

**DTI Logo**

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**Seminar Monograph**

**Can Cooperatives Transform Street Trading?**

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## **1. Background**

On 18<sup>th</sup> June 2009 the International Labour Organisation and the Department of Trade and Industry hosted a seminar entitled: Can Cooperatives Transform Street Trading in South Africa? This seminar was the sixth in a series on cooperatives to be hosted by the ILO and DTI.

The seminar drew in cooperators, policy experts, sector stakeholders and academics into a common space to think about cooperative development as part of an approach to address wider development challenges facing the country.

The seminar series on cooperatives is intended to achieve the following:

- Provide a platform for in depth debate about key policy and development issues facing cooperatives in South Africa;
- Generate new ideas, innovative thinking and insights about the role of cooperatives, the cooperative sector and cooperative economy;
- Identify opportunities and challenges facing cooperative development in South Africa;
- Provide a learning and sharing space for cooperative practitioners, policy actors, support ngos and mass organisations;
- Generate knowledge about cooperative practices and experiences at the frontline of change;
- Enhance the capacity for knowledge based leadership around cooperative development in South Africa.

## **2. Problem Statement**

Street traders are an important part of the South African economy. The World Bank and others approach street traders as an integral part of the so called 'informal economy'. Furthermore advocates of the informal economy approach claim that it is an answer to underdevelopment in many developing countries experiencing structural adjustment. To some degree this approach also resonates with the 'two economy' perspective advocated in the South African context. At the same time, for many amongst the ranks of the unemployed, street trading has become an important means to generate a livelihood. In this context various challenges have come to the fore, including: a lack of logistical support, lack of capacity, a failure to coordinate supply chain practices and lack of adequate trading facilities. From a labour market regulation perspective street trading has been considered to be part of the informal labour market. Trade unions have also viewed street trading and informalisation more generally as a threat to formalised labour.

How should we understand the place of street traders within the South African economy? Can cooperatives assist in challenging the constraints faced by street traders? Can cooperatives and a cooperative movement approach build a basis for solidarity between organised workers and street traders? What are the limits and challenges to a cooperative approach to street trading? What should be the role of the state and street traders themselves in supporting a cooperative approach?

## **Can Cooperatives Transform Street Trading in South Africa?**

Pat Horn, Street-Net

### **Street vendors as informal workers**

Street traders are not only an important part of the South African economy, but they are also part of the informal labour market. Clause 6 of the ILO's 2002 Resolution on Decent Work and the Informal Economy<sup>1</sup> asserts that "the informal economy absorbs workers who would otherwise be without work or income, ....." and Clause 9 points to the "decent work deficits" in the informal economy. "Workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection, for example when their employment status is ambiguous, and are therefore not able to enjoy, exercise or defend their fundamental rights. .... Workers in the informal economy may be characterized by varying degrees of dependency and vulnerability."

### **Trade unions organizing street vendors**

Clause 31 of the ILO's Resolution on Decent Work and the Informal Economy states: "An important objective for both employers' and workers' organizations is to extend representation throughout the informal economy. Workers and employers in informal activities may wish to join existing trade unions and employers' associations, or they may want to form their own." In line with this idea, many trade unions are already organizing informal workers, including street vendors and informal market vendors, either into their organisations (e.g. TUICO in Tanzania) or by establishing new informal economy union structures (e.g. ASSOTSI in Mozambique, STCI in Angola, FENASEIN in Niger, SEU in Bangladesh, NEST in Nepal, CTCP in Nicaragua) or by accepting informal workers' organizations as affiliates of national trade union centres (e.g. SYNAMAB-UNSTB in Benin, SIVARA-CGT in Argentina, FEDEVAL-CUTP in Peru). Since the ILO's discussion on Decent Work & the Informal Economy in 2002, the international trade union movement has largely moved away from the traditional view of regarding informal economy workers as a threat to organized labour to a wide-spread acceptance of the inevitable need to organize workers in the informal economy to struggle collectively for decent work

### **Role of cooperatives ?**

The ILO's SYNDICOOP programme, involving a partnership between the trade union movement and the cooperative movement, was launched in East Africa in 2002 in order to improve the livelihoods of workers in the informal economy. However, when the SYNDICOOP programme was subsequently launched in South Africa, it failed to engage effectively with street vendors, despite its stated intentions to do so.

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<sup>1</sup> [www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25res.pdf](http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25res.pdf)

The eThekweni municipality attempted to lure street vendors off the streets with promises of a better alternative livelihood when they abandoned implementation of Durban's inclusive Informal Economy Policy and started a series of crackdowns against street vendors in May 2005. However, street vendors who agreed to stop their street trade activities to attend the cooperative training courses offered by the municipality soon found that this training was not sufficiently geared to equip them to engage in alternative livelihood activities in the short term – and so in order to go back to earning an income, they had to go back to street trading.

These examples of failure do not necessarily mean that cooperatives have no role in relation to street vendors. But they do indicate that clearer thought needs to go into what kinds of cooperatives, and what kind of cooperative environment, would be effective.

### **Best practice example of informal workers and cooperatives – MNCR Brazil<sup>2</sup>**

This is a movement of cooperatives of informal waste collectors and recycling workers, started in Brasilia in 2001. Of 3500 registered *catadores*' cooperatives and associations, about 500 are part of the MNCR movement.

Regional networks have been established to expand the organisation of *catadores* into cooperatives. The following structures have been formed:

1. CataBahia (Bahia state, North-East)
2. CataUNIDOS (Minas Gerais state)
3. CataSAMPA<sup>3</sup> (São Paulo state)

At local and regional levels the MNCR has sub-committees which negotiate directly with state and local governments, with different levels of success. Major problems they face are the local municipal Councils giving contracts to large and small enterprises in the sector, who undercut them by exploiting the labour of the most vulnerable unorganised *catadores* and charging lower prices. At federal (national) level, however, a *Comitê Interministerial de Inclusão Social de Catadores de Materiais Recicláveis* (inter-ministerial committee) was established by President Lula in response to the development of the movement. This is an advisory committee which meets monthly with elected MNCR leaders, and every year in December they meet with President Lula to evaluate the progress of the Inter-Ministerial Committee. The leaders elected by the movement collect demands from MNCR committees at state and regional levels, and demands are presented to the different levels of government. In 2006 the PNSA (national environmental sanitation bill) gave guidelines and legal backing to municipalities to enter into contracts with cooperatives. The challenge for the movement is how to ensure that all the local cooperatives know the legislation and their rights at local government level. There are also regional Inter-Ministerial Committees, linked to the national Inter-Ministerial Committee.

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<sup>2</sup> [www.mnrc.org.br](http://www.mnrc.org.br)

<sup>3</sup> [www.catasampa.org](http://www.catasampa.org)

This informal workers' movement (based on cooperatives) provides an interesting model of cooperatives playing a critical role in the transformation of the lives and improved livelihoods of the *catadores*. What key elements, then, could be extracted and/or replicated for an effective approach in relation to street vendors (a different informal work sector) in South Africa ?

### **“Second economy” vs Solidarity Economy**

In Brazil (and indeed most other Latin American countries) cooperatives are organized as part of what is known as the Solidarity Economy. In Spain, cooperatives are organized in terms of legislation under the Social Economy Department in the Ministry of Labour. In South Africa, while various (differing) notions about a “second economy” have floated around in policy circles, cooperatives are organized through the Department of Trade & Industry. Small wonder, then, that in South Africa many people do not really see any difference between a cooperative and a micro-enterprise.

The Solidarity Economy comprises not only cooperatives, but also worker-owned enterprises (such as those famously established in Argentina during the financial crisis) and the Social Economy of Spain also includes autonomous workers (for which innovative new labour legislation was promulgated in July 2007). A recent *Amandla!* article entitled “Building everyday social alternatives”<sup>4</sup> suggests that the social enterprises and organized informal economy workers of the social and solidarity economy should be “understood more strategically as a source for transformation”.

### **Role of the State**

Street vendors can either be organized as entrepreneurs in the market system, or collectively for the creation of alternative ways of organizing their work with their full participation. It would therefore be helpful if the South African government would initiate or enter a policy discourse about the social/solidarity economy, starting with research and investigation into the different Latin American (and Spanish) frameworks. This should be done in conjunction with a Decent Work programme with a rigorous informal economy component based on Clauses 21 – 30 (regarding government's role in eliminating decent work deficits) of the ILO Resolution on Decent Work and the Informal Economy.

### **Towards a worker-centred approach for street traders in South Africa**

The key to an appropriate approach would seem to be that it should be worker-centred i.e. driven by street vendors themselves (like the worker-controlled *catadores'* cooperative movement in Brazil). The question of what kinds of cooperatives can add value to the livelihoods of street vendors (bulk-buying cooperatives, savings & credit cooperatives, service cooperatives for self-regulation of markets or trading spaces) is

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<sup>4</sup> Hilary Wainwright, *Amandla!* “Understanding the Global Economic Crisis” Issue no.7 April/May 2009

best determined in collective consultation with organized groups of street vendors – as there is unlikely to be a one-size-fits-all cooperative solution.

A more conducive environment for the organization of cooperatives or other alternative forms of production or service units, could be developed by putting organizational energy into building a movement within the social/solidarity economy (as the *catadores* did by establishing the MNCR in Brazil). This would give rise to a tangible worker-controlled structure which could engage concretely with the state and local authorities in ongoing struggles to improve the lives and livelihoods of the workers in the sector.

## Summary of Main Discussion Points

- The experience of organising street traders in Pretoria threw up important lessons. The most important lesson learned is that informal traders cannot get involved in activities unless it is directly linked to their work. The necessity of earning an income is crucial. Hence, cooperative interventions have to be devised around various possibilities, types and forms that relate directly to enhancing the income generation capacity of street traders.
- The Syndicoop failure was largely a function of not having discussions with vendors about the type of coops that can be useful. Moreover, the role of money in this process can be extremely destructive. The ACHIP experience shows this very clearly. If money is driving the process then discussions with traders is fruitless. ACHIP chased money.
- The Self Employed Workers Association (SEWA), in India, has 1.2 million members. It is one of the biggest unions in India. Their cooperative bank is key to their movement building and it has a strict loan system. The SEWA cooperative bank is an interesting example of building self reliance. It was developed bottom up through saving small amounts of money. Illiterate women started the bank from scratch with their own resources. The Reserve Bank in India tried to make this process very difficult for these traders. The traders saved their own money and set up this bank, which is a critical source of finance for them. On the other hand, the Self Employed Workers Union (SEWU) in South Africa was inspired by the SEWA example. SEWU started its own bank with its own resources. It brought in the Savings and Credit Cooperative League (SACCOL) to assist this process. There were high expectations about money coming in and not a high commitment to saving. This context of 'poverty money' did not assist the process.
- The relationship between local government and street traders is conflictual. Part of the problem local government is having is that there is no obligation to negotiate in good faith. Consultation is not genuine. The ideal situation would be a sort of a statutory bargaining council at local government level. This will oblige local government to engage. The opposite of this is unilateralism. A participatory stakeholder forum/statutory council will ensure formal and informal groupings can sit together. This ensures they can easily agree on stuff.
- There are various problems facing street vendors. First, most city councils do not have a sustainable policy on how to manage public spaces. As a result this is a major area of conflict with street vendors. A good example of conflict that flows from this is the Mall being built in the Durban market. Between 7 to 8000 vendors will lose their employment. Without security of space, vendors lose their job security. Second, vendors need credit together with security of space. Credit is crucial to keep their enterprises going. Third, storage space, water and toilets are also crucial. Fourth, vendors want to pay tax. However, there are various issues

around this: how much tax? What kind of collection system should be used? What should be the minimum rates? How should taxes be raised? etc. In Umtata right now there is a system which works very well. In various parts of Africa revenue from the informal sector is the second biggest after rates and taxes. Vendors pay regularly and there are simple collection systems.

- Xenophobia is a big issue at the grass roots and it affects street traders. Most foreigners are refugees and asylum seekers with the right to work. However, they do not have a work permit for the informal economy. Our position is that everybody must be organised. You don't have to have foreigner only organisations. Street Net is an international organisation and our members come from all over the world. In some areas Street Net members prevent these attacks. To overcome xenophobia we need democratic and inclusive organisation.
- Formalisation is not sufficient. There has to be a vision guiding this process to take things to the next level. In Brazil the solidarity economy is a crucial vision. However, in Brazil mass movements are the custodians of the vision. In South Africa government is controlling cooperatives. The current wave of 'movement building' is about further extending government control. It is also a money driven process. This cannot be a basis for building a solidarity economy. Actually government is against those who champion bottom up movement building. South Africa needs to build a bottom up movement culture. Without this there cannot be a solidarity economy. It is a necessary pre-condition and starting point for bringing the state in. The solidarity economy is not a state-led model and neither is it an entrepreneurial model. It is a participatory model driven from below. It must emerge through struggles.