

28 February 2007

**Informalization from above, informalization from below:
What are the options for organization?**

Jan Theron

There are two burning themes that currently animate public debate in post-apartheid South Africa: the first is unemployment, the second is crime. This is not a contentious proposition. As regards unemployment, its precise extent is in dispute.¹ However there is an overwhelming consensus that unemployment is too high. As regards crime, the precise extent of the problem is also unclear, and government claims crime levels are improving. However even if they were improving, there is an overwhelming consensus that crime levels are too high.

To suggest there is a causal relationship between crime and unemployment is contentious, although this has not prevented politicians of the ruling party and others from making this claim. There are societies elsewhere in Africa (and elsewhere in the world) where poverty is far more acute than in South Africa, but where crime is demonstrably less of a problem. Unemployment also does not provide a ready explanation for the violent nature of crime in South Africa, particularly when directed at the most vulnerable sections of society, women and children in poor communities.

The reason crime features at all in this analysis is as a signifier of a society in crisis, and the light it throws on the nature of this crisis. Although the roots of this crisis may be economic, it is also a crisis of values. Above all, crime signifies a breakdown of the values of communal solidarity that characterised many working-class communities in the apartheid era. Instead there is increasing evidence of a culture of personal greed.² One must of course be careful not to idealise communal solidarity in the apartheid era. It nevertheless seems self-evident that communities with a strong tradition of communal solidarity will be less susceptible to crime.

I use the term 'working class' because South Africa was, in the 1970s, predominantly an industrial country, in contrast to the rest of Africa. Also, although working class communities were predominantly black, in the generic sense, they were never entirely so.³ Yet the working class today is fragmented, and its fragmentation has doubtless also contributed to the breakdown of communal solidarity.

The government now speaks of a dual labour market, or dual economies. Although it is not clear how these two spheres are demarcated, the implication is that in the first sphere workers are comparatively well-off, and protected by labour legislation. In the second sphere, labour legislation is either not applicable or ineffective. Along the

¹ Accordingly the official agency produces two sets of figures: one that excludes so-called discouraged job-seekers, and the other (the so-called 'enlarged' definition) that includes them.

² 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.

³ The working class were predominantly African in most of the country, and coloured in what is now the Western and Northern Cape.

same lines, a recent study speaks 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” (Seekings and Natrass, 2006: 377).

Because of this fragmentation, it is no longer possible to speak of the working class as a proxy for ‘the poor.’ Increasingly one hears politicians and commentators speak of the ‘working class and the poor’, as separate but related categories. It is also argued that the unemployed cannot be regarded as part of the working class, because of the acuteness of the disadvantage they suffer in a society with chronic high unemployment (Seekings and Natrass, 2006: 271-299). The terms ‘marginal working class’ and ‘informal working class’ (Davis, 2006) have been mooted to describe a situation in which inequality is increasing not only between the working class (as traditionally conceived) and the upper classes, but between a traditional working class and those who are relatively more deprived than it.

One could attribute this growing inequality to government’s adoption of a neo-liberal economic agenda, and especially the failure of neo-liberal economic policies to make good on its promise that with economic growth would come employment growth.⁴ As a matter of fact there has been opposition to policies such as privatisation and the reduction of public services from a range of organisations. Some of these represent traditional forms of working class organisation, such as the trade unions. Others conceive themselves as part of the ‘new social movements’. A coalition of organisations has also been vocal in advocating alternative policies, notably the introduction of a basic income grant. The voice of these organisations has undoubtedly contributed to recent shifts in government policy.

However South Africans are past-masters at policy formulation. It is the gap between the formulation of policy and the capacity to implement it on the ground that is lacking. The core of the critique I wish to develop in this paper is that this is true of these organisations, as much as it is true of government.⁵ More specifically, this paper is concerned with how membership-based organisations have responded, or failed to respond, to the interlinked processes of externalisation and informalisation that have exacerbated this fragmentation, and continue to do so. Secondly, it is concerned with how membership-based organisations can respond concretely to the problem of unemployment, which feeds the processes of externalisation and informalisation.

Then and now: What was ‘new’ about the membership-based organisations that emerged in the period of the struggle

The following quotation accurately sums up how the national situation was conceived by a disparate set of individuals who in today’s terms might be described as social

⁴What has taken place in South Africa of course corresponds with what is taking place globally: increasing inequality, and unemployment at unprecedented levels despite economic growth. According to the most recent data from the ILO, the number of people unemployed “remained at an historical high [of 195.2 million] in 2006 despite strong global economic growth.” The rate of unemployment was 6.3 percent, which was almost unchanged from 2005, confirming a trend in terms of which “robust economic growth has failed to translate into significant reductions in unemployment or poverty amongst those in work.” See Global employment trends brief, International Labour Organization, 25 January 2007.

⁵ I have elsewhere defined “membership constituency” as the

entrepreneurs, and who committed themselves to the establishment of a 'new' trade union movement in the 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."⁶

In retrospect, one can see the urban and gender bias of the statement "most black South Africans are workers." 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 categorised as informal.

It was nevertheless true that the labour 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 a new form of organization. There was already a long established tradition of trade unionism, including of trade unions organising African workers⁷. But these traditions had to be reinvented. They were reinvented in the course of a series of debates: as to whether workers were best represented by trade unions or plant-based committees, as to whether trade unions should organise generally or industrially, as to the importance of non-racial unionism, as to what proper organisation entailed, and as to the relationship between trade unions and the community.⁸ These debates were in turn shaped by the experiences of organisation on the ground.

These trade unions were of course not the only new membership-based organisations to emerge during the struggle, but they were by far the most important. This was because, unlike any other organisations or institutions having a membership base, such as faith based organisations, they had a working class constituency. Further, in practice they were comparatively successful in overcoming divisions in their constituency. This was because, particularly in the early phases of unionisation, they targeted 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 organisation, they also articulated the need for ordinary workers to be part of the political process. In many instances ordinary workers were elected to high office in such unions. Arguably this was what was really 'new' about these trade unions.

⁶ Foszia Fischer and Harold Nxasana, undated. The labour situation in South Africa.

⁷ 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.

⁸ 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.

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. The apartheid regime repeatedly exploited this division over the years, at the cost of thousands of lives. Undoubtedly the scars of this violence remain.

There was also always a tension within unions in implementing the principle that 'ordinary workers' should be in control. It necessitated the adoption of procedures such as translating from vernacular into English, and report backs that some perceived as laborious and unnecessary. There were differences as to how to respond to the divide between the 'ordinary worker' and a comparatively sophisticated, urban-based, male leadership that was becoming increasingly ascendant. These tensions were exacerbated as the unions grew larger, and were inevitably drawn into a political role. At the same time there were unions that were in effect proxies for political organisations, and were less concerned with developing a membership base than a political following.

These tensions were not resolved with the formation of COSATU. It was accepted that the key policy that was to inform the structure of the new unionism 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 emphasised 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.⁹ However with few exceptions 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 favoured a highly centralised structure, in which the branch or local structure was allocated funds (and hence controlled) by the head office. This tradition of organisation from the top-down is the one on which the established union movement in post-apartheid South Africa was founded.

Informalisation from above, informalisation from below

The trade unions' reward for their support during the struggle was to institutionalise a political role for them, and to enact supportive labour legislation. The former took the form of the establishment of a political structure, NEDLAC, in terms of which organised labour and organised business would be consulted about the introduction of socio-economic policy. This can be regarded as representing a form of corporatism, consistent with the tradition of organisation from the top-down which unions had opted for. But for this corporatist project to be credible, it was necessary for

⁹ The Food and Canning Workers Union was the primary exponent of this tradition. The writer was the General Secretary of the Food and Canning Workers Union (FCWU) from 1976 until 1986, and subsequently became General Secretary of the Food and Allied Workers Union.

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 profound effects on how representative trade unions were. 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 (Hindson and Crankshaw, 1990). 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 endeavour, endorsed by the new democratic government, to 'modernise' the economy, and integrate it into the global economy. This required protectionist measures to be dismantled and tariffs to be liberalised.¹⁰ In part it appears that restructuring was motivated by an ideological aversion to employment as it was then structured, with the workplace as a locus of organisation, and the risks this entailed for employers. As a consequence employment was increasingly externalised.¹¹

The first consequence of externalisation 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 (Supiot report, 1999). 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 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 externalisation flows from the first. If informalisation is regarded as a process whereby economic activity takes place outside the scope of formal regulation, externalisation has the effect of informalising the formal workplace. Thus the workers employed by franchisees or temporary employment agencies or the like in the formal workplace are nominally employees to whom labour legislation applies. Where compliance with labour legislation is readily ascertainable, it probably applies. But labour legislation is ineffective in protecting the employment security or collective bargaining rights of these workers.¹² This can be described as informalisation from above.

¹⁰ These policies were probably pursued with greater vigour in agriculture, one of the support bases of the old regime, than in any other sector. Marketing boards for agricultural products were disbanded, and tariffs were lowered well below South Africa's commitments in terms of trade agreements. This has not only added to the difficulties emergent faced by emergent small farmers, but also to an exodus from the farms to urban areas.

¹¹ Externalisation 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 labour legislation is by definition excluded, or where workers are employed by an intermediary to work for someone else, usually regarded as the client, and labour 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.

¹² This is primarily because of the triangular nature of the employment relationship. Typically a client may decide at will that it is not prepared to allow a particular worker(s) on its premises. Employment

The consequence of ‘informalisation from above’ is thus that ever fewer persons are in a standard employment relationship, particularly in the primary and secondary sectors, the traditional membership constituency of the trade unions. There is no empirical data as to the extent of this form of informalisation, but sectoral studies suggest it is widespread. 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’ labour (Theron et al, 2005).

This would be what one would expect, in a situation where ‘casual’ labour is able to be hired on a street corner or outside the factory gate, and where any intermediary or service provider can be expected to know the going rate. Such casuals are simply doing what they can to escape unemployment and survive, as much as a street vendor selling her wares. This, then, is the level at which informalisation from above merges with ‘informalisation from below’, and the range of occupations comprising what is more traditionally conceived of as the informal economy.¹³

There is of course no authoritatively accepted definition of the informal economy. The following categorisation does not purport to be comprehensive, but provides a useful starting point in determining what organisational response is appropriate: it comprises owners or employers of micro-enterprises (who may or may not be employers in their own right); it comprises own account workers, who work alone or with unpaid employees (such as apprentices and family members); and it comprises dependent workers (Birchall, 2006). The latter category includes those to whom labour legislation applies, but is generally ineffective, and those to whom it does not apply.

Assumptions underpinning the organisation of informal workers

Relative to the rest of Africa, South Africa is regarded as having both high unemployment and a small informal economy.¹⁴ Even so, it appears that the relative importance of the informal economy has increased quite significantly. In a study conducted by the UNDP the figure for 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

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.

¹³ The distinction between informalization ‘from above’ and ‘from below’ corresponds with the a distinction drawn between informalization from the demand side and from the supply side drawn by Birchall. (Birchall, 2001: 13).

¹⁴ According to Rodrik (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. See D. Rodrik, 2006. ‘Understanding South Africa’s economic puzzles.’ Unpublished paper, Harvard University.

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 Report, 2004: 238-239).

It is likely the UNDP study underestimates the extent of informal employment, as do all studies relying on statistical data from official sources, and not only because they tend not to take account of 'informalisation from above'. Statistics SA, the official statistics agency, in presenting the result of its latest household survey, refers to the 'informal sector', which it defines as consisting of 'those businesses that are not registered in any way...' It then provides a description of what it regards as the informal sector. It generally comprises businesses that are "small in nature, and are seldom run from business premises. Instead they are run from homes, street pavements or other informal arrangements."¹⁵

However this description is unrelated to the questions the interviewer actually asks in order to determine from an interviewee whether the place where he or she works is part of the informal sector or not. These questions have been modified in successive surveys, and in the most recent survey there were four questions. The first question seeks to establish whether the business is registered as a company or close corporation.¹⁶ The second is whether or not unemployment insurance contributions are being deducted.¹⁷ The third is whether the business contributes toward a medical aid fund or health insurance for its workers.¹⁸ The last is whether a business is registered for value added tax (VAT).

It appears that if the interviewee answers 'yes' to any of these questions the firm will be classified as part of the formal sector, since the converse would produce absurd results, and there does not appear to be any intelligible meaning that could be given to a combination of 'yes' and 'no' answers.¹⁹ In short, both because of the narrow ambit of the questions asked, and because it appears that an affirmative answer to any of them is enough to categorise a business as formal, it is apparent that the object is to include as many businesses as possible within the ambit of the formal sector.

This object is consistent with a conception of formal employment, or more accurately, standard employment, as being the societal norm: in other words, where employment is understood to mean by an employer, in an employment relationship, in a standard

¹⁵ Statistics SA, Labour force survey, September 2005, xxiv.

¹⁶ A close corporation is a simpler form of corporate entity than a company, designed specifically to cater for small business. Not more than ten persons may form a close corporation in terms of the Close Corporations Act, 1984. It should be noted that many businesses operating in the formal economy will not be registered as either companies or close corporations.

¹⁷ An employer is required to register with the Department of Labour for the purpose, amongst others, of contributing to the Unemployment Insurance Fund. However the deduction of unemployment insurance is a poor proxy for compliance with labour legislation.

¹⁸ There is no legal requirement that an employer contribute to a medical aid fund or the like. See note 17 below.

¹⁹ For example an interviewee may well answer 'yes' to the last question (VAT) and no to any of the other questions. Almost certainly far fewer businesses will contribute to a private medical aid or health insurance than are registered for VAT, so this question has probably been inserted as a proxy for VAT registration, in circumstances in which the worker does not whether his or her employer is registered for VAT. Similarly far fewer businesses will be registered as a company or close corporation than are registered for VAT. To suggest that a company that was registered for VAT but was not a company or close corporation was therefore informal, would be absurd, and cannot have been intended.

job. Put more broadly, it is consistent with a 'wage culture', in which employment for a wage has a privileged status, especially for men, as opposed to self-employment or survival through some form of entrepreneurial activity. The existence of such a culture would go some way to explain why it is, according to one study, that whereas those who lose jobs in the formal economy in Latin America tend to find work in the informal economy, in South Africa they end up unemployed (Seekings and Natrass, 2006: 320-321).

How then should organisations respond to informalisation? A trade union is the appropriate form of organisational response to 'informalisation from above', and amongst trade unions affiliated to COSATU there is evidence of increasing concern at the position of vulnerable workers (Skinner, 2006) The question that remains to be answered, however, is why it has taken COSATU as long as it has to respond to what was taking place in formal workplaces. The answer may have to do with the highly centralised form of unionism adopted. More controversially, it may represent a breakdown of values of solidarity within the trade union movement, in terms of which 'insiders' in standard jobs fail to make common cause with those who are more vulnerable than they. If that is the case, a 'new' form of unionism needs to emerge, be it from within COSATU or without.

But it is by no means clear that a trade union is the appropriate organisational response to 'informalisation from below.' The organisational model for this is the Self-Employed Women's Union (SEWU), which in turn modelled itself on the Self-Employed Women's Association of India (SEWA).²⁰ From its inception SEWU defined its membership constituency as the self-employed.²¹ 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 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.

However even though there may be sections of self-employed who are in an equivalent position to workers, insofar as they are dependent on a more powerful economic entity(ies) for a livelihood, this is not true of all the self-employed working under conditions of informality. It is also debatable whether it is feasible to rely on collective bargaining strategies to build organisation. The alternative is to adopt entrepreneurial strategies to promote the members' own enterprise. In the event it seems SEWU tried both. Whilst it had initial success in negotiating with the local authority for facilities and services for street traders, it seems it was not able to consolidate on these gains. At a later juncture it began to focus on strategies to empower its members economically, such as entrepreneurial education and training, and the introduction of a micro-credit facility for its members (Devenish and Skinner, 2004).

²⁰ It has been suggested that SEWA has changed about 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, 2006). I am not persuaded that this is the case. Impressive though many of its achievements may be, the impression SEWA created is of a well-resourced NGO rather than a trade union.

²¹ SEWU was established in 1994.

The question this gives rise to is thus: can the functions of a trade union coexist within the same organisation with the function of empowering its members economically? More specifically does the logic of forming a trade union not encourage a reliance on collective bargaining, feeding into a 'wage culture', rather than strategies of self-help? Regrettably, SEWU was not allowed to resolve this question for itself. In 2004 it was forced to dissolve, 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. Upon the demise of SEWU, a workshop was held in February 2005 with the idea that COSATU itself would take up the challenge of organising workers in the informal economy. However two years later no action had been taken to implement the resolutions of this workshop.²²

Is there a need for a new paradigm?

When this paper was conceived there were two new membership-based organisations that seemed as though they might provide additional perspectives on the apparent dichotomy between the functions of a trade union and the functions of empowering workers economically. The first concerned a classic instance of 'informalisation from above', under the guise of empowerment. As was happening elsewhere in the world, numerous manufacturers externalised the function of driving vehicles to deliver their products. Thus instead of employing the drivers and their assistants, drivers were 'empowered' to own their own vehicles, and became 'owner-drivers'. Owner-drivers in turn became the employers of their assistants.

A voluntary association was established, based in Johannesburg, to represent such owner-drivers, and advance their interests. It was called the SA Owner-Driver Empowerment Federation. As its name implies, it regarded its members as entrepreneurs, rather than workers in a relation of dependence on the firms they serviced. However at the time of writing its Cape Town branch office was long closed, and its Johannesburg telephone numbers were no longer listed. This was not really surprising. For the owner-drivers who joined and paid their membership-fees, the burning issue was that they were being exploited. Many found themselves economically worse off than when they had been employed.²³

There were two possible responses to a situation of exploitation, while retaining its identity as an association. The first was a trade union response. But because the association was conceived on a model of owner-drivers as entrepreneurs, this option was excluded from the outset. The other response was to form a cooperative enterprise that was able to advance the members' economic interests. Evidently this possibility was not contemplated.

The other case study concerned an NGO seeking to reinvent itself both as a trade union and a vehicle for empowering its members. The primary object of the trade union is to organise women workers on farms, many of whom are employed

²² For a fuller discussion of trade union endeavours to respond to informalisation see Skinner, 2006. The only example of a trade union initiative to engage with the issues of 'informalisation from below' has been the formation of the Mineworkers Development Agency, in the wake of job losses following the 1987 mineworkers strike.

²³ Interviews, members of SAODF, 14 June 2005.

seasonally, or via intermediaries. Although it is legally constituted as a separate entity, the NGO characterises it as “a member-based social movement of the poor”, with whom it has a partnership.²⁴ The trade union clearly benefits from the financial and other resources of the NGO, as the NGO doubtless benefits from the profile its partnership provides. Nevertheless, it is by traditional measures that a trade union’s success must be gauged, and the membership growth appears quite modest.

The more innovative strategy was for the NGO to empower women, by assisting them to form their own co-operatives. As initially conceived, the intention was to eliminate intermediaries such as temporary employment services, by forming worker cooperatives. This would have, at one stroke, responded to ‘informalisation from below’, by the establishment of a cooperative enterprise, and to ‘informalisation from above’, by creating an alternative. However this plan was never implemented. Instead a different plan was conceived. This was to form worker cooperatives that would farm agricultural land it had leased from a trust. As at the time of writing it has not yet been implemented in practice.

The object here is not to speculate as to whether it ever will, as much as to reflect on the dearth of models of a membership-based response to ‘informalisation from below’. NGOs, of course, may play a supportive role in developing such a response. However the dynamic of an NGO is quite different from a membership-based organisation: its finances depend on the social entrepreneurs that direct it, rather than on a membership that is, or should be, the source of its funding. In this regard, the notion of a ‘non profit sector’ or ‘voluntary sector’ is unhelpful. It also seems that notions such as ‘social movement’, in a developmental context, serve to obfuscate rather than illuminate the nature of the task at hand.

This dearth of membership-based organisations has been illuminated, rather than ameliorated, by the creation of a third constituency in NEDLAC, alongside organised labour and business, to represent the interests of ‘the community’. The only way the community could be represented at this level is through a federation of membership-based organisations. The claims of the federation of civic associations to be that body are not regarded as credible. More pertinently, in the current context, corporatism does not encourage building such organisation from the bottom up, as much as lobbying in the corridors of power.

To build organisation from the bottom up requires a paradigm shift from those social entrepreneurs whose point of departure is the funding proposal, and the elaborate ‘top-down’ intervention. It also necessitates a paradigm shift on the part of the community: away from a ‘wage culture’, towards a culture of self-help and self-reliance; away from a culture of personal greed toward a culture of communal solidarity. Clearly this will not easily be achieved. In the remainder of this paper I outline some examples of actually functioning cooperatives, to illustrate what is possible.

Case studies of seven ‘successful’ cooperatives

²⁴ 2006 Report, Women on Farms

Just as ‘informalisation from above’ necessarily give rise to the question of trade unions, whatever the past experience of trade unions has been, so too a membership-based response to ‘informalisation from below’ necessarily gives rise to the question of cooperatives, whatever the past experience of cooperatives has been, and regardless of whether organisations style themselves as such or not. The alternative is simply the ‘dog eat dog’ of individual entrepreneurial endeavour. The appropriate conceptual framework for building a cooperative response, is the ‘social economy.’ (Defourny and Develtere, 1999)

The past experience of cooperatives in South Africa is both positive and negative. It was positive, insofar as 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 experience was negative insofar as the mission of these co-operatives was perverted by racism. There was also the negative experience of cooperatives established in the 1980s and subsequently, with little or no conception of what it takes to establish an enterprise, which failed. Cooperatives continue to be established and fail for this reason until the present day.²⁵

However in the 1980s cooperatives faced a hostile economic environment with no institutional support.²⁶ In theory that has now changed, with the adoption of a new co-operative development policy and, albeit only in 2005, new legislation.²⁷ 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 (Theron, 2005).

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.”²⁸ By definition, then, when a cooperative registers it ceases to be part of the informal economy. The argument advanced here is that cooperatives, particularly in certain sectors, represent a model for reversing informalisation.

The cooperatives considered below are ‘successful’ only in so far as they have in fact proved sustainable, in that they have been in existence for a period of three years or longer. They provide concrete case studies as to how this reversing of informalisation might be achieved.

Case study 1: A transport cooperative

Everyone needs transport. Until the 1980s in Cape Town the working class relied on public transport: to get workers to work, to get to shops or 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

²⁵ The International Labour Organisation defines a cooperative as “

²⁶ This was in contrast to the trade unions, which benefited from a degree of ambiguity amongst a business community anxious for reform.

²⁷ Cooperatives Act, 2005. Although assented to in 2005, the Act is not yet in operation.

²⁸ Section 2(a), Cooperatives Act, 2005.

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 PW Botha to actively encourage mini-bus taxis as an alternative form of transport.²⁹ At the same time it was consistent with policies to encourage small business and de-regulate the labour market, at a time when Reagan and Thatcher governments were vigorously promoting such policies in the US and Britain.³⁰

For the PW Botha government, the mini-bus taxi represented a proto-type of the sort of small business a black person could make a success of. 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.³¹

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 continue to flare-up until the present. Nevertheless a handful of cooperatives have been established.

In 1999 a cooperative was formed by 14 small bus operators, who at the time survived on small contracts, providing services to churches and schools.³² The object of forming a cooperative was to pool their resources, 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 now has 52 members and last year generated a substantial surplus.

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

²⁹ The government of PW Botha preceded the transitional regime of FW De Klerk.

³⁰ 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.

³¹ After many delay and much wrangling, government is at the time of writing implementing a taxi recapitalisation scheme that aims to address some of the social problems that have arisen in the taxi industry.

³² Interview, Margareet Visser with Gretel Hornischer, Western Cape Bus Operators Transport Cooperative, November 2006.

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, and erected by the companies that they worked for, who leased or bought the land on which they are 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 labour 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 the land on which their hostels are located. The cooperative is now busy with 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.³³

The cooperative is able to do so by assisting its members to access a housing subsidy the government provides, which is used to acquire building materials. The costs of construction must be covered by member savings, or by 'sweat equity' (in other words, by providing their labour). The cooperative has 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 of the warlords once occupied is home to 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.³⁴ During the day there are 63 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 leases premises from the local authority and receives 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.

³³ Interview, Margareet Visser with Godfrey Qolweni, Ilinge Labahlali Housing Cooperative, 22 November 2006.

³⁴ Interview, Nosiseko Care Co-operative, November 2004.

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 employs between three and six such assistants, called teachers. Strictly speaking, then, the members are employers, 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, that it will accept the children of such poor parents.³⁵ 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 an organisation for profit, 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 of course sell by the side of the road and at traffic lights. Better still to sell at a tourist site, like the renovated areas of the Cape Town docks, known as the Waterfront.³⁶ 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 is the lease it has secured to a stall in a well-placed trading site on the Waterfront. It started with about ten members.³⁷ It now has forty. Its members are from a variety of backgrounds and range from those who employ 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 are female and about half are black African. Coloured and white persons make up the rest. Everyone works from home, and most depend entirely on the income from the goods they produce, which the cooperative sells on at a fifty percent mark-up.

Last year the cooperative made a surplus. However it is not critical that the co-operative make a surplus and the year 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

³⁵ The seventh co-operative principle, as adopted by the International Co-operative Alliance, is headed "concern for community." See I.McPherson, *Co-operative Principles for the Twenty First Century*, ICA Communications, Geneva.

³⁶ Tourism has been identified by government as a priority sector in terms of its Accelerated and Shared Growth Initiative (Asgisa).

³⁷ Interview, Margaret Visser with Bonita De Kock, Masizakhe Cooperative, 29 November 2006

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.³⁸

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 less 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 the capacity of the authorities to do so effectively is lacking.

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 26 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 with limited application to workers who are not in formal employment. 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 10 members in 2002. It now has 3 000 members, the majority of whom are female and, in accordance with the demographics of the area, coloured.³⁹ The SACCO offers 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 charges on its loans is only 2 percent. Yet despite the low interest rates it charges, it still faces competition from loan sharks, who have a foot in the market primarily because of the high rates of alcoholism amongst farm workers, and their vulnerability to sharp operators. Also, despite its low interest rates, in 2006 for the first time the SACCO succeeded in making a surplus.

Case study 6: A small farmers' cooperative

³⁸ In fact funeral societies are obliged in law to register in terms of the Friendly Societies Act, 19

³⁹ Interview, Harriet Stewart, Stellenbosch Winelands and Employees Savings and Credit Cooperative, 24 October 2006.

Government has identified agriculture and agro-processing as a priority sector, amongst other reasons because it is labour-intensive.⁴⁰ However any attempt to galvanise the sector 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.⁴¹ Small farmers, in particular, cannot hope to compete in a global market with heavily subsidised 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 company marketing rooibos tea.

This company was formerly a co-operative, but 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 realised 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 co-operative form 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 collectivising the costs of seasonal labour.

The cooperative used its surplus to encourage the participation of women. There are now thirty-six members. Twelve of these members are women, whereas only two of the founding members were women. At the same time the co-operative has sponsored a number of training and development programmes, which has 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 programmes. Until 2002, when it committed itself to the adoption of the so-called Extended Public Works Programme

⁴⁰This is in terms of the Accelerated and shared growth initiative – South Africa (Asgisa), p 8.

Government is in the process of devising a strategy for the sector in terms of Asgisa.

⁴¹ The pattern of land-ownership established by the 1913 Land Act, in terms of which thirteen percent of the land was allocated to non-Whites, has not changed much. According to official figures, only four percent of land has been transferred to black persons since 1994.

(EPWP), its flagship programme has been the clearing of alien vegetation in various parts of the country, in terms of a programme established under the auspices of the Department of Water Affairs and Forestry (DWAFF).

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 on. This represents a potential entrepreneurial opportunity.

As with any public works programme, 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 programme was designed so that employment was externalised: the teams of workers actually clearing the vegetation would not be employed by the programme at all. Rather they would be employed by so-called emergent contractors engaged by the programme. But the same result 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. However 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 in Atlantis, a dormitory town of Cape Town, a group of fourteen persons who had become emergent contractors formed a cooperative.⁴² Their experience as emergent contractors was that they had been compelled to undercut one another to secure the limited number of contracts DWAFF provided. They were also compelled to incur expenditure on protective clothing and machinery which as a cooperative could easily be pooled.

The cooperative now has 65 members, of whom only 23 are contractors, and has greatly extended the scope of its activities, which include making crafts from alien vegetation, harvesting reeds to be used for thatching houses and various activities related to tourism. It has also linked up with a crime prevention programme, in an endeavour to make the area safe for tourism.

Co-operative possibilities

One would need a lot more information than can be presented in this paper to make any kind of definitive statement about any of the cooperatives discussed above, and definitive statements about organisations are dangerous. Organisations 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 has grown. It is a membership that is overwhelmingly black (in the generic sense) and from a disadvantaged background. Women are well represented, even in sectors where they are generally not.

⁴² Interview, Margaret Visser with Martinus Fredericks, 2 November 2006

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.

True, 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. This is a project underwritten by the Social Housing Agency. On the other hand there are cooperatives that have thrived without any assistance whatsoever, or 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 (Satgar, 2006:39). The care cooperative is an example of the use of the cooperative form to lever resources, where otherwise they would not be prioritised. 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.

Indeed the debate about what kind of 'new' cooperatives are needed has yet to begin. All the cooperative case studies illustrate is the potential for such a movement if, as in the case of the trade unions in the 1970, there are the social entrepreneurs to lead it. The 'success' of all these cooperatives is attributable to such persons. Of course some of them are located within the cooperative, or one could scarcely speak of 'success.' But it is also true that leadership provided by persons external to the cooperative has played a critical role in their development. The NGO that is in a supportive relationship to the rooibos tea cooperative, or the volunteer who helped establish the SACCO, are examples.

Of course the presence of strong and possibly charismatic leadership outside the cooperative can interfere with its internal dynamics. On the other hand what is striking is that these cooperatives have survived with as little support as they have. That is also the complaint of most of them. Someone with a bent to manipulate poor people could choose easier ways to do so than through a membership-based organisation. In any event, the test of true leadership is to develop in others a capacity to assume leadership themselves.

Conclusions

There is no simple description of the national issue that could motivate social entrepreneurs in the first decade of the new millennium, equivalent to the 1970s formulation "most black South Africans are workers..." However the following

description of the economy in urban slums worldwide is equally valid for South Africa:

“Politically, the informal sector, in the absence of enforced labour 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 labour 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.” (Davis, 2006: 185).

On the other hand a reliance on ‘enforced labour rights’ is part of the paradigm that must change. Alongside this semi-feudal realm there is the social economy. What is needed are the social entrepreneurs who will fulfil its promise. A ‘new’ cooperative movement is one of the most hopeful ways of building its influence.

References

J.Birchall, 2001 Organising workers in the informal sector : A strategy for trade-union cooperative action. ILO Cooperative Branch Working paper 01-1.

M.Davis, 2006. Planet of slums. Verso, London.

A. Devenish, 2006. Organising informal economy workers in the South: A comparative history of the Self Employed Women’s Association in India and the Self-Employed Women’s Union in South Africa, Unpublished paper, University of Witwatersrand

J. Defourny and P. Develtere, 1999. The Social Economy: The worldwide making of a third sector. In ‘Social Economy North and South’. J. Defourny, P. Develtere and B.Fonteneau (Eds.), De Boeck, Bruxelles.

J. Seekings and N. Natrass, 2006. Class, Race and Inequality in South Africa. University of Kwazulu-Natal Press.

C. Skinner, 2006. Dealing with the informal economy: A challenge for trade unions. Unpublished paper, School of Development Studies, University of Kwa-Zulu Natal.

Supiot report, 1999. Transformation of labour and the future of labour law in Europe. European Commission, June 1999.

J.Theron with S.Godfrey and P.Lewis, 2005. The rise of labour broking and its policy implications. Labour and development monograph. University of Cape Town.

J.Theron, 2005. Country study: Cooperatives in South Africa

E. Webster, Trade unions and the challenge of the informalisation of work.

V.Satgar, 2006. Cooperative alternatives to capitalist globalisation. Report on conference proceedings, Rosa Luxemburg Foundation.

