

What is the Relationship between State Sponsored Worker Co-operatives, Local Markets and the Ekurhuleni Metropolitan Municipality?

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Abstract:

This research report examines the relationship between state-sponsored worker co-operatives, local markets and the Ekurhuleni Metropolitan Municipality (EMM, on the East Rand, South Africa) in the 2000s, to examine how state support impacts upon democracy in worker co-operatives (“co-ops”) more generally. Worker co-ops are democratic and voluntary organisations, simultaneously owned and managed by their members (“co-operators”), have a substantial history in South Africa and elsewhere, and have often been seen as a potential alternative to capitalism.

But are they? An extensive literature demonstrates market pressures erode co-op democracy (e.g. Philips): to survive, worker co-ops develop increasingly into capitalist enterprises, which fundamentally challenges notions that co-ops can challenge capitalism. Several commentators (e.g. Satgar) admit this problem, but see the solution in state support, which can purportedly shield worker co-ops from the market, so enabling their democratic content and socialist potential to be maintained.

This pro-state approach is tested by examining actually-existing worker co-ops in the EMM, where a number of state-sponsored worker co-ops were established from the 2000s; the two most successful co-ops are the subject of this case study. It is shown that, on the contrary, state sponsorship fostered dependency and subtle (and less subtle) forms of state control over the co-ops. Most of the co-operatives failed to survive, as state control foisted upon them impractical goals (e.g. competition in poor community markets with overwhelming rivals,) while creating additional problems (e.g. failing to allocate marketing budgets) and also undermining co-op democracy (e.g. through imposing external priorities on the co-ops). The co-ops that survived remain trapped between state patronage and the capitalist market: unable to ensure accumulation, they remain dependent on the state, but as a result, are continually pushed by the state back into the market.

It is not the South African state’s push to constitute the co-ops as black-run capitalist firms that is crucial to this story, but what this push reveals: state sponsorship was irredeemably linked to state control, and it was state control that enabled the state to force its agenda on

the co-ops in the first place; an alternative state policy framework would simply change the goals imposed. The hierarchical and elitist class logic of the state is fundamentally incompatible with the popular, self-managed logic of worker co-ops. In short, the findings on the interaction of internal co-op dynamics with the state and open market pressures suggest that *democratic worker co-ops are basically fundamentally incompatible with both markets and states*. They are also fundamentally incapable of transcending either, as their survival requires either emulating capitalism or embracing the state.

Lastly, this research report argues that the erosion of democracy in worker co-ops cannot simply be reduced to external forces (the state, the market), although these play a central role in such erosion. Of the two co-ops examined as case studies, one is characterised by authoritarian decision-making, the other by a fairly democratic practice. A key factor in such divergence were the co-operators' *own* political and work cultures. Argued Bakunin: while worker co-ops can play a demonstrative role, challenging authoritarian politics by showing the possibility of workers' self-management, they cannot provide a transformative role, overcoming capitalism or the state. A state-sponsored worker co-ops movement cannot form the heart of a radical, democratic and working class strategy for fundamental change.

To answer the research question, the research asks which factors are important in determining the internal democratic or authoritarian form of the co-ops under study. Two state-sponsored worker co-ops are taken as case studies. The first co-op is characterised by authoritarian decision-making, while the other is characterised experiences democratic decision-making. The findings of the research agree with Philip's (2006) argument that market factors are important in determining the internal form of a co-op. However, this research clearly shows that while market factors are important, they are by no means the sole determinant of the internal dynamics of a co-op. Non-market factors are equally important in determining the internal form of a co-op.

Keywords:

Co-operatives, markets, municipality, state, development, democracy, participation, power, autonomy, dependency, Bakunin, anarchism, anti-capitalism, Black Economic Empowerment, neo-liberalism, South Africa, labour, East Rand, socialism

Declaration:

I declare that this dissertation is my own unaided work. It is submitted for the degree of Master of Arts in Industrial Sociology in the University of the Witwatersrand, Johannesburg. It has not been submitted before any other degree or examination in any other university.

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15th day of March , 2012

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List of Acronyms

ANC – African National Congress

BEE – Black Economic Empowerment

BBBEE– Broad Based Black Economic Empowerment

COPAC – Cooperative and Alternatives Policy Centre

COSATU – Congress Of South African Trade Unions

DOL – Department Of Labour

DSD – Department of Social Development

DTI – Department of Trade and Industry

EMM – Ekurhuleni Metropolitan Municipality

GDED – Gauteng Department of Economic Development

GEAR – Growth, Employment and Redistribution

GEP – Gauteng Enterprise Propeller

GWU – General Workers Union

IDP– Integrated Development Planning

IERI– Institute for Economic Research and Innovation

IHP – Industrial Hives Programme

ILO – International Labour Organisation/Office

IMF– International Monetary Fund

ISI – Import Substitution Industrialisation

LED – Local Economic Development

MCC – Mondragon Co-operative Complex

NEM – Normative Economic Model

NIE – New Institutional Economics

NUM – National Union of Mineworkers

NUMSA – National Union of Metalworkers of South Africa

RDP – Reconstruction and Development Programme

SACP – South African Communist Party

SDF – Social Democratic Federation

SOE – State Owned Enterprise