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Seminar Monograph

Placing Worker Cooperatives on the Agenda: Opportunities and Challenges

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1. Background

On 14th May 2009 the International Labour Organisation and the Department of Trade and Industry hosted a seminar entitled: *Placing Worker Cooperatives on the Agenda: Opportunities and Challenges*. This was the third seminar in a series on cooperatives to be hosted by the ILO and DTI.

The seminar drew in co-operators, policy experts, sector stakeholders and academics into a common space to think about cooperative development as part of an approach to addressing 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

Trade unions in South Africa first experimented with cooperatives in the 1980s. Trade unions utilised cooperatives to assist retrenched workers. Over the past few years trade unions have also called for cooperatives to be on the national development agenda. This has been consistent with ILO Recommendation 193. With the deepening economic crisis many unions are considering a role for cooperatives within union strategy. In other parts of the world, such as Argentina, workers have utilised the cooperative option to take-over failing enterprises. Insolvency laws, worker cooperative laws and expropriation laws have played a crucial role in supporting these initiatives. How should trade unions utilise cooperatives in the current context in South Africa? Is there a need for a new worker cooperatives Act and worker cooperatives policy in government to support union strategy? How should the trade union movement relate to the cooperative movement?

3. The National Union of Metal Workers of South Africa (NUMSA) Approach to Worker Cooperatives

Dinga Sikwebu, National Education Officer, NUMSA

3.1 Our Past

Within NUMSA there hasn't been an appetite for cooperatives. This has been largely shaped and informed by the union experience in the 1980s. NUMSA pioneered worker coops in the 1980s. The union supported the establishment of two coops. The first was for workers dismissed at BTR SARMCOL in Howick. About 800 workers were retrenched. The union set up a cooperative in a community. The other big experience was with disinvestment related to FORD in 1985. As part of the settlement for disinvestment, the union set up PANAMA Texas. Both experiences failed. BTR SARMCOL turned ugly with violence. With these experiences the union has shied away from the cooperative option. Actually cooperatives have never featured on the union agenda since then. Off late the union has taken resolutions which have begun to mention cooperatives. In practice this does not amount to anything.

3.2 The Current Economic Crisis and New Thinking in the Union

However, with the deepening economic crisis, union thinking has begun to shift. Yesterday at a national conference the union resolved to take forward the cooperative option. The resolution tabled noted the problems in the economy and affirmed cooperatives as an alternative. This reflects new thinking in the union over the past two months. This thinking is motivated by the economic crisis. The automotive sector has lost about 36 000 jobs. What do we do with these job losses? It is in this context that the cooperative option is coming to the fore. Maybe the time has come to take cooperatives seriously as a response to the global capitalist crisis.

In March 2009 the union had a conference where the crisis was discussed. This brought to the fore two important issues that define the union's strategic approach to the crisis. First, employers in the auto industry were talking about a 'bail-out'. They wanted support from government to save factories and companies. As the union we wanted government support to save jobs. Hence as a union we would only agree with bail-outs under this condition. Otherwise why should tax payers money be used merely to bail out failed companies. The crisis has potential to focus the mind. Hence we have a strategic slogan: "how can we turn crisis into opportunity?" All orthodoxy of the previous period has been shattered. The second strategic shift in the unions thinking relates diversification to socially useful products. That is using the crisis to make this shift. There is a lot of support for auto assembly from government. Why is government not supporting auto assembly for trains and busses? If we approach the crisis in this way the big result or opportunity from all of this is to change ownership patterns in South Africa.

3.3 Black Economic Empowerment and it's Problems

At our recent congress we took a resolution on Black Economic Empowerment (BEE). However, this resolution recognises that BEE is not changing patterns of ownership in any serious manner. It is undermining manufacturing capabilities in the country. Let me give an example of what is going on. Recently ABERDEER cables lost a contract to a BEE company. This BEE company mainly consists of a 4X4, a laptop and the entrepreneur with international links. As a result of this the company ABERDEER had to close. The company employed a thousand workers. BEE got problems. This brings us back to the question of changing ownership patterns in a different way. The crisis holds out the opportunity to go beyond BEE.

Our perspective is that if government is going to give money to assist a company, why can't this be done in a way that gives workers the option of worker 'buy outs or take overs'. In short, why doesn't the government give workers the option to convert the company into a cooperative such that they can self manage and own it themselves. If government gives money to companies why cant we get money to change ownership patterns.

3.4 Challenges

There are big challenges facing this approach. First, if we go down this route we have to ensure there is a market for a product. If there are no markets, no demand for product, we will end up with problems. We need a lot of advice and research on how to diversify into socially useful products. Second, the union must utilise research to educate members. There has to be a lot of bottom up empowerment. In June we are rolling out a program with organisers on alternative forms of ownership. This is part of a bigger course. The third challenge we face is financing. We need to educate our representatives on pension fund boards about how they can leverage and redirect these funds into such an initiative. We need serious models and proposals. People in this room need to assist us with this.

4. Worker Cooperatives and Transformation

Vishwas Satgar, Executive Director, Cooperative and Policy Alternative Centre (COPAC)

4.1 Historical Background

If we cast a quick glance at history, the worker cooperative option has been part of the struggle of working classes for over 150 years. The early Rochdale pioneer experience was about workers coming together to pool their market power through a consumer cooperative. The benefits and virtues of conscious solidarity, in the context of a brutal and violent industrial capitalism, gave workers another way of ensuring their reproduction. Central to this was self protection against the destructiveness of capitalism. In short the early experience of workers taking up the cooperative option was very much a defensive act.

In the twentieth century worker cooperatives became part of a more conscious attempt to build alternatives to capitalism. Such cooperative practices and experiences were transformative in character. They formed an integral part of offensive struggles. Worker cooperatives in Mondragon, Spain, after World War II stand out as an important example. Various ideological traditions came together to form the basis for worker cooperative alternatives. This included syndicalists, anarchists and socialist.

4.2 The International Movement

As mentioned, within the international movement for worker cooperatives, the Mondragon experience in the North of Spain looms large. This experience took root after World War II and built worker cooperatives across all sectors of the local economy. The role of education, finance and planning proved crucial in the experience of building the Mondragon worker cooperative complex. Besides being one of the leading and most productive manufacturing enterprises in Spain, the Mondragon cooperatives have also evolved international operations in the context of European Union integration.

Alongside Mondragon are various other experiences of worker cooperatives in the world. Besides worker cooperatives taking root in Emilia Romagna in Italy, in Japan, the US, Canada and Finland, worker cooperatives also have developed a strong presence in countries of the global south. In Brazil, worker cooperatives have evolved through a strong link with the trade union center, CUT. This union federation has actively integrated the development of worker cooperatives with trade union strategy. After learning from the Mondragon and Italian experiences CUT evolved a strategy to promote worker cooperatives. This has entailed building support and capacity building institutions for worker cooperatives linked to the federation, actively organising and supporting worker take-overs and even providing financing.

Some of the CUT linked worker cooperatives run million dollar factories and are located in lead sectors of the Brazilian economy.

Within the ILO worker cooperatives are also promoted as part of internationally recognised instruments. In the context of the current debate about ‘descent worker’, the worker cooperative form provides a useful and concrete expression of an alternative. This is further clarified in the World Declaration on Worker Cooperatives.

4.3 The World Declaration on Worker Cooperatives

The World Declaration on Worker Cooperatives is a policy instrument and statement of identity by the international body for worker cooperatives, CICOPA. This declaration was adopted and approved by the International Cooperative Alliance (ICA), the global movement body for cooperatives in Columbia, in 2005.

The main features of the World Declaration on Worker Cooperatives are:

- It distinguishes different types of work: (1) wage employment, (2) independently self employed and (3) worker ownership. The worker cooperative option is an expression of the latter type of work, in which worker’s own and manage their own enterprise;
- It provides for six important basic characteristics of worker cooperative and which give it a distinctive identity;
- It defines rules for internal functioning;
- Specifies the importance of relations within the cooperative movement;
- Specifies the relations with the state and regional bodies;
- The basis for relations with employers organisations;
- The basis for relations with employee’s organisations.

Such a framework provides a useful starting point for unions to think about the worker cooperative option in South Africa. It also provides the basis for strategic engagements and a legal reform agenda.

4.4 Lessons from Argentina’s Recovered Factory Movement

Neoliberalisation in Argentina destroyed the Argentine economy. It was one of the most industrialised economies in Latin America. By the beginning of this century Argentinean unemployment rates were soaring and reached a high of 20%. Many workers began losing their jobs, the liberalisation of the financial system led to a complete collapse of the financial system and Argentina’s political elites were completely discredited. This led to a popular upsurge against the government in 2001. Many people came out on to the streets and brought down at least four governments. In the midst of this workers took over factories. They turned their backs on the corrupt union bureaucracies and parties. They stood up to defend their jobs.

In this process the workers created an alternative with three crucial characteristics: (i) worker ownership; (ii) horizontal decision-making practices on the factory floor and (iii) new solidarity links between production and consumption involving other cooperatives, communities and other social forces.

How did workers take over the factories? They used two strategies and with a great deal of tactical flexibility. First bottom-up organising. This happened through occupations, sit-ins, community solidarity and movement solidarity. Second through using legal space and opportunities. This included petitioning courts as creditors of companies that owed workers wages, lobbying for protection under national laws and actively championing legal reform to legalise the take overs.

4.5 Recommendations for Union Strategy

There are three recommendations for union strategy:

- (1) Trade unions need to go beyond corporatism and its elite practices through NEDLAC. Trade unions need to revitalise traditions of worker control in the union and as part of union engagement to advance a new politics of democratising work. Trade unions need to build in for the cooperative option to be part of union strategy;
- (2) Trade unions must build capacity for such a strategic option. This includes: establishing relevant institutional support structures in the union and alongside it, doing education, setting up financing and training mechanisms, develop planning tools for cooperative development, develop appropriate legal tactics and ways of pooling 'organic knowledge' through workers about opportunities and possibilities for engagement.
- (3) Trade unions must champion a policy and legal reform agenda vis-à-vis the state to support the development of worker cooperatives. Such an agenda to include a demand for worker cooperative policy (including financial and non-financial incentives) and a dedicated legal framework for worker cooperatives. Trade unions should also engage the Cooperative Banks Development Agency to set up union linked credit unions. Such credit unions to support both consumption and development needs of workers. This in turn could also be linked to building consumer cooperatives linked to unions. Such consumer cooperatives could develop a food store franchise/coop food stores in township communities for example to ensure cheap food prices.

5. Summary of Main Discussion Points

The deliberations at this seminar raised the following important points:

- Unions must develop capacity by learning from other international experiences, from doing education, from doing proper research like feasibility studies and cooperative business planning and so on;
- Union financing for cooperatives can be linked to restructuring union investment companies to support cooperative financing products. NUMSA to be given support and capacity for its worker representatives in pension fund boards etc. Proper models for financing worker coops need to be developed to assist this process.
- Need to show case successful cooperatives to manage the negative perception of cooperatives.
- A call should be made to the Labour Department and DTI to set up a reference group to ensure the following to support trade unions and the worker cooperative option: a worker cooperative policy is developed, together with a legal framework and strategy (financial and non-financial). The convenor could be the department of labour and would include all relevant stakeholders.

