the total employed compared with 19.2 in informal employment, and those in formal employment far exceeded the combined total of the informally employed and the unemployed (UNDP, 2003, pp. 238-39).
5. The existence of such a culture would go some way to explain why, according to Seekings and Natrass, those who lose jobs in the formal economy in Latin America tend to find work in the informal economy, whereas in South Africa they end up unemployed (Seekings and Natrass, 2006, pp. 320-21).
6. I acknowledge that there is a danger of idealising something as intangible as communal solidarity, as indeed there is with any argument that privileges culture over social and economic factors. For a discussion of the concept of tradition in relation to membership-based organizations, see J. Theron, 2007.
7. South Africa was party to the Uruguay round of multilateral trade negotiations that commenced in 1986 and was finalised in Marrakech in January 1994. When an ANC government came to power in 1994, South Africa had already committed itself to extensive tariff reductions. However, it appears this was done in consultation with the ANC leadership.
8. Sklair, 2002, pp. 48-53.
9. Seekings and Natrass (pp. 271-99; 377), writing about South Africa, speak of a second class divide, between "those who had jobs, or more precisely those who had jobs most of the time, and those who either did not have jobs or had jobs in sectors (especially agriculture and domestic work) that were especially precarious." Accordingly, they distinguish between a "core" and "marginal working class." Davis (2006), writing about the global situation, speaks of the "informal working class."
10. The political commentator Alister Sparks used the phrase "culture of personal greed" a propos a finding in a recent social survey that 77 percent of people between the ages of 16 and 25 have, as their main ambition in life, to make more money. However, he was by no means the first to do so. See A. Sparks, "Crime's Become a Routine Part of Life," *Cape Times*, 7 February 2007.
11. Fischer and Nxasana, 1976. This document was one of a number of such documents circulated semi-clandestinely at the time.
12. Africans were not regarded as "employees" in terms of labour legislation, but it was not illegal to organise for or belong to a trade union.
13. The notion of the community was initially a proxy for the relationship between the emergent trade unions and politics, and political movements, which were repressed.

As trade unions became more confident, and the political terrain shifted, political affiliations became overt. For a useful discussion of the relationship between trade unions and politics in this period, see Hindson, 1987, pp. 208-17.

14. For example there was a practice of translating meetings from the various vernacular languages spoken by “ordinary workers” into English and vice versa. There was also an exhaustive process of report backs from negotiations and the like.
15. The Food and Canning Workers Union was the primary exponent of this tradition.
16. Externalization refers to a process whereby the employment relationship is being restructured, so that it is in effect or actually regulated by a commercial contract, rather than a contract of employment. This occurs when someone is engaged as a contractor rather than an employee, and labor legislation is by definition excluded, or where workers are employed by an intermediary to work for someone else, usually regarded as the client, and labor legislation is in effect excluded, because the terms of employment of those workers are in effect determined by the commercial contract the client has with their nominal employer.
17. Supiot, 1999.
18. This refers to the so-called triangular nature of the employment relationship. Typically a client (or core business) may decide at will that it is no longer prepared to allow a particular worker(s) on its premises. Employment may either be regarded as terminated automatically (depending on the contractual regime) or the intermediary or provider is compelled to terminate employment, or risk losing the contract. By the same token the client will determine what workers of the service provider are to be paid, in terms of the commercial contract with the service provider.
19. Compare the International Labor Organization’s definition of the “informal economy” as referring to “all economic activities by workers and economic units that are- in law or practice- not covered or insufficiently covered by formal arrangements.” See International Labor Organisation. “Resolution concerning decent work and the informal economy,” adopted by the General Conference at its 90th Session, Geneva, 2002.
20. Ndungu and Theron, 2008; Webster et al, 2008.
21. Theron et al., 2005.
22. The distinction between informalization “from above” and “from below” corresponds with a distinction drawn between informalization from the demand side and from the supply side drawn by Birchall, 2001, p. 13.
23. Thus workers in the private security and the so-called “contract cleaning” industry have been organized into a separate industrial union, the SA Transport and Allied Workers Union.
24. It has been suggested that the SEWA has changed the conventional wisdom as to who trade unions can organise and what they can do for their members, and represents a third-world model of a new form of union (Rose, 1992, cited in Devenish and Skinner, 2004). I am not persuaded that this is the case. Impressive though many of its achievements may be, the impression the SEWA creates is of a well-resourced NGO rather than a trade union. The SEWA model has also proved difficult to replicate in other countries.
25. The SEWU was established in 1994.
26. Devenish and Skinner, 2004.

27. This can be considered a classic instance of "informalization from above," under the guise of empowerment. Thus manufacturers and other companies externalised the function of driving vehicles to deliver their products, by "empowering" drivers to own their vehicles. These owner-drivers in turn became the employers of their assistants.
28. Interviews, Jan Theron with members of SAODF, 14 June 2005.
29. This could be done in one of two ways: firstly, by providing services to its members (insurance, legal and business advice would be amongst a host of possible services); secondly, by negotiating a better deal for its members with the firms that engaged them. In the latter respect, they would be bargaining collectively for their members, within an entrepreneurial paradigm.
30. Section 30(1), Companies Act No 61 of 1973. A partnership is the only unregistered form of association that is permitted, but may not exceed twenty partners.
31. Defourny and Develtere, 1999.
32. Birchall, 2009, pp.9-10.
33. Birchall, 2003.
34. The International Labor Organization (ILO) has defined a cooperative 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. See Article 2, Recommendation 193 of 2002, International Labor Organization.
35. This was in contrast to the trade unions, which benefited from a degree of ambiguity amongst a business community anxious for reform.
36. Cooperatives Act, No 14 of 2005.
37. Theron, 2008.
38. Section 2(a), Cooperatives Act, No 14 of 2005.
39. These case studies reflect the position that prevailed when this paper was first drafted, in April 2007. One of the cooperatives has since disbanded.
40. The government of PW Botha preceded the transitional regime of FW De Klerk.
41. The promotion of small business and entrepreneurial values also corresponded with an attempt to create a black middle-class, and to fragment an increasingly militant working class.
42. After many delays and much wrangling, government is at the time of writing implementing a taxi recapitalization scheme that aims to address some of the social problems that have arisen in the taxi industry.
43. Interview, Margareet Visser with Gretel Hornischer, Western Cape Bus Operators Transport Cooperative, November 2006.
44. Interview, Margareet Visser with Godfrey Qolweni, Ilinge Labahlali Housing Cooperative, 22 November 2006.
45. Interview, Jan Theron with Nosiseko Care Co-operative, November 2004.
46. The seventh co-operative principle, as adopted by the International Co-operative Alliance, is headed "concern for community." See McPherson, 1995.
47. Tourism has been identified by government as a priority sector in terms of its Accelerated and Shared Growth Initiative (ASGISA).
48. Interview, Margareet Visser with Bonita De Kock, Masizakhe Cooperative, 29 November 2006.

49. Interview, Margaret Visser with Harriet Stewart, Stellenbosch Winelands and Employees Savings and Credit Cooperative, 24 October 2006.
50. This is in terms of the Accelerated and Shared Growth Initiative--South Africa (ASGISA), The government is in the process of devising a strategy for the sector in terms of ASGISA. See Media briefing by Deputy President Mlambo-Ngcuka, 6 February 2006, www.pmg.org.za/bills/060206asgisummary.htm.
51. The pattern of landownership established by the 1913 Land Act, in terms of which 8 percent of the land (later expanded to 13 percent under the 1936 Native Trust and Land Act) was allocated to Africans, has not changed much. According to official figures, only 4 percent of land has been transferred to black persons since 1994.
52. Interview, Margaret Visser with Martinus Fredericks, 2 November 2006.
53. Davis, 2006, p. 185.
54. Satgar, 2006, p. 39.

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