

COPAC
COOPERATIVE AND POLICY ALTERNATIVE CENTER



Create Work Through Worker Cooperatives



A Guide For Grassroots
Activism



Create Work Through Worker Cooperatives:

A Guide For Grassroots Activism



COPAC

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GLOSSARY OF TERMS

Business Plan – The plan that shows how the worker cooperative will practically achieve its objectives.

Capital – In this guide is used to refer to money/finance. It is the finance that worker cooperatives need to pay for equipment, to expand, and to cover costs.

Concept document – a document that sets out the 'dream' for your cooperative: what you want it to do, its objectives, how it will function and so on.

Feasibility Assessment – A process of research and asking questions to find out if your proposed cooperative is likely to be successful. That is, whether the idea is feasible.

Fixed Costs – These are the costs in a worker cooperative that remain largely the same every month regardless of how much is produced, such as rent. These are also sometimes called overhead costs.

Membership Fee – This fee is paid by members upon joining the cooperative. The members determine the amount of the fee democratically. Members of the cooperative pay this fee annually.

Member Share - A member share is a long-term investment amount paid by members into the cooperative. The number of shares and the value of the share are determined by the members democratically. Every member will have a membership share capital account reflecting that member's contribution towards their share or shares. Part of the surplus will go into the members' accounts every year that a surplus is made, so that the account will grow every year if a surplus is made.

Variable Costs – These are costs that increase as an amount of the product being produced increases. For example, in a bakery cooperative flour is a variable cost. If more bread is produced, the amount spent on flour will be more, and vice versa.

Subscription Fee – An annual fee payable towards the running of the co-operative, and may be paid off in equal monthly installments. Some worker cooperatives do not charge such a fee.

Surplus – This is the difference between income and costs at the end of a financial year. The allocation of surplus is determined by all members in the cooperative in accordance with its constitution and policies or bye laws. In normal capitalist businesses it is referred to as profit.

Working Capital – Money to cover fixed and variable costs. It is the money that is used to pay for inputs, like the flour in a bakery cooperative, or wages.

Worker Owner/Worker Member – A person who works in a worker cooperative, is a member of the cooperative, jointly owns the cooperative, participates in decision making in the cooperative, and benefits from the cooperative.

SECTION ONE: **UNDERSTANDING WORKER COOPERATIVES** **IN THE SOLIDARITY ECONOMY**



Module 1

Using the Guide

Using the Activist Guide as a Learning Tool

1.1 Introduction

COPAC has been engaged in building cooperatives and promoting alternative models of local development for over sixteen years. This guide is a result of these years of grassroots practice and learning. Since 2007 COPAC began researching the idea of the solidarity economy and developing tools to advance this alternative in South Africa. By 2010 COPAC engaged in Solidarity Economy Movement building in 15 township sites in 6 provinces. The experiences, successes and ongoing learning gained from emerging worker cooperatives in these sites have contributed to the development of this guide.

South Africa has been severely affected by unemployment. Over a million jobs have been lost since the recession in 2009. Our economics is upside down. Economies will remain unstable and crisis prone as long as our development is held hostage by powerful corporations. These corporations exacerbate the jobs crisis. They are exploiting labour and hold workers ransom through low wages. If these corporations are not making enough profits they retrench workers. Unemployed workers and their families are struggling to survive. Households and communities are experiencing high unemployment and deepening inequality. In South Africa we are increasingly facing permanent unemployment. The link between wage earning and survival is broken as unemployment increases in a globalised economy. 'Full employment' is a false promise under these conditions. The deepening inequalities fuel crime, violence against women and children, xenophobia and racial division. The crisis also poses a major threat to the lives of workers, the poor and landless. We need solutions from below that can transform how we live as part of nature, rather than degrading, polluting and destroying nature. We need to advance transformative systemic alternatives so we realise a just transition to survive climate change. The workers and the poor cannot pay the price for the climate crisis.

Our society lacks a common vision and a sense of collective solidarity. Our challenges tend to be individualised without bringing into view the big obstacles faced by individuals. Most importantly the distribution of power in South Africa stands against individual solutions.

Is it possible to have a different, more human and nature centred economy? Can workers have greater control over their enterprises and the economy? Can workers control the conditions of their employment while not destroying the environment? It is in this context that worker cooperatives become fundamentally important alternative institutions for the unemployed and communities to build their own power and control their own work. The worker cooperative is part of building a different economy to capitalism, one that is based on human need and a non-destructive relationship with the wider environment. It is guided by ethics and principles of solidarity, caring, collective ownership, environmental consciousness, self-management, community benefit and democracy.



1.2 Purpose of the Worker Cooperative Guide

The main objectives of the guide are the following:

- Provide tools for designing and developing a worker cooperative through three phases of **ground work**, **start-up** and **consolidation**. It is therefore a tool that can be used as a guide for those who are setting up a worker cooperative or wanting to strengthen an existing one.
- It is also designed to be used in a workshop setting in order to train those who are aiming to start a worker cooperative and to train trainers, or facilitators, who want to train others on how to set up a worker cooperative.
- Capacitate a new form of worker cooperators and activists who understand worker cooperatives as a way of transforming society and a new way of organising work and member needs.
- Contribute toward worker cooperative development and broader campaign building for the promotion and support of worker cooperatives in South Africa.

Plenary Group Exercise:

All workshop participants should be encouraged to answer the following questions:

1. What are the main factors causing unemployment today?
2. Do we have to wait for government and businesses to create employment or can we lead change from below through our communities and organisations?
3. How can we harness solidarity to contribute to creating work and transformation in our communities and organisations?

1.3 Key Principles for Process Facilitation

Learning is a continuous process, an everyday activity and an integral part of what it means to be a human being. Learning is about how we change and become different from the way we were before.

For real learning and capacitation to take place, a facilitator using this guide cannot behave like a school teacher or lecturer. People cannot be empowered just by lecturing to them. The learning process is about opening and awakening critical consciousness so that fear to live as a full human being, in association with others, is overcome. Facilitators should share the tools of SEM building by applying the following principles in a collective learning process:

- ***It is people-centred:*** it encourages participation, values people, celebrates diversity, and puts people first. It recognizes people's skills and experiences as key resources.
- ***It is active:*** it involves people doing and experiencing things.
- ***It is enquiry based:*** it continually tries to uncover why something is the way it is and to explore what is going on under the surface.
- ***It is critically reflective:*** self-awareness is seen as an integral part of taking action and it is reflection aimed at gaining insights that will inform future actions.
- ***It builds on existing knowledge:*** it draws out relevant information from the participants about their needs and context and provides processes which encourage people to critically analyse and discuss from their own experiences.
- ***It responds and adapts to people's needs:*** it is flexible enough, open enough and sensitive enough to recognise people's needs and to change to meet them.
- ***It recognises the importance of feelings:*** human transformation is as much about what happens to how you feel as it is about how you think.
- ***It is NOT neutral:*** rather it is clear about where it is coming from, what it is trying to achieve and why, and whose interests it aims to serve.
- ***It is holistic:*** it looks at linkages between the past, present and future, between the individual, the group, society and the environment as well as between local, regional and global levels.

1.4 Being a Facilitator

As has been mentioned, this guide is aimed at being a daily tool for use by those who are setting up a worker cooperative or strengthening an existing one. It is also designed to be used in a workshop setting to train people on how to set up a worker cooperative. Such a workshop requires that someone (or even more than one person) facilitates the workshop. In facilitation, the facilitator has a variety of roles such as animator, trainer, skill-sharer, clown, enabler, sharer of real experience, and theorist. While there are multiple roles to play, ultimately each facilitator will find his/her own style.

It is important for the facilitator not to see themselves as “only” a facilitator. In order to give the training a grounding and relevance, we need real problem-solving leadership experience to confront the hardships and struggles that we have experienced. Thus, the

facilitator must share his/her skills and experiences freely. Working closely and generously with other facilitators, whether more or less experienced, builds their capacity and one's own. It allows one to grow and to form genuine teams in every situation. It also protects against the virus of self-inflation (thinking that being a facilitator makes one an expert and therefore unable to learn from others).

It is important to remember that through the process of experiential learning the facilitator learns from the group he/she is working with. In other words, it is important to remember the facilitator may not always have 'all the answers'. It is through this process that active learning takes place. The facilitator must capacitate people to take action, and then reflect on and evaluate the situation in order to draw the right lessons from the action taken. In this way learning becomes a never-ending process.

1.5 Workshop Guidelines

This activist guide uses a workshop method to ensure two-way learning and to encourage bottom-up movement building. In this approach the facilitator has to put into practice the principles of training mentioned above. The workshop-based learning approach is meant to gather solidarity economy actors into small groups in which they are able to learn together and from each other. This guide sets out an intensive program of workshop-based training that can happen over three days. However, this is just a guideline.

The training content is made up of modules which follow a sequence of building block learning. This means it is important to exhaust and work with the ordering of the training modules. However, this does not mean that the time spent on each module has to be as suggested. Facilitators might find it is necessary to spend several days on one module before moving on to the next one. Facilitators must remember that this learning process requires patience.

The theory content of the modules should be presented by the facilitators. Complimenting this is the plenary group exercises and small group exercises in which the participants in the workshop discuss and problem-solve. This ensures a more horizontal and bottom-up process of learning.

The actual location of the training workshop should be guided by the circumstances faced. This requires creativity and adaptability. For example, training might take place in a waste recycling plant, a community hall, on a piece of farming land, under a tree and so on. Workshop-based training is a tool that can be used in various places and settings.

Facilitation tools (e.g. chart paper, pens, slides, audio-visual materials) compliment training, but are not fundamental to it. A lack of facilitation tools should not prevent the training workshop from taking place. In many of our cultures and societies learning has also happened orally – by talking to each other and using whatever is available in the immediate environment like drawing with sticks in the sand or using words, symbols and objects to represent the people, events or ideas. We would encourage trainers to adapt the content in this guide to what is appropriate and necessary in the circumstances.

Small Group Exercise:

Workshop participants must be broken up into small groups to answer the following questions:

1. How do you learn? What tools do you use to learn?
2. How can the workshop be used as a learning process and space?
3. What are you willing to do to ensure the workshop is a learning process and space?



Module 2

Worker Cooperatives in the Solidarity Economy

2.1 Objectives of this Module:

- Learn about the importance of worker cooperatives
- Understand worker cooperative theory
- Learn about different contexts for worker cooperative development
- Understand the South African context and experiences of worker cooperatives
- Understand some of the factors that help make worker cooperatives successful

2.2 What is a Worker Cooperative?



Generally, a worker cooperative is an enterprise that is owned, wholly or partially, by those who work in it. We call them **worker owners** or **worker members**. Worker cooperatives are therefore **democratically** controlled for worker owner benefit, both individually and collectively. A worker cooperative can be organised around different types of economic activity: farming, manufacturing, services and even social support. However, the economic activity of a worker cooperative does not clarify its real identity. Not all cooperatives are worker cooperatives. What makes a worker cooperative a worker cooperative is the internal relations: how it is organised, who owns it, and who controls it.

Plenary Exercise:

1. Think of a well-known company in your area or in South Africa. Who owns the company – is it those who work in it?
2. Do those who do the daily work that produces income for the company get to benefit from that income equally? Who gets most of the income ?
3. Do the workers in that company have much power to decide about how to undertake their work, their working conditions, and wages? Who decides?
4. Is this the only way our economy can be organised, or can we have a situation where workers own their enterprises, as well as the machinery and equipment needed to produce, decide how to run their enterprises together, and ensure their communities are positively impacted by their enterprise?

Examples of Worker Cooperatives



Mondragon in Spain



Twano Manufacturing - South Africa



Brokman suit manufacturing - Argentina



Mobile Cooperative Bank - Kerala India



Organic Farming - Emilia Romagna Italy



Quire production - Kerala India



Zanon Tile Manufacturing - Argentina



CECOCESOLA Markets - Venezuela



CICOPA is the branch of the International Co-operative Alliance (ICA) that promotes worker cooperatives. Its members are cooperative federations located in different countries. Many of these cooperatives are worker cooperatives, where the employees are the owners of the enterprise. In 2005 CICOPA adopted the *World Declaration on Worker Cooperatives* after it was approved by the general assembly of the International Cooperative Alliance (ICA). This sets out an important framework for defining a worker cooperative. To help us further understand what a worker cooperative is, we can compare it to other conditions under which people work. The Declaration defines three different types of conditions in which employed people in the world today undertake their work:

1. **Self-employed** – people who work for themselves by offering their services or producing a product to sell to others. An example is a carpenter who produces furniture on her/his own and sells the furniture produced to shops and the public in order to earn an income.
2. **Wage earners** – these are people who are employed by others, including workers and managers. They are employees employed by an employer (for example, a company) and are paid a wage or salary for their work. An example is the Sasko bread factory where workers go to the factory 5 days a week, bake the bread, obey the rules set by management, and in return are paid a wage at the end of every month.
3. **Worker ownership** – this is a form of work where work and management are carried out together. This occurs in a worker cooperative. Workers undertake work in the enterprise, but they also participate in managing the enterprise – in shaping the conditions under which they work. The work and the management of the enterprise are undertaken by the workers together. The worker owners **work** in the enterprise, they **own** the enterprise, and they participate in **managing** the enterprise.

The *World Declaration on Worker Cooperatives* also says that there are six features that further help us understand what a worker cooperative is:

1. The objective of a worker cooperative is to create and maintain sustainable jobs for its worker owners in to improve the quality of life of the worker owners, to create work with dignity, to allow for the democratic management by the worker owners together, and to promote community development;
2. Membership is voluntary and members contribute with their work as well as economic resources;
3. Work is undertaken by members of the worker cooperative. The majority of workers in the enterprise must be members/owners;
4. The relationship of worker members to the enterprise must be different to that of self-employed or wage earners (as above);

5. Activity within the cooperative is governed by rules that are decided democratically by the worker members;
6. A worker cooperative is independent of the state or other actors. Work and the use of equipment and so on is decided by worker members.

Broadly there are two types of worker cooperatives: share-based and fee-based. This means that the ownership of capital (money) is different in each one. In a share-based model each member has an individual capital account in which surplus are distributed and losses shared. The capital in the member's account remains in the cooperative until the person leaves. In a fee-based model members pay an annual fee to be a member of the worker cooperative and at the end of each year can receive a dividend if the cooperative has made a surplus. This dividend is based on a surplus formula that has been developed by the members to guide what is done with the surplus. There are many examples of worker cooperatives that are share-based models within the Mondragon cooperatives in Spain, for example. The sample constitution below of the Mineline Worker Cooperative also introduced a share-based model for their members. Many cooperatives in South Africa are currently fee based as prescribed in the general cooperative constitutions for registration. The decision by members on which model to take up solely depends on the feasibility assessment and the strategic and operational planning of the cooperative they wish to start up. Mainly it depends on the capital that individual members bring to the cooperative.

What is a 'surplus'?

At the end of a financial year, the cooperative takes its financial records and adds up all the expenses/costs. This is what the cooperative paid for wages, electricity, materials to produce with, machinery, repaying loans and so on. It is money that went out of the cooperative's bank account in the year.

The cooperative also adds up its income for the year. This is the money it got from selling the services or products that it made. It is money that came into the bank account during the year.

The surplus is the money that is left over after expenses have been subtracted from income. Cooperatives always aim to make a surplus so that it can meet its members' needs and expand to employ more people.

In normal capitalist business we call income minus expenses, profit. But in worker cooperatives we say surplus because it is slightly different from profit. Profit is the ultimate aim of capitalist businesses. But in worker cooperatives, making a surplus is not the final aim. The final aim is to meet the needs of worker members, which the surplus is used for. Also, surplus is democratically controlled.

2.3 The Importance of Worker Cooperatives

Worker cooperatives are an important solidarity economy option for the following reasons:

- Unlike the typical top down structure of capitalist businesses, worker cooperatives are a **democratic** option for organising production, finance and consumption. It gives power and rights to worker owners to determine all decisions facing a cooperative and to jointly own the cooperative. It does not produce 'insiders and outsiders' in the cooperative. All worker owners are equal.
- Workers are generally exploited, undermined as human beings and generally treated as a cost in a capitalist business. In a worker cooperative **worker control of work** ensures the power and dignity of workers. It ensures work is about development, learning, sharing responsibility and is responsive to the needs of workers.
- Worker cooperatives are **transformative**. They protect jobs but at the same time are also part of a new pattern of production and consumption to **change society**. Genuine worker cooperatives are self-conscious about being grounded in ethical objectives, values, principles and advancing a transformative vision. Such cooperatives are actively involved in the struggle to transform society and live an alternative.

2.4 Worker Cooperative Theory

A worker cooperative is a type of cooperative that has its own specific features. It is a cooperative jointly owned and democratically controlled for the benefit of all those who work in it. The specific feature of a worker cooperative is its internal relations. It provides a form of work based on **worker ownership**.

Hence at the heart of the cooperative are worker owners. Worker owners have the following attributes:

- They work in the cooperative;
- They jointly own the cooperative by purchasing a share in the cooperative. The value of this share is recorded in an individual member's cooperative account. This share in ownership entitles the worker owner to share in the surplus/net income of the cooperative. At the end of the year, if there is a positive surplus the worker owner's account gets a portion based on the surplus formula. If there is a negative surplus this is deducted from the member's account. In short, worker ownership entitles a worker owner to share in the profits and losses. In South Africa we have not developed this model yet but we have been establishing worker cooperatives through worker owners paying a membership fee or buying a share, which becomes part of the general capital pool, but we do not have individual member capital accounts. Worker owners then share in surplus or losses.;
- After purchasing a share or paying a membership fee workers are members of the cooperative;

- Worker owners have decision-making rights in the cooperative regarding operational, strategic and policy (sometimes referred to as bye laws) issues facing the cooperative.

The ethical values and principles of a worker cooperative are the same as the values and principles of the solidarity economy. Some of the **main ethical values** of a worker cooperative are caring, sharing, self-reliance, honesty, democracy, equality, learning, environmental consciousness, social justice and openness.

The principles of a worker cooperative are:

- **Solidarity:** provides the social basis for the solidarity economy. It informs the cooperation between members inside a solidarity economy enterprise, between such enterprises and with the community more broadly.
- **Collective ownership:** ensures the assets and resources of the solidarity economy enterprise brings benefits to all within the enterprise, to the community and future generations. It ensures control and power are shared.
- **Self management:** gives members (women and men) and worker owners the rights to impact on decision-making. Such a principle ensures one-person-one-vote institutionalises accountability and responsibility. Ongoing education and training is crucial for viable self management.
- **Control of capital:** is a crucial practice to secure benefits for the individual enterprises, the wider solidarity economy and the community. It requires developing mechanisms to build up capital from below and subordinating it to democratic control so that the vision, values and principles of the solidarity economy informs lending practices. Such criteria will also inform the behaviour of the borrower.
- **Eco-centric practice:** places an emphasis on a non-destructive relationship with nature through inputs, production processes, services rendered, consumption and household practices.
- **Community benefit:** encourages a broader social awareness as an integral part of how the solidarity economy works. Such community benefit to be accounted for through transparent financial reporting.
- **Participatory democracy:** provides an institutional space for the decentralised power of citizens and solidarity economy actors for and with the solidarity economy process. Such an institutional space to bring together and unite such social forces to ensure effective coordination and development of the solidarity economy.



These values and principles are consistent with the International Cooperative Alliance (ICA) Statement of Identity and the international worker cooperative body (CICOPA's) World Declaration on Worker Cooperatives.

The South African Cooperatives Act of 2005 (Part 2) also makes special provision for worker cooperatives. It defines a worker cooperative as “a primary cooperative whose main objectives are to provide employment to its members...”. As you will by now know, this is a very poor definition of a worker cooperative.

However, in 2013 a number of amendments (changes) were made to the Cooperatives Act, by the Cooperatives Amendment Act No. 6 of 2013. One of the changes was to expand the definition of a worker cooperative, which is now defined as: “a primary cooperative in which the members pursue the objective of optimally utilising their labour by building a jointly-owned and self-managed enterprise.” This definition better captures the essence of a worker cooperative:

- The cooperative provides employment (“optimally utilising their labour”)
- The cooperative is owned by the members who work in it (“jointly owned”)
- The cooperative is also managed by those members who work in it and own it (“self-managed enterprise”).

Moreover, the 2005 Cooperatives Act says that the constitution of a worker cooperative must consider including the following:

- State whether the amount that new members have to contribute finance to the cooperative through shares, membership fees, or a loan to the cooperative, must not exceed half of what they will earn in the first year in the cooperative;
- Whether the cooperative can provide employment to people who are not members and, if so, what percentage of its workforce can be non-members. According to the Act, the maximum it can be is 25%. This means the worker cooperative can employ non-members but has to provide decent work.
- How any surplus earned will be distributed. The Act says that at least 50% must be paid to members.
- Whether there will be a period of probation for people applying for membership. Probation is essentially when someone who wants to become a member of the cooperative works in the cooperative for a certain period of time without being a member. At the end of this period the board then decides whether this person has been satisfactory, like whether they have worked hard, shown commitment, adhered to the values and principles of the cooperative, worked well with other members, and so on. The board can then decide whether or not to give the person membership. According to the Act, the cooperative can decide in its constitution how long it wants the probation period to be, but it cannot be longer than two years.

- The constitution can also include provisions for how work will be allocated, the procedures for suspending or laying-off a member, and procedures for disciplining members.

According to the 2013 Amendment Act, all worker cooperatives must comply with labour legislation. If they need exemption from any aspect of labour legislation, they can apply for this.

Note:

As a worker cooperative member, it is recommended that you take the time to read the Cooperatives Act as well as the 2013 Amendment Act. They can be downloaded at the following links:

Cooperatives Act:

<http://www.cipro.co.za/legislation%20forms/coops/Co-operativesAct14of2005.pdf>

Cooperatives Amendment Act of 2013:

http://www.gov.za/sites/www.gov.za/files/36729_gon558.pdf

Furthermore, the 2013 Amendment also states that a minimum of 5% of the surplus of cooperatives must be set aside in an indivisible reserve fund. An indivisible reserve fund is essentially a fund that money is put into and which cannot be used to pay wages or other costs. It can only be used for a rainy day or for expansion. Having this source of funding is crucial for building internal capital reserves in a cooperative.

South Africa does not have a dedicated Worker Cooperative Law or Act. This means South African legislation is not able to stem abuse of the worker cooperative model, through labour brokers for example, because there is no explicit regulatory prohibition in this regard. Moreover, the current law is not able to provide for different kinds of worker cooperatives. More specifically, there are other serious problems with the specific provisions related to worker cooperatives and in *Schedule 1, Part 2*, of the Cooperatives Act 2005 there is a clumsy formulation in the Act which does not clarify the relationship between primary and secondary worker cooperatives, neither is there provision for different forms of worker self-management linked to the scale and size of a worker cooperative. Finally, the provisions do not deal with the different contexts in which worker cooperatives can emerge. South Africa has a generic Cooperatives Act supporting different kinds of cooperatives but in practice mainly through one department. The constraints and challenges facing this department, become the problems also facing cooperatives, including the development of worker cooperatives in South Africa.

Small Group Exercise:

1. What is a worker cooperative?
2. What are the features of a worker cooperative and how are they different from a normal capitalist business?
3. How can worker cooperatives change how the economy works and change society?
4. From your own experiences what are the challenges to the growth of worker cooperatives in South Africa?

2.5. Threats to Worker Cooperatives

Historically worker cooperatives have been critiqued in three ways, commonly known as the 'degeneration thesis'. Degeneration essentially means that the worker cooperative moves away from the practices that make it different to a capitalist business (discussed above) **First**, degeneration is associated with constitutional degeneration. This is when worker owners lose internal control. They might lose decision-making rights to a manager, for example. It could also refer to losing control due to external investors who dictate conditions to the worker cooperative. In short, the legal rights that worker owners have to impact on the operational, strategic and policy decisions of the cooperative are undermined. This problem is also overcome in practice and it relates to how self management systems are designed and how education happens in a worker cooperative. The best solutions to overcome this problem are actually existing and successful worker cooperatives. Learning from these cooperatives assists in addressing these problems. In practice it means affirming the rights of worker owners.

Second, degeneration is associated with external forces and goal degeneration. This means that worker cooperatives are overwhelmed in a market and take on the characteristics of a typical capitalist business. They abandon commitment to their objectives (i.e., the needs of worker owners), vision, values and principles. Instead of guiding and negotiating market relations the cooperative is led by market relations as it tries to compete in the market with capitalist enterprises. Many cooperatives experiencing goal degeneration end up self-exploiting the workers. In practice this problem is overcome through ongoing education inside a worker cooperative, democratic decision-making, strategic planning, community and solidarity economy movement links. The best solutions to overcome this problem are actually existing and successful worker cooperatives. Learning from these cooperatives assists in addressing these problems. Case studies and examples become important.

Third, degeneration is associated with internal pressures towards degeneration. This normally refers to the concentration of power in a manager or group inside the cooperative and that person, or group of people, become like a boss. This is the tendency towards 'oligarchy' which is prevalent also in trade unions, political parties and other institutions. Keeping the cooperative democratic is the key to this problem. Democracy means affirming worker owner rights in practice for information, for decisionmaking and ownership. All worker owners have one vote. Also learning from existing cooperative experiences of how to strengthen internal democracy is important.

In a worker cooperative labour is a fixed cost. Unlike a capitalist business which treats labour as a variable cost. Moreover, in a capitalist business treating labour as a variable cost means labour costs are constantly seen as the solution to challenges. Bringing labour costs down through lowering wages or retrenchments are understood as the way forward for capitalist businesses. Worker cooperatives accept labour costs as a given and attempt to solve crisis moments differently. For instance, instead of decreasing wages or retrenching workers as ways of dealing with challenges, worker cooperatives might consider:

- Bringing down the costs of a product/service;
- Increase marketing;
- Lowering managerial salaries;
- Increase retained earnings or re-investment;
- Draw on retained earnings or surplus pools in times of crisis;
- Momentarily reduce wages;
- Rethink strategy and retrain inside the cooperative.

Worker cooperatives produce a surplus after all expenses are deducted. Surplus or net income is subject to decision-making by worker owners. For a cooperative that is part of a solidarity economy movement, to use its surplus to meet the needs of the cooperative and its members, as well as contribute to solidarity economy movement building, it could use its surplus in the following way:

- 35% for reinvestment into the cooperative through a reserve fund
- 35% for worker owner capital accounts
- 20% for education and training
- 10% to the national movement

The surplus formula in a worker cooperative is part of its constitution. Worker owners decide at the annual general meeting about surplus distribution. If there are losses they also share in the losses. To prevent sharing in the losses all should work hard to make the cooperative successful in terms of its objectives, values and principles.

The dividend paid to worker owners provides an important incentive to ensure productivity, innovation, efficiency and generally hard work prevails in the cooperative. The flipside of this is that worker owners will have to share in the same proportion in losses, which means that in a bad year instead of a dividend worker owners would be contributing the same proportionate share to losses. Having individual worker owner capital accounts that accrue dividends makes this sharing in losses possible. The latter is a crucial reason for worker owners to make their cooperative work.

The reinvestment of surplus into 'indivisible reserves' means the cooperative constantly builds up its own internal capital pool. Worker owners control capital rather than capital controlling them. This assists the cooperative with growth and expansion, provides leverage to secure external finance and even cushions the cooperative in times of crisis.

The successful worker cooperatives in the world provide for the reinvestment of a portion of cooperative surplus into the cooperative as indivisible reserves. The current global economic crisis has shown this to be an advantage for worker cooperatives.

The education and training investment in a worker cooperative is ongoing. In this sense, worker ownership is about constant self development. A worker cooperative provides crucial education and training opportunities for its worker owners to enhance their skills such that the division of labour in a worker cooperative is constantly socialised with job rotation, in some instances, and with worker owner control of decision-making. This is genuine empowerment of worker owners and ultimately their enterprise. Contribution to community means worker cooperatives are not exclusive societies only concerned with 'insiders'. The fruits of worker ownership are shared more broadly and ensure the cooperative is intimately embedded in wider social relations. Providing for a contribution to community development through the distribution of surplus means 'work' in a worker cooperative is for the benefit of worker owners but also those outside the worker cooperative.

Besides rules for dealing with surplus, worker cooperatives have internal rules that deal with wages, working conditions, job rotation, education and so on. Many of these rules are in the constitution of the worker cooperative or are covered in policy decisions or bye laws. A social council in a large worker cooperative is normally empowered to deal with working conditions and makes recommendations to the board and/or workers' general assembly.

2.6 Contexts for Worker Cooperative Development

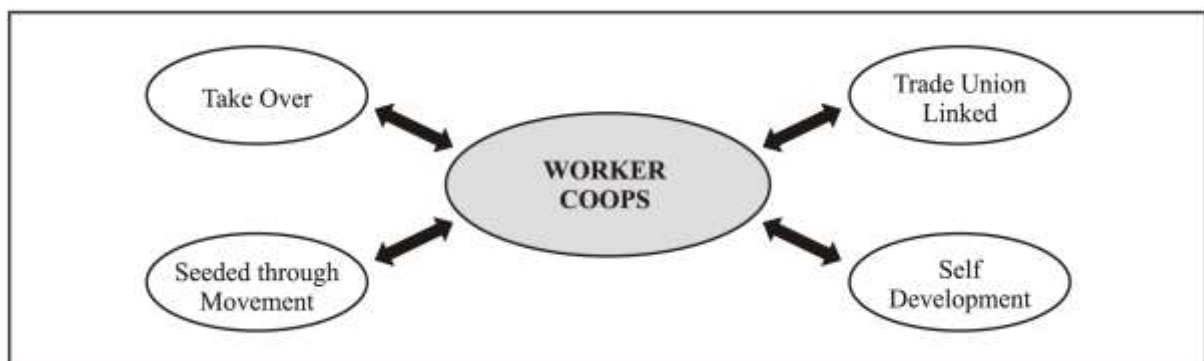


Diagram 2.1: *Different Contexts for Worker Cooperative Development*

There are four contexts within which a worker cooperative can develop:

- **Worker take-over:** this normally occurs when an enterprise is in decline and the owner has run the enterprise into the ground and wants to abandon the enterprise. Normally bad economic conditions like recessions also create the conditions for worker take-overs. In many countries in the world workers utilise legislation to assist them with taking-over an enterprise and converting it into a worker cooperative. This normally entails preparing a worker take-over business plan and presenting it to a special tribunal for adjudication. Where there is no legislation workers can still take over an enterprise and this requires a great deal of struggle. In Argentina in 2001 many enterprises were abandoned by employers due to the economic crisis.

To protect their jobs many workers decided to take over the factories and to run them as worker cooperatives. Over 200 worker cooperatives emerged, involving about 10 000 workers and contributing about 10% to national GDP. Sometimes unions support such action like in Brazil. The national trade union federation, CUT, has its own wing of worker cooperatives. It has actively supported the development of these worker cooperatives particularly in the context of worker take-overs.

- **Trade-union linked:** worker cooperatives normally emerge in the context of retrenchments. Trade unions assist workers to make the transition from wage earning to worker ownership. The South African experience of worker cooperatives in the 1980s was very much about this.
- **Seeded through worker cooperative movements and social movements:** in many parts of the world worker cooperatives emerge out of the worker cooperative movement or social movements like unemployed peoples movements and waste pickers. In Mondragon in the Basque Country of Spain, 120 worker cooperatives, with 100 000 worker owners have developed. In Argentina the unemployed peoples movements have led the development of worker cooperatives and in Brazil waste pickers promote worker cooperatives.
- **Self development:** is also a pathway for many worker cooperatives. These worker cooperatives normally emerge out of their own initiative of a group of people in a community. In South Africa today many worker cooperatives have emerged in township communities in this way. Government, NGOs and other support organisations have also assisted the development of such worker cooperatives.

Watch:
Documentary
"The Take"

2.7 The South African Experience of Worker Cooperatives

The first wave of worker cooperative experiences in South Africa took place in the 1980s. This was largely due to trade union initiatives to assist workers in the context of retrenchments. The National Union of Metal Workers in South Africa (NUMSA) was drawn in to assist 960 workers dismissed at SARMCOL, Howick, in 1985. This led to the development of trade union linked worker cooperatives. Similarly other unions such as the National Union of Mineworkers (NUM) and the South African Clothing and Textile Workers Union (SACTWU) also promoted trade union linked worker cooperatives in the context of retrenchments. These worker cooperative experiences were part of defensive union strategy. One estimate suggests that about 96 worker cooperatives were established during the 1980s (some trade union linked and some through community based self development). These worker cooperatives had a membership of 1800 in total and 70% of these cooperatives had less than 20 people.

The worker cooperatives of the 1980s faced many problems. It is important to reflect on these problems in order to learn lessons for the present context. The technical problems faced by these worker cooperatives included:

- Lack of access to finance for start-up, working capital and growth;
- Limited financial controls and lack of proper financial management;
- Shortage of cooperative business skills;
- A lack of understanding of self management and democratic decision-making;

- Insufficient mentoring given the lack of cooperative support organizations;
- Lack of education on the worker cooperative model;
- A lack of literacy and numeracy skills also affected the cooperatives;
- No feasibility studies were done in most instances;
- Lack of proper cooperative business planning.

The organisational problems faced by these worker cooperatives included the following:

- Dependency relationships developed with regard to the union. Worker owners and cooperatives failed to develop autonomy and capacity for independence;
- In some instances the unions also wanted to own and control the cooperatives;
- Some unions were also concerned about the wage levels in the sector and therefore wanted to influence the worker cooperatives to maintain sectoral wage levels;
- The criteria used to include workers in a cooperative was not always clearly defined;
- The divisions in the unions also spilled over into some of the worker cooperatives.

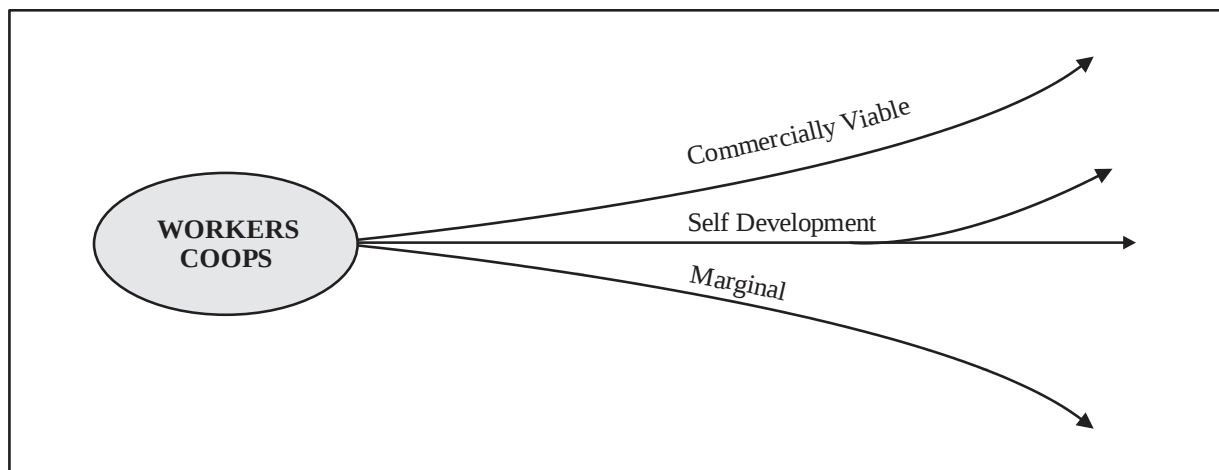


Diagram 2.2: Pathways For Worker Cooperative Development

Post-apartheid South Africa provides different conditions and opportunities for worker cooperative development. This context spawned a second wave of worker cooperative development. These have been largely self-developing worker cooperatives emerging in the context of local economic development. Some have had NGO support, government support or have been initiated by groups of people.

Many of the second wave worker cooperatives have ended up staying on a self development path or have increasingly become marginal. As **marginal** cooperatives they have failed to develop capacities to meet worker owner needs and are generally degenerating. Such cooperatives normally fail. However, **self development** cooperatives have built up some capacities and are just able to meet worker owner needs. These self developing worker cooperatives face many constraints: lack of finance, lack of training and skills, lack of cooperative business strategy and also lack of worker cooperative education. Hence many of these cooperatives have not made the transition to being commercially viable worker cooperatives. Many have the potential to become commercially viable cooperatives, while meeting worker owner needs, realising their objectives, values, principles and building the solidarity economy movement.

Currently South Africa is poised to experience another wave of worker cooperative development. This is largely informed by the recent recession, increasing retrenchments and jobless growth. The challenge however is for unions to bring back the cooperative option as part of trade union strategy. It also means movements, workers being retrenched and grassroots forces have to champion worker cooperatives to defend jobs and create work: worker owner work. This is about utilising the worker cooperative option to advance an alternative to the crisis-ridden model of global capitalism, that is, a solidarity economy.

Plenary Group Exercises:

All workshop participants should be encouraged to answer the following questions:

1. Spotting Challenges: A Worker cooperative is established after workers have been retrenched. After registration, the union supports the cooperative with some start-up capital. After two years the cooperative remains marginal. All surpluses were distributed to worker owners. What are some of the mistakes/challenges in this scenario?
2. Spotting Challenges: A group of 100 women establish a worker cooperative to secure a tender from government to make clothes for 2 schools in a community. They do not have the skills but are able to register a cooperative and put a business plan in place. The tender is granted, this capitalises the cooperative for the purchase of equipment. However, production does not take off because inputs cannot be purchased. What are the mistakes/challenges?
3. Spotting Challenges: A worker cooperative movement replicates a successful cooperative model in a nearby community. The bakery that is established secures a market for its cheap bread and over time demand grows. The cooperative is forced to expand to build capacity and brings in ten new worker owners. After a few weeks conflicts break out. What are the mistakes/challenges in this commercially viable cooperative?

2.8 What Makes Worker Cooperatives Succeed? Understanding Success Factors in Worker Cooperatives

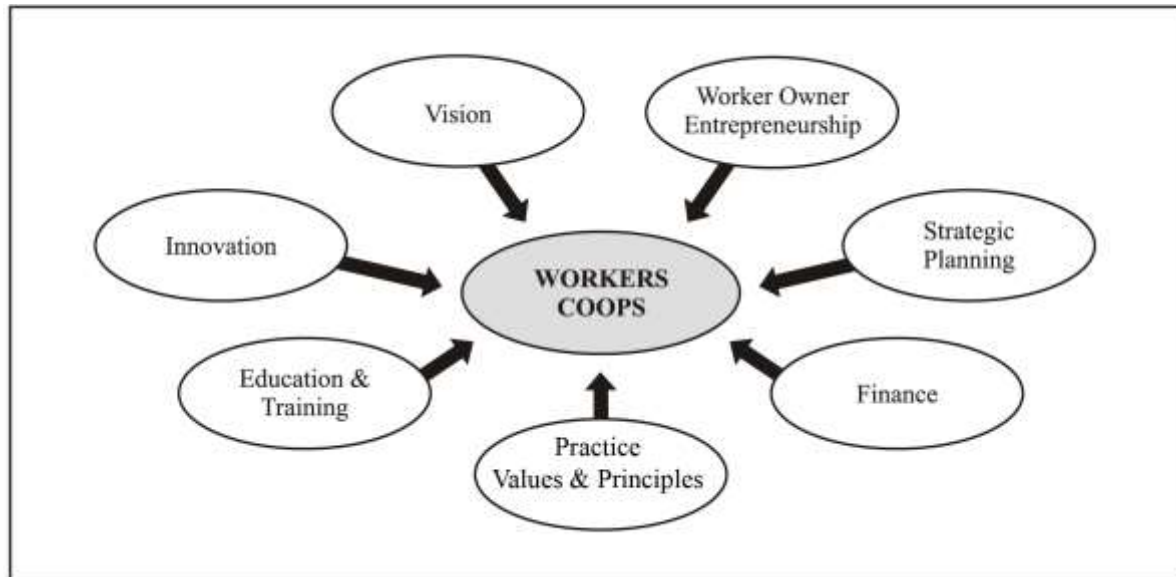


Diagram 2.3: Success Factors

Setting up a worker cooperative requires a great deal of effort, collective decision-making and research. It is a learning process grounded in:

- Debates;
- Asking critical questions;
- Gathering and sharing information;
- Listening to each other.

Success in a worker cooperative is measured by the extent to which the cooperative meets the needs of the worker owners and through the practical implementation of the principles, values and strategy of the cooperative. Turnover and profits are important but secondary; they arise as a consequence of meeting the needs of worker owners. However, realising success in a worker cooperative is not easy. There is no formula for success. Learning from other experiences (international and national) points to certain essential factors that could contribute to success. These success factors provide a basis for planning and need to inform the cooperative development process and its subsequent practices. The following are crucial success factors:

- **Vision:** refers to the place the cooperative wants to be at in the future as it realises the needs of worker members. It is important to have a clear vision and to actively work towards the realization of this vision. Worker cooperatives thrive best when they see themselves as a means to meet the needs of worker owners and as part of contributing to wider social transformation. It is important to see the future of the cooperative integrally linked to a wider movement, a solidarity economy movement.
- **Practice values and principles:** values and principles are crucial to maintain the identity of the worker cooperative. This has to happen in a conscious way and has

to be built into the operations of the cooperative, the institutional decision-making structures of the cooperative, the planning tools and relationships the cooperative has with the community and wider solidarity economy movement.

- **Strategic Planning:** is necessary to keep the cooperative on track to realize its objectives. Strategic planning is about having a road map that connects the present with the future. A cooperative has to have an annual strategic plan linked to a five or ten year strategy. These need to be developed as the cooperative starts up.
- **Finance:** is crucial to provide the capital for the development of the cooperative. Worker cooperatives are normally constrained by a lack of start-up finance, working capital and a lack finance for growth. Organising sources of finance that do not undermine the autonomy of the cooperative are important. Most successful cooperatives sacrifice in the short term and build up internal reserves of finance for growth and expansion.
- **Education and Training:** is ongoing in a worker cooperative. Without developing a culture of education and training most worker cooperatives fail. Many successful worker cooperatives rotate jobs and encourage worker owners to learn everything about the enterprise. This empowers worker owners to have a global view of the cooperative and to understand its operations better. Education and training is also important to ensure cooperative skills are developed.

If these success factors are realised and successful worker cooperatives built, we are building power from below!

2.9 Worker Cooperatives Build Power

Small Group Exercise:

1. Think of a cooperative that you know, or your own cooperative if you are part of one. Are the above factors for success present in your cooperative?
2. If not, why is this the case? If yes, which ones are present and how are they undertaken in your cooperative? What difference do they make?
3. How can a cooperative practice each success factor?
4. Are there other important factors for success that you can identify?

The state is powerful but it is not the only institution with power in a society. People and citizens joining together also have power. The potential for collective power exists in different parts of civil society. If we want to change society, we have to build power to do so. As we build a solidarity economy movement, solidarity economy activists are building four kinds of power:

- **Structural power** – is about alternative production, consumption, financing and living patterns being developed. The institutions, practices and capacities developed in worker cooperatives and the solidarity economy contribute to building structural power. If people meet their needs through a worker cooperative this takes away from capitalist enterprises. This is structural power. The deepening of solidarity links between worker cooperatives in a local economy, in value chains, across sites and

the country, also enhances structural power. Ending destruction to the environment is an expression of structural power.

- **Movement power** – is about bringing together the different institutions of the solidarity economy process into a movement. The number of solidarity economy actors, worker cooperatives and networks all add up to movement power. The broader the activist base of the solidarity economy movement the more movement power it has. The more presence it has in a site/community and society the more movement power it has.
- **Direct power** – relates to the methods utilised by the solidarity economy movement to influence the public. Mass campaigns, mass marches, mass awareness raising contributes to and expresses the direct power of the solidarity economy movement.
- **Symbolic power** – refers to the alternative that worker cooperatives and the solidarity economy movement represents. The ethical values, principles, vision and practices inside the solidarity economy process all add up to symbolic power. It demonstrates and shows in a concrete way how the solidarity economy movement is different. To maintain and build symbolic power worker cooperatives must be genuine in their practice and practice their values and principles, thus showing the power of the worker cooperative alternative.

2.10 Gender Issues in a Co-operative

The values of, caring, sharing, self reliance, equality are held in common by all cooperators. But even though cooperatives may have policies of equality and equal opportunities for both women and men, their practices may differ. True equality may not, in reality, exist. For example, although women contribute significantly to the agricultural sector and hence to the national economy of nearly all countries in the world, the percentage of women members in agricultural cooperatives, compared to men, are notably lower. Women's participation is also practically non-existent in cooperatives at decision-making levels. In order to correct these imbalances and ensure the sustainability of cooperatives, it is necessary that gender issues be addressed. Below are some specific gender issues of concern to cooperatives, and questions that cooperative leaders can ask themselves:

- Low level of participation in cooperative development and particularly that of women. **Are efforts being made to increase women membership?**
- Quality of women's participation in cooperatives. **Are women involved in decision-making processes? Do they have information? Are they exercising their vote?**
- **Constraints to participation in cooperatives such as social, cultural, economic and political restrictions on women, their heavy workload, level of education, or the selection criteria for members etc.** If any of these constraints exist, what is being done to **address the situation?**
- Access to and control over resources such as credit, education, training, production inputs and marketing outlets. **Do men and women have equal access and control over resources?**
- Cooperative training and education programmes. **Do these programmes address women's needs?** Are efforts being made to involve women, e.g. are meetings conveniently timed and **are childcare facilities available?**

- Financial and social benefits. **What advantageous do women secure when they form or join a cooperative, particularly a worker cooperative?**

Why is gender integration important for worker cooperatives?

- Active, equitable participation of members, both men and women, is a necessity for sustainable cooperative development. Active participation in the cooperative context means that members are involved in all the functions of a worker cooperative including planning, decision-making, implementation, and financial and management control.
- Worker cooperatives in the solidarity economy are based on the values of caring, sharing, self reliance and equality, honesty, democracy, learning, environmental consciousness, social justice and openness. They practice these values in all their activities. In order to enhance the credibility of worker cooperatives as democratic people-based movements in the eyes of the public and cooperative members, worker cooperative values must be respected and adhered to.
- Worker cooperative principles state that co-operatives are self-managed and democratic organisations without gender discrimination. But can they be regarded as truly democratic if women members do not have equal access to decision-making levels? If women are under-represented or not represented at all in decision-making, they may find it difficult to accept the legitimacy of decisions taken which do not take their interests into consideration.
- Experience has shown that women in leadership positions are more likely to address gender issues and safeguard the interests of women. As the cooperative movement worldwide incorporates so many women (yet few in management positions), it is important that more women are integrated into the system.

What are the benefits of gender integration in a worker cooperative?

- Women represent fifty per cent of the world's human resources. By enhancing **women's productive capabilities and developing their capacities, worker cooperatives will benefit from this hitherto under-utilized human resource.**
- Many women have special skills, for instance, in marketing and trading.
- Worker cooperatives will become a **stronger economic and more influential political force** if more women (the invisible workforce) are actively involved.
- **Men and women often tackle and solve problems differently.** In today's fast changing socio-economic and political climate, the need for innovative thinking and creative ideas is becoming exceedingly important especially for the solidarity economy movement. By involving more women in decision-shaping and decision-making, one will enhance the prospects of worker cooperatives, diversify activities and fortify the solidarity economy movement.
- In the case of worker cooperatives involved in agriculture, **the involvement of more women in economic activities would result in more integrated production of food.** This would enhance food production and have a positive effect on the environment as intensive monoculture causes soil erosion and degradation.
- **Involving more women in worker cooperatives will broaden the scope of cooperatives and improve their social standing.** Women's and men's priority

areas often differ. For example, women are often more concerned with social development issues, which touch the everyday lives of women such as employment, health, the environment and children than men.

- Many examples have proven **that initiatives taken by women in cooperatives, including worker cooperatives, have accelerated the progress and change of their socio-economic situation.**

Some suggestions for worker cooperatives:

- Through **awareness creation, gender sensitisation, education and lobbying** worker cooperatives can help remove the obstacles to women's equal participation (e.g. membership criteria or legal, traditional, financial, and attitudinal constraints).
- Through **training and education programmes**, which are sensitive to women needs, worker cooperatives can help strengthen women's capacities and capabilities, resulting in their increased self-confidence and enabling them to participate more fully in decision-making and assume leadership positions.
- Worker cooperatives can **consult and involve women when decisions are being taken, particularly those regarding women or which are in women's interests.**
- Worker cooperatives can **review their policies and plan periodically** to ensure that they are gender-sensitive. Worker cooperatives can focus on gender in their action plans.
- Worker cooperatives **can establish "gender committees" or units whose tasks, for example, can be to identify gender-related problems;** to ensure that gender awareness training programmes are carried out; to be responsible for gender analysis in programme planning etc. It should be noted here that by establishing a special unit or office for gender issues or programmes, one risks that the gender issue becomes a side-issue that has been "taken care of" and that women continue to be marginalised in mainstream activities. A gender unit must therefore be part of mainstream activities or have direct access to policy and decision-making levels in the cooperative.
- Worker cooperatives can use the **SEM and networks** to collect gender data and help identify different types of projects focused on women's needs, which can help them increase their income-earning capacities and alleviate their workloads. For example, they can investigate how much time men and women spend on various chores and activities and how this fits in with potential and economically viable and sustainable worker cooperative activities.

2.11 Steps for Setting up a Worker Cooperative

A worker cooperative can emerge in various contexts. However, there are important common steps to go through when setting up any worker cooperative. These are essential to ensure the worker cooperative has a solid foundation and increases its chances of success.

There are generally three phases in successfully developing a worker cooperative:

Phase 1: Ground Work – This phase involves steps of planning the cooperative before actually starting it. This is a crucial phase as it allows the potential worker owners who are wanting to start the cooperative to clearly plan what it is they want the cooperative to do, how they will do it, and whether it is likely to succeed. Many cooperatives in South Africa do not undertake these groundwork planning steps and just rush into establishing their cooperative without having thought clearly about whether their cooperative is likely to succeed. Undertaking these steps thoroughly will make a big difference in the likelihood of your cooperative succeeding.

Phase 2: Start-Up – Once the ground work stage has been completed, the cooperative can actually begin its operations. There are a number of activities to undertake here in order to take the worker cooperative through the start-up phase to consolidation. This start-up phase can last a few years.

Phase 3: Consolidation and Expansion – This phase happens once the worker cooperative is firmly established. It can now look at streamlining its operations and expanding to employ more worker owners.

The diagram at the beginning of module three shows each step of the ground work phase. Module 3 to Module 12 will now focus on each step in turn.

Important Note:

The rest of this guide is practical work that takes participants through each step of groundwork, start-up and consolidation:

- If you are a group working on your own to establish a worker cooperative, you should work through each step thoroughly to cover your ground work phase.
- If this guide is being used in a workshop setting with groups of people who are wanting to start worker cooperatives, they should now work in their groups through each step, guided by the facilitator(s).
- If this guide is being used in a general training workshop for how to set up a worker cooperative, then the participants can be broken up into groups and either create the scenario for which they want to establish a worker cooperative, or chose from the scenarios below.

Possible Small Group Exercise Scenarios

- **Scenario 1 – Trade union linked Worker cooperative:**
A public works program is coming to an end. The fifteen women on the program have been skilled in construction work. They want to set up a worker coop for construction. Design a concept document to assist this process and then proceed with the remainder of the steps
- **Scenario 2 – Worker take-over of a factory**
NUMSA members are losing jobs. A foundry with 200 workers is bankrupt. The workers are owed wages for about 20 months. They want to take-over the factory and want to run it as a worker cooperative. The union is unable to provide capital. Design a concept document and then proceed with remainder of steps.
- **Scenario 3 – Worker cooperative seeded by the movement**
A local worker cooperative movement decides to replicate a successful bakery. They do not have capital but are willing to do in-house training. 25 potential worker owners are organised into the process. Design a concept document and then proceed with development of remainder of steps.
- **Scenario 4 – Self-developing worker cooperative**
A local group of 10 women decide to set up an agricultural worker cooperative to feed their families and generate and income through sales of their produce. Design a concept document and then proceed with the development of the remainder of steps.

SECTION TWO: **THE GROUND WORK PHASE**



Module 3

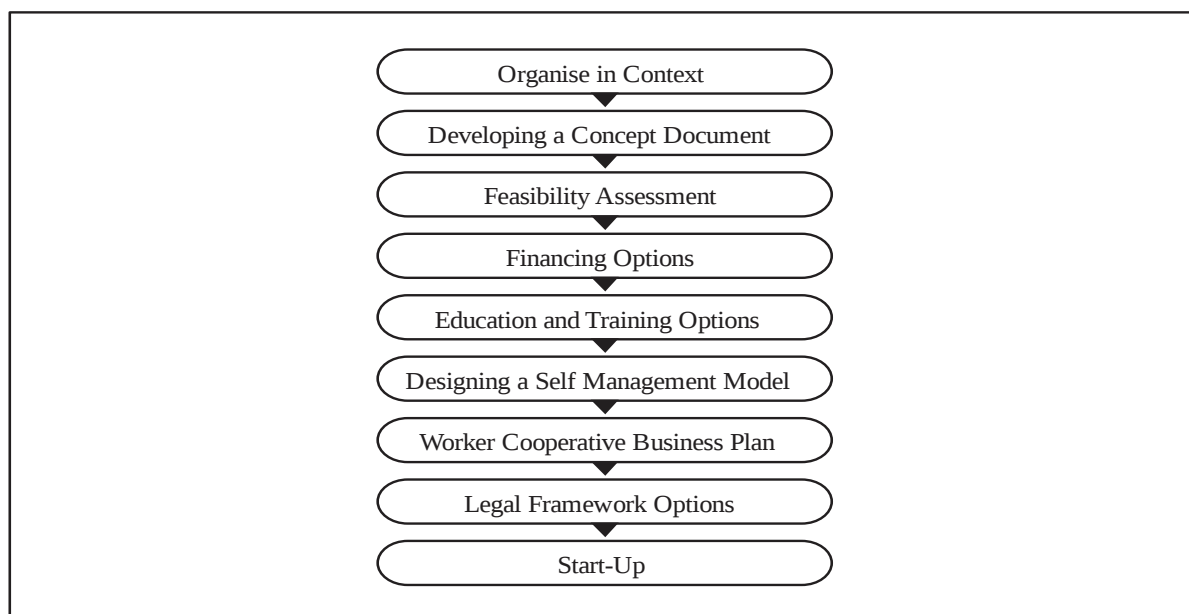
Steps to Undertake Groundwork

3.1 Objectives of this Module:

- Learn the ground work steps for setting up a worker cooperative
- Understand the importance of groundwork

3.2 Key Steps to Lay the Ground Work for a Worker Cooperative

In order to set a solid basis for your worker cooperative it is important to work patiently through a number of steps in the ground work phase. The diagram below shows the steps for setting up a worker cooperative during ground work.



3.3 The Importance of the Ground Work Phase

3.3.1 What is ground work?

The ground work phase is the first phase to undertake when setting up your worker cooperative. It is the planning phase before you actually start your cooperative.

3.3.2 Why is the ground work phase important?

Many worker cooperatives fail because they were not properly planned in the beginning stages. Undertaking proper ground work enables all founding members to unite around a clear vision of what the cooperative aims to do and achieve; it ensures that potential gaps and challenges are identified and planned for before the cooperative is actually established; it allows for members to analyse whether the worker cooperative that they want to establish is likely to succeed in the first place; and it ensures that all the plans and technicalities are in place by the time the cooperative starts up.

3.3.3 How will these ground work steps assist with establishing your worker cooperative?

By working patiently through each step, you will be undertaking the key tasks to ensure that you are able to successfully start your worker cooperative. Each step builds on the previous one, so by the time you reach the last step, you will have all the measures in place to register the cooperative, start operations, apply for funding and so on.

Important Note:

It is crucial to remember that each step in the ground work phase builds on the previous step: each step is linked to the other. So if you do each step properly and make the effort to gather the relevant information for each step, by the time you get to the step of the Business Plan you will already have all the information that you need to complete your business plan. All you will need to do is put it together into a single document. This will also help you to see that doing a business plan isn't actually very difficult! All it is is your plan for how you will develop your cooperative.

The following Modules 4 to 12 will now walk you through undertaking each step of ground work. If you have undertaken each step thoroughly, by the time you reach Module 12 you will be ready for registration and start-up!

Module 4

Step 1 – Organising in Context

4.1 Objectives of this module:

- Analyse the context that your worker cooperative emerges from
- Gather the relevant information on understanding the context and situation of your worker cooperative
- Map out potential support relationships and what various organisations and agencies can offer

4.2 Gathering Information on the Context of your Worker Cooperative

There are two crucial tasks to ensure a worker cooperative is organised in context. First, the conditions and circumstances under which the cooperative has to be developed needs to be unpacked. If it is a **worker take-over or even a self developing worker cooperative**, information about the prospective worker cooperative enterprise has to be generated. In a worker take-over the current situation facing the existing enterprise needs to be studied. This requires gathering information related to some of the following to understand the situation in the enterprise and the market context in which it has to operate. Even with starting up a new cooperative, assessing these issues would be important, although not all these issues would be relevant:

- Look at the annual Income and expenditure (for worker take over);
- Look at the annual Balance sheet – assets and liabilities (for worker take over);
- Creditors and debts - are there any? (for worker take over) ;
- State of technology, equipment and premises - how old, capacity, is the physical location appropriate and adequate and so on;
- Lease agreements and other legal contracts;
- Information about suppliers – who, what, how much, and so on;
- Information about buyers/customers – who, what, how much, and so on;
- Agreements with workers and/or trade unions;
- What are the monthly working capital needs of the enterprise to meet fixed and variable costs?;
- Sectoral conditions – how many competitors, what would affect suppliers negatively, what would affect customers negatively;
- Other important information.

This information provides a baseline of information to develop a situational assessment and generate strategic options for the next step. If for example, a worker take-over is happening in a context in which an enterprise is closing because of cheap imports from China then the worker cooperative will only be viable if it can produce more cheaply while meeting the needs of worker owners adequately. If the worker cooperative is only going to self-exploit its worker owners to have a place in the market then setting up the worker cooperative has to be thought about very carefully. If self-exploitation, through low wages, is only a short-term factor and will improve as the cooperative gets in new technology this then makes the worker cooperative option more worthwhile.

4.3 Mapping Support Relationships

The second important task to enable organising in context relates to mapping potential support relationships. There are a growing number of institutions (state and non-state) that have mandates to support cooperatives. Such institutions include:

- Local Economic Development Departments in municipal councils;
- Provincial Government Departments;
- Provincial Government support agencies;
- National government departments like the Department of Trade and Industry;
- The Department of Labour;
- State linked institutions like NYDA, SEFA, IDC and so on;
- Various community organisations and social movements;
- Trade unions;
- The solidarity economy movement;
- NGOs and support organisations.

These institutions need to be identified and invited to be part of a web of support institutions. Many of these institutions are capable of providing technical and financial resources to worker and other types of cooperatives. For worker cooperatives it might be useful to have either bi-lateral support relations with these institutions or even a worker cooperative support committee involving these various institutions. Establishing a worker cooperative support committee will be important in the context of a worker take-over of an enterprise, for example. However, many government institutions are not responsive and may not participate directly in a support committee. Thus in a context in which there is a solidarity economy focus and process it might be best to set up a solidarity economy forum if the conditions are mature. The cooperative should then be supported by such a forum involving various solidarity economy actors such as civics, religious organisations, community organisations etc. Being rooted and supported in this way also means the cooperative is building local solidarity and potential for mass mobilisation. Sometimes to get government to respond it might be necessary to mobilise the solidarity economy forum to make demands through picketting and other peaceful demonstrations outside government offices.

Small Group Exercise

All workshop participants to be encouraged to answer these questions.

1. What context does your worker cooperative emerge from? Worker takeover? Trade union linked? Seeded by a movement? Or self-developing?
2. What questions should be asked to assess the situation from which you are proceeding or starting?
3. What are the best ways to source information to answer these assessment questions on a worker cooperative option?

4. What are the answers to the assessment questions?
5. Can you identify institutions that can be approached to support the development of a worker cooperative directly or through participation in a worker cooperative support committee?
6. If government is not responding to support requests, say for land or training or funding, what mobilising tactics can the cooperative group utilise to ensure government responds?

Box 4.1: Examples of State Support Schemes for Cooperatives

Department of Trade and Industry Incentive Agencies:

Co-operative Incentive Scheme (CIS)

The Co-operative Incentive Scheme (CIS) is a 100% grant for registered primary co-operatives (a primary co-operative consists of five or more members). The objective of the CIS is to improve the viability and competitiveness of co-operative enterprises by lowering their cost of doing business through an incentive that supports Broad-Based Black Economic Empowerment.

For further information please visit the following link:

http://www.dti.gov.za/sme_development/sme_incentive.jsp?id=11&subthem eid=8. All the forms for applying for the CIS can be downloaded at this link.

Small Enterprise Development Agency

SEDA Falls under the DTI and provides support and development services to small enterprises.

National Office Contact: 0860 103 703. There are also provincial offices, the contact details of which can be found on the website: www.seda.org.za

Small Enterprise Financing Agency

Small Enterprise Finance Agency (SOF) Ltd commonly known as sefa was established on 1st April 2012 as a result of the merger of South African Micro Apex Fund, Khula Enterprise Finance Ltd and the small business activities of IDC. sefa's mandate is to foster the establishment, survival and growth of SMMEs and contribute towards poverty alleviation and job creation. sefa has a regional footprint of 9 offices around the country.

Website: <http://www.sefa.org.za/Home.aspx>

Contact Details:

<http://www.sefa.org.za/Admin/Contacts/ContactUs.aspx>

Call Centre: 012 748 9600 (sefa)

E-mail: helpline@sefa.org.za

National Youth Development Agency

Supports youth entrepreneurs and initiatives.

Website: <http://www.nyda.gov.za>

Call Centre: 0800 52 52 52

Industrial Development Corporation (IDC)

Established in 1940, we are a national development finance institution set up to promote economic growth and industrial development. We are owned by the South African government under the supervision of the Economic Development Department.

Website: <http://www.idc.co.za>

Call Centre: 0860 693 888

Email: callcentre@idc.co.za

Module 5

Step 2 - Developing a Concept Document

5.1 Objectives of this Module:

- Learn what a concept document is
- Learn about the content of the concept document
- Design your own concept document

5.2 What is a Concept Document?

A worker cooperative concept document is about developing the idea of your worker cooperative. It is essentially a vision or idea for what you want the cooperative to do and how it will function to do this. It is a crucial exercise that assists with the following:

- Clarifies needs and opportunities;
- Unpacks some of the detail related to the worker cooperative envisaged;
- It builds on and utilises the assessment information generated in the previous step;
- Generates planning information which feeds into the cooperative start-up business plan.

5.3 Content of the Concept Document

The content of a concept document should cover the following:

- **Background Context and Opportunity:**
In this section explain how the members came together to form the cooperative contextually and what are some of the opportunities you have identified.
- **Objectives of Worker Coop (needs):**
List the needs the cooperative will have to achieve:
 - What do you want the cooperative to achieve – why do you want to start the cooperative? What needs will it meet of its members?
 - What do you want to do for the community?
 - What benefits will it bring to its members?
 - What do you aim to produce?
- **Main Activity (product/service):**
Describe what the core economic activity of the cooperative is in terms of what products and services it will offer:
 - What product is the worker cooperative going to provide?
 - How is it going to be produced? Give details.
 - Who will the product be sold to?
- **Principles and Values:**
Discuss the solidarity economy values and principles and adopt for the cooperative (see page 20).

- **Membership rights and obligations:**

Discuss the membership rights and obligations you would like your members to have and adhere to. This is important in binding all members to an initial commonly agreed-upon set of rules to guide their behaviour in the cooperative:

- What rights will members in the cooperative have?
- What responsibilities will the members have?

- **Legal Arrangements and Decision-making Structures:**

Discuss with your members how your board of directors will be structured and how decision making will happen in the cooperative. The key site of decision making is usually the General Assembly, which is the meeting of all the members. You can decide, for example, that key decisions about policy and operations must be made by the General Assembly, while the development of strategies and policies based on worker decisions in the General Assembly can be left to the board of directors:

- What is the role of the board?
- How will the board be made up?
- How many board members will there be?
- How will policies and the direction of the cooperative be decided?

- **Ownership Model:**

What type of share ownership model will you adopt in terms of worker owner shares, membership fees and annual subscription fees?:

- Will new members have to purchase a share or will they have to pay an entrance fee (see page 18)?
- If entrance fee, how much will this be? If purchase a share, how much will a share be?
- How will the share accounts be managed?

- **Surplus**

Discuss and decide on how your annual surplus formula will be divided:

- What percentage for reinvestment or the indivisible reserve?
- What percentage for members?
- What percentage for the Solidarity Economy Movement?
- What percentage for education and training?

- **Relationship to the Solidarity Economy Movement (SEM)**

- How will the cooperative be a part of building the solidarity economy movement in your community?
- What role will it play in national solidarity economy movement building?

Small Group Exercise

Begin to develop your worker cooperative's concept document based on either the actual cooperative you are developing or the scenario you have chosen. Your group has three tasks:

1. Discuss the solidarity economy values and principles and how this will work in practice inside the cooperative and externally in how the cooperative engages the community?
2. You can refer to the sample concept document below as a reference and guide in developing your concept document. Somebody in your group should read aloud the sample concept document below, keeping in mind the content of the concept document itemised above.
3. (iii) Discuss the concept or idea for your cooperative and write this up on a piece of paper as per the content above or using the structure of the sample document below.

5.4 Sample Concept Document

Worker Cooperative Bakery

Sample Concept Document

1. Background

This document emerges out of a 2-day workshop held in Burnshill Village, Keiskammahoek, where potential co-operators gathered to understand more about worker cooperatives and to take the first planning steps in establishing them. The workshop was facilitated by the Cooperative and Policy Alternative Centre (COPAC), but the process was initiated by Ntinga Ntaba Ka Ndoda Heritage and Development Organisation. The organisation aims to revive and preserve local heritage in the Keiskammahoek South area, and to initiate a local development process that mobilises the communities to be an active part of doing so. The development of local worker cooperatives that serve community needs, provide employment and so contribute to transformation in the area, is an important practical part of this work.

Despite the fact that nearly all households consume bread as an important part of their diet, there is currently no bakery operation in Burnshill village, or any of the surrounding villages, where community members can obtain fresh and affordable bread. The bread that is sold locally, mostly in *spaza* shops, is delivered from urban centres outside of the area. People also buy their bread from towns that are far away, like Keiskammahoek and King Williams Town. This means that money is being sent out of the village when people buy their bread and so is not contributing to local development. Also, the bread sold in local *spazas* is not always fresh as it is not delivered every day.

There is therefore a key demand for freshly baked bread and other baked products in Burnshill village. One of the potential members of this cooperative also used to work in a bakery cooperative in Keiskammahoek town and so has some experience in this activity. The establishment of this cooperative will assist in building the self-reliance of the communities and assist in addressing hunger.

2. Objectives

The following objectives were identified for the cooperative:

- Contribute to eradicating hunger in the community by providing nutritious and affordable baked products to the community;
- Provide worker owner-based employment to its members;
- Build unity amongst members;
- Build the capacities and skills of its members, including for self-reliance and self-management;
- Build up assets and infrastructure in order to produce cheap, healthy and nutritious food for the community;
- Promote food sovereignty;
- Contribute to the building a cooperative and solidarity economy movement in the Keiskammahoek South area by working with other cooperatives, and by educating the community about the values and principles of worker cooperatives and the solidarity economy.

3. Vision

The worker cooperative's vision is to develop a vibrant and successful cooperative that produces and delivers cheap, healthy and nutritious food to the community of Burnshill. It aims to one day supply more communities than only Burnshill, but its main aim is to first successfully produce bread and other baked products for Burnshill village.

In so doing it will provide much needed employment in Burnshill and so will also contribute to deepening democracy in that it will be 100% owned and controlled by its worker members. All decisions will be made democratically and will involve all men and women equally. It hopes to become economically self-reliant and self-managed, in that all policies, strategies and decisions will be made by the board based on democratic discussion with the worker members.

The cooperative also seeks to realise a solidarity economy vision in Keiskammahoek and South Africa; that is, collective self-organising to sustain life, democratic coordination from below, worker and collective ownership, ongoing education and learning for progress, and social transformation centred on human need and the environment.

4. Values and Principles

The cooperative will work with the values and principles adopted by the Solidarity Economy Movement. These values and principles will be adapted to suit the aims and needs and aspirations of the cooperative.

The values of the worker cooperative are:

The ethical values and principles of a worker cooperative are the same as the values and principles of the solidarity economy. Some of the main ethical values of a worker cooperative are *caring, sharing,*

self-reliance, honesty, democracy, equality, learning, environmental consciousness, social justice and openness.

The principles of the worker cooperative are:

- **Solidarity:** provides the social basis for the solidarity economy. It informs the cooperation between members inside a solidarity economy enterprise, between such enterprises and with the community more broadly.
- **Collective ownership:** ensures the assets and resources of the solidarity economy enterprise brings benefits to all within the enterprise, to the community and future generations. It ensures control and power are shared.
- **Self-management:** gives members (women and men) and worker owners the rights to impact on decision-making. Such a principle ensures one-person-one-vote institutionalises accountability and responsibility. Ongoing education and training is crucial for viable self management.
- **Control of capital:** is a crucial practice to secure benefits for the individual enterprises, the wider solidarity economy and the community. It requires developing mechanisms to build up capital from below and subordinating it to democratic control so that the vision, values and principles of the solidarity economy informs lending practices. Such criteria will also inform the behaviour of the borrower.
- **Eco-centric practice:** places an emphasis on a non-destructive relationship with nature through inputs, production processes, services rendered, consumption and household practices.
- **Community benefit:** encourages a broader social awareness as an integral part of how the solidarity economy works. Such community benefit to be accounted for through transparent financial reporting.
- **Participatory democracy:** provides an institutional space for the decentralised power of citizens and solidarity economy actors for and with the solidarity economy process. Such an institutional space to bring together and unite such social forces to ensure effective coordination and development of the solidarity economy.

5. Main Economic Activity

The main economic activity of the cooperative will be the production of bread and other products, including cakes, muffins, scones, pizza, pies and biscuits. These will be sold directly from the cooperative premises to the community, and efforts will be made to supply local spaza shops as well. Other local markets will also be pursued to supply, such as schools.

A further possibility may also be to develop a people's restaurant as part of the bakery. This will supply basic but nutritious and affordable food to community members, such as soup and bread. Produce used in the restaurant will be from the bakery and sourced from local farmers as much as possible, and will also provide a new social space in the community.

6. Membership Rights and Responsibilities

6.1. Membership categories:

There will be one type of membership in the cooperative: worker owners. These are people who work in the cooperative, excluding possible management, and they would become members, owners and decision makers. That is, only those who work in the cooperative will be members and will own the cooperative (therefore, worker owners), and all worker owners will participate in decision making in the cooperative.

6.2. Advantages/benefits to members:

The prospective co-operators identified the following advantages and benefits that can be derived from being a worker member of the cooperative:

- Equal share ownership as worker owners;
- Skills acquisition, to manage the cooperative, the restaurant and in baking;
- Surpluses that will be shared with members through dividends;
- All worker owners will be entitled to participate in decision making in the cooperative;
- All worker owners can stand for election to the board;
- All worker owners will earn an income.

6.3. Worker owner responsibilities:

Members will have the following responsibilities:

- Work hard and be disciplined;
- Work together with other worker owners;
- Learn new skills;
- Accept the democratic decisions of the cooperative;
- Participate in the decision-making activities of the cooperative;
- Purchase the minimum number of shares outlined in the constitution;
- Ensure membership subscription fees are paid;???
- Involve themselves fully in the economic activities of the cooperative.

7. Self-management and decision making

The most powerful decision making structure in the cooperative is the general assembly meetings. All worker owners will have access and shall vote in these meetings. These meetings will occur once a month and will determine the policy and direction of the cooperative, and routine planning. From the worker owner membership, a board made up of 5 members will be elected. The role of the board will be

to develop policies and ensure key decisions taken by the membership are implemented. To achieve this, the board ensures policy and strategy is developed and implemented.

In terms of self-management, the general assembly meeting will also plan how work is organised in the cooperative – who does what. An important part of this self-management plan is to ensure rotation of work, which means that each member will not always do the same job. Rather, the members will be rotated between the different jobs in the cooperative to ensure that everyone gets experience and skills in the different parts of the cooperative. This is a key aim of the worker cooperative: to build the capacities of its members.

8. Cooperative Ownership

The prospective worker owner members have decided that provision will be made in the constitution for a share ownership model. One share equals R500 (once the cooperative is established this may be increased, as voted on by the members, and the constitution modified accordingly). Every member will purchase a share in order to join the cooperative. The share will not appreciate in value.

Each worker owner will have a member capital account, which will start with the share contribution of R500. When surpluses are made by the cooperative, part of it will be divided equally into each member's capital account. However, such a model might not be implemented from the establishment of the cooperative due to capacity and financial constraints.

Before the share ownership system has been implemented, members will have to pay a non-refundable joining fee of R200, as well as an annual membership fee of R200. Once the share ownership system is activated, both the joining and annual fees will fall away and members will have to purchase the share when they join.

9. Sources of Finance

Crucial to the success of the cooperative will be having sufficient capital for start-up and growth. Two possible sources may be drawn upon:

1. Internal Sources – member loans, member capital accounts (once the share option has been activated, and cooperative's savings built up from the surplus as indivisible reserves)
2. External sources – government funding, possible donors, banks if terms of loan are acceptable and favourable to the cooperative, solidarity economy fund.

10. Surplus

This worker cooperative will aim to meet the needs of its members and strive to realise the objectives of the cooperative. To ensure that it meets its operating and financial needs it will have to build in and plan to make a surplus.

If enough of a surplus is made by the worker cooperative in a given financial year, it will be divided in the following ways:

- a. 40% of the surplus will be set aside as a reserve in the Indivisible Reserve Fund which cannot be shared amongst the members
- b. 35% will be shared amongst the worker owners' membership capital accounts

- c. 15% will go towards the membership education and training fund
- d. 10% will go towards building the national solidarity economy movement

11. Relationship to the community

The cooperative will work with the community to build awareness about the need to support local cooperatives, including those that produce food, which contributes to making the community more independent in getting its own food. (This will be done in relationship with Ntinga Ntaba Ka Ndoda, who will further work with cooperatives and the community to understand food sovereignty). The cooperative will also specifically aim to mobilise the community to support the cooperative, and in return the cooperative will do its best to provide the community with bread and bakery products that are nutritious and affordable, while still being able to make a surplus and meet the needs of its members.

12. Relationship to the Solidarity Economy Movement

The cooperative will actively play a role in building the solidarity economy movement in Keiskammahoek and South Africa. An important part of this will be to build and develop itself successfully, but it will also network with other cooperatives in Keiskammahoek, for example through forums, joint education and training, providing assistance to other cooperatives, purchasing inputs together etc. It will also participate in the national solidarity economy network, through national meetings and conferences, contributing financially to the network, and networking with other cooperatives across the country through this network. Undertaking these activities will be crucial in building the strength of cooperatives and the solidarity economy movement in Keiskammahoek and across the country.

Module 6

Step 3 – Conducting a Feasibility Assessment

6.1 Objectives of this Module:

- Build on the information generated in the previous modules;
- Understand the importance of a feasibility assessment;
- Conduct a feasibility assessment.

A feasibility assessment is an important step in the worker cooperative development process. It grounds the 'dreams' of the concept document and subjects it to critical scrutiny. After dreaming about the worker cooperative we want in the concept document, the feasibility assessment is about asking, is it possible? Will it be likely to succeed and what will we need to do to ensure it succeeds?

6.2 Importance of a Feasibility Assessment

A feasibility assessment is important for the following reasons:

- It assesses gaps and possibilities for failure;
- Assists with assessing the seriousness and commitment of the group;
- It identifies and limits risks;
- It widens the information base for planning.

6.3 Feasibility Assessment Questions

In conducting the feasibility assessment you should look in depth at the following issues. Answering many of the questions will require going out to do research. As such, much of the information that you generate during your feasibility assessment will be important for your business plan. It is therefore important to be as thorough as possible in this step. Also, when thinking about these questions it is very important to be specific.

The Market

- Who will support the cooperative in the community out of solidarity?
- Who will buy your product? Will people actually buy it? How big is the market? Is this enough of a market to sustain your cooperative? Is this market far away or close to the cooperative? How will the product reach your market?
- Where do people currently get this product? Why do they get it from here?
- What would make them rather come and buy the product from your cooperative instead?
- Can the coop produce a better product than what already exists?
- Can the coop be at the forefront of meeting community needs and bringing it benefits? How?
- How can the cooperative involve the community in building the solidarity economy? Why is this important for building a sustainable cooperative?

Ecocentric Practice: Raw Materials, Energy and Impacts

- Who are the suppliers of raw materials and how can suppliers be identified?
- Are these raw materials destroying the environment or produced in a sustainable way?
- Are sustainable materials available locally (such as agro-ecologically produced seeds or recycled inputs or sustainably sourced products from nature? Is there another cooperative that can be linked with to source materials?)
- Will it be affordable to obtain these supplies?
- What equipment is needed? Where will you get this equipment? What are the costs? Is there another cooperative that can be linked with to source the equipment?
- What are the energy sources for the equipment and the enterprise? Can it be renewable energy like solar panels or wind? Or will it be a mix of energy sources but not dependent only on coal based electricity?
- How is the waste from the enterprise going to be dealt with? Can a zero-waste approach be used and tied in with recycling? Is there a recycling cooperative that can be linked with?
- What is the impact of the product produced on the environment? How can that be limited?
- In short how can the cooperative limit carbon emissions, waste and negative impacts on the environment?

Income and Costs

- What will the monthly costs in the cooperative be (eg. wages, electricity, raw materials, telephone etc)?
- What is the expected income?
- Will income be more than costs? If not, this means that your cooperative will not make a surplus, but a loss. Is it possible to ensure that income will be more than costs?

Skills and Experience Needed

- What skills are needed to operate the cooperative?
- What needed skills and experience do you already have in your group?
- What skills are missing? Will it be possible to get these skills? How and from where will training be secured? Are there other cooperatives that can be linked with to provide training? Are there members of the community or other organisations in the community that can provide training?
- Does the group have the commitment, time and willingness to put in the effort to succeed? Will everyone in the group understand cooperative principles and values and work according to them?
- What are the potential sources of conflict in the cooperative and how can the values and principles be used to address and prevent these conflicts?
- Can the cooperative manage itself? What would that entail?

Costs and Finance

- What are the start-up needs for the cooperative (machinery, raw materials, infrastructure, and land)? List each item needed and its cost. You will have to do research by contacting suppliers and getting quotes.
- Where will you source the funds for each item from?
- What are the working capital needs of the cooperative and is the planned amount for working capital adequate? Working capital is the money that is needed on hand in the daily operations of the cooperative, to buy stock, pay the electricity bill, pay wages etc. (See Module 7).
- Where else can funds be sourced?

Small Group Exercise

Take the concept document developed from the previous small group exercises. The facilitator of your group should facilitate interrogation of your concept document based on the above feasibility assessment questions. All these responses need to be captured on flipchart by your note takers. If you would like to go further as a group rethink and revise the concept document in the light of the feasibility assessment.

Module 7

Step 4: Financing Options

7.1 Objectives of this Module:

- Understand different forms of capital
- Understand worker owner control of capital
- Understand different sources of capital

7.2 The Importance of Finance in a Worker Cooperative

Financing in a worker cooperative is about putting capital to work and not about working for capital. It is about worker control of capital. Finance is important in the worker cooperative development process for the following:

- To provide for ground **work costs**: this relates to the groundwork and organising costs involved in setting up a worker cooperative. This includes costs for designing the cooperative, developing a conceptual model, cooperative business model and strategy and so on. This guide is about minimising such costs.
- To provide for **start-up costs**: this relates to core costs to establish a worker cooperative and includes the costs of purchasing assets like equipment, paying for a lease agreement, raw materials, operating costs and so on.
- To provide **working capital**: Working capital is the money that the cooperative has available at any given time. It is essentially the money that a cooperative has on hand after all payments on costs and debts are up-to-date. This working capital is needed for daily expenses that are crucial to the operations of the cooperative, like buying raw material, paying wages and so on. Worker cooperatives often lack enough working capital in their early stages, and so an external source of working capital in the form of a loan or grant can be important.

7.3 Sources of Capital in a Worker Cooperative

There are two main sources of capital in a worker cooperative:

- **Equity capital** is the contributions made by the worker owners themselves and is the sum of member contributions. This pool of money emerges when worker owners by their single share in the cooperative. While this contribution sits in each individual member's cooperative account, this also serves as a source of capital for the cooperative.
- **Debt capital** is the short and long-term credit extended to the worker cooperative by banks, individuals and other agencies. That is, debt capital essentially refers to **loans**. Debt capital can be internal or external, as shown in this table:

Internal Sources of Financing	External Sources of Financing
• Member Shares • Reinvestment • Loans from Members	• Loans from Banks • Donor Grants • Government Programmes • Solidarity Economy Movement

Diagram 7.1: Sources of Financing

Besides equity and debt capital, worker cooperatives can also secure capital in two other ways:

- **Re-investment or retained earnings** – this is a portion of the surplus that is ploughed back into the cooperative. Normally it is a percentage of the surplus which is then saved in the cooperative for expansion or rainy days etc.
- **External donor grants or government incentive programs** – these can also be a source of capital for cooperatives. However, again this must not undermine worker control of capital inside the cooperative. In short, what capital that is gotten from loans or grants is used for in the cooperatives must be decided by the members as part of achieving the objectives of the cooperative and to meet the members' needs.

Small Group Exercise

All participants in the workshop to be encouraged to answer the following questions:

1. Why is worker owner control of capital important in a worker cooperative?
2. Using the feasibility assessment breakdown of finance needs for the cooperative, identify three potential sources of external finance for your worker cooperative to meet its start up and working capital needs?
3. What are the internal sources of finance for your worker cooperative?

This should be illustrated in a table format. If you would like to go further as a group rethink and revise the concept document in the light of the feasibility assessment and financing options assessed.

Module 8

Step 5 – Education and Training Options

8.1 Objectives of this Module:

- Understand skills needs within the worker cooperative
- Identify vocational and cooperative skills needs within the worker cooperative

8.2 Types of Skills Needs in a Worker Cooperative

Ongoing education and training in a worker cooperative is crucial. Most worker cooperatives fail because they have not been able to identify skills gaps/needs in the operations of a cooperative.

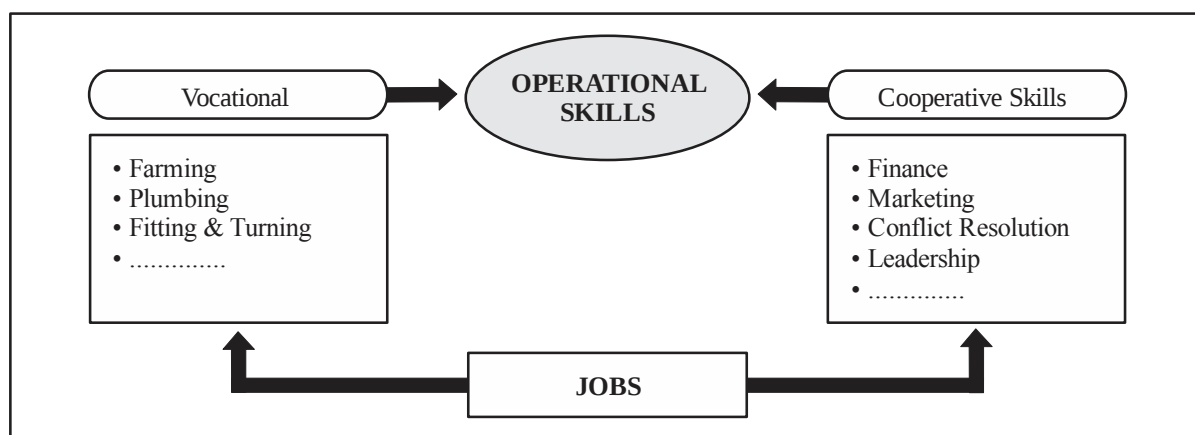


Diagram 8.1: Skills Needs in a Worker Cooperative

There are two types of skills that have to be assessed:

- **Vocational skills** are central to the core activity (production/service) of the worker cooperative. Like in a bakery, it is the skill to bake good quality bread, to make the dough, to operate the ovens.
- **Cooperative skills** are the non-core skills that enable the worker cooperative to engage in its core activity. They include skills like management, communication, record-keeping and so on.

Both these skills areas impact on the operations of the cooperative. They also assist with clarifying work in a worker cooperative. In addition to identifying skill needs/gaps it is important to identify the sources of education and training and the costs.

Small Group Exercise:

Using the worker cooperative your group has done a feasibility assessment for, do a skills assessment.

1. What vocational skills are required to ensure the cooperative operates?
2. What cooperative skills are required to ensure the cooperative operates?
3. How many jobs would be required and in which operational areas of the cooperative?

If you would like to go further as a group, rethink and revise the concept document in the light of the feasibility assessment, financing options assessed and education / training options.

Module 9

Step 6 - Designing a Self-Management Model

9.1 Objectives of this Module:

- Understand rights and accountabilities for self-management
- Understand decision making processes for self-management
- Learn about different self-management structures
- Assist with designing a self-management structure for your cooperative

A genuine worker cooperative has to ensure worker control of decision-making. This means the cooperative has to design in the rights of worker owners to make decisions and at the same time to be accountable. It has to have a well-designed self-management model. Such a model is not incompatible with having a manager/s provided that their contribution to decision-making does not undermine the decision-making rights that worker owners have in a worker cooperative. So, a self-management model is essentially the plan for how the cooperative will be managed efficiently: the key areas that need to be managed and who will be responsible.

9.2 Elements of a Self-Management Model

In a self-management model the following elements have to be brought together:

- The decision-making rights of worker owners and accountability;
- Areas of decision-making in the worker cooperative (operational, strategic and policy) – financial, long-term planning, production/service, hiring or firing, discipline, education and training, marketing, office duties and policy.

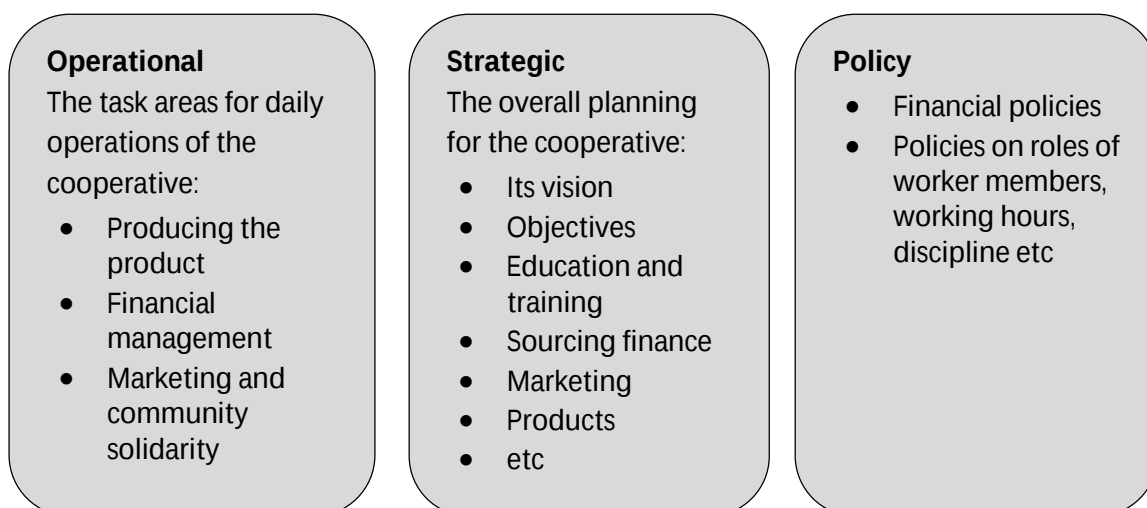


Diagram 9.1: Areas of decision-making in a worker cooperative

- Methods of decision-making – is it by one-person-one vote or consensus or a mix?
- Institutions of decision-making – can be simple or complex depending on the size of the worker cooperative. Inside a worker cooperative the general assembly, the board, sub-committees, social council (deals with working conditions) and management structure are some of the important institutions in which worker owner rights have to be located together with areas of decision-making and methods.

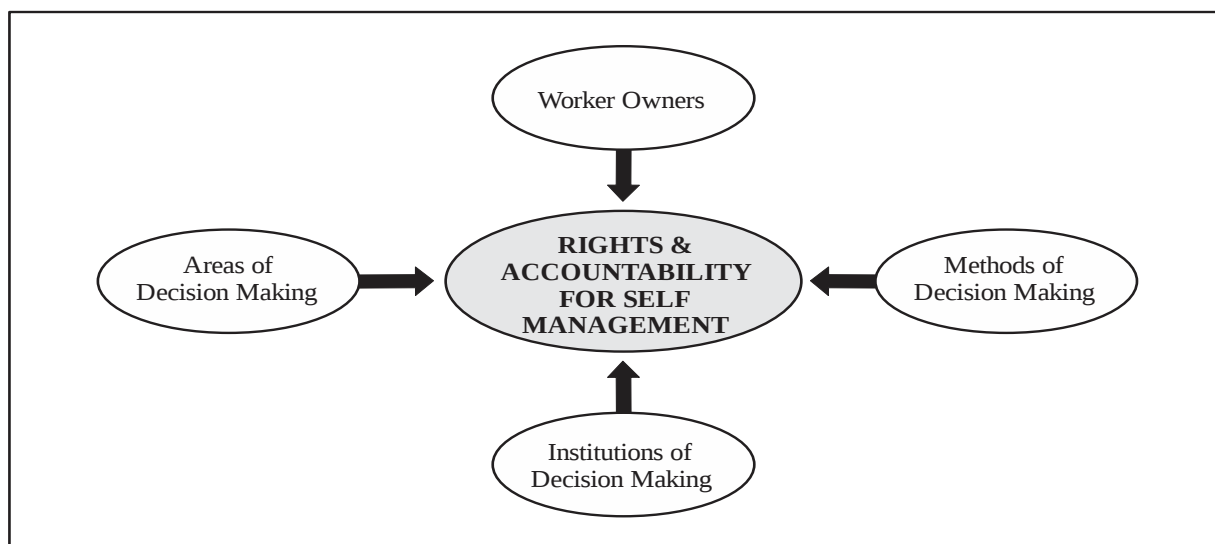


Diagram 9.2: Elements of a Self Management Model

9.3 Self-Management Structures within the Worker Cooperative

There are many examples of decision-making:

For example, a decision on hiring might begin in a board sub-committee but is finally decided on in the general assembly through a show of hands or one person one vote.

Or, the board might make a decision on production targets by consensus but the general assembly will decide by way of one-person-one-vote.

For another example, a manager might make a recommendation to the board on financial matters. The board might decide the matter through consensus after a long debate.

A worker cooperative self-management structure can be complex because of the size of operations. In a factory of 300 workers decisions on production might be decentralised to a particular departmental unit. Most policy and strategic decisions might be made only by the board and management, for example, through consensus. Operational decisions might be made by the general assembly through one-person-one-vote or a show of hands. Operational decisions might be made with input from key operational areas of the cooperative. The board and manager monitor implementation. See below.

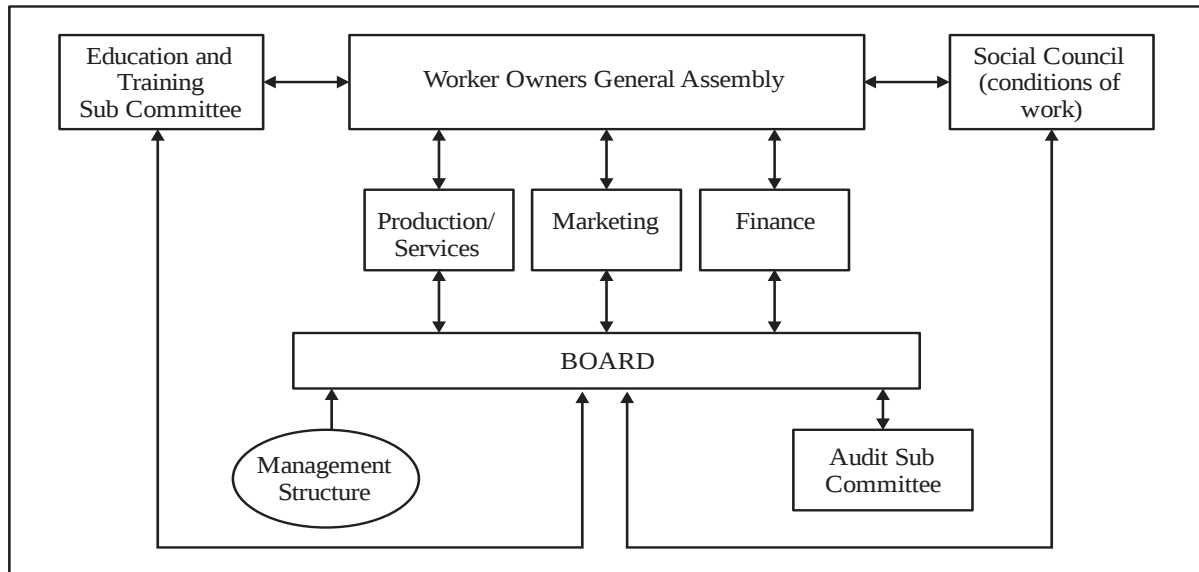


Diagram 9.3: A Complex Self-Management Structure

On the other hand, in smaller worker cooperatives self-management structures do not have to be complex. These can be very simple with the worker owners' general assembly being the central decision-making structure. Such a structure might work through both consensus and one-person-one vote on particular issues, depending on how the self-management system is designed. The board in such a structure is merely symbolic and plays a secondary role to the general assembly. In other words, the board might merely play an internal convening role for the assembly, keep records of meetings, be the public face of the cooperative, monitor decisions made by the general assembly and implement certain decisions made. See below.

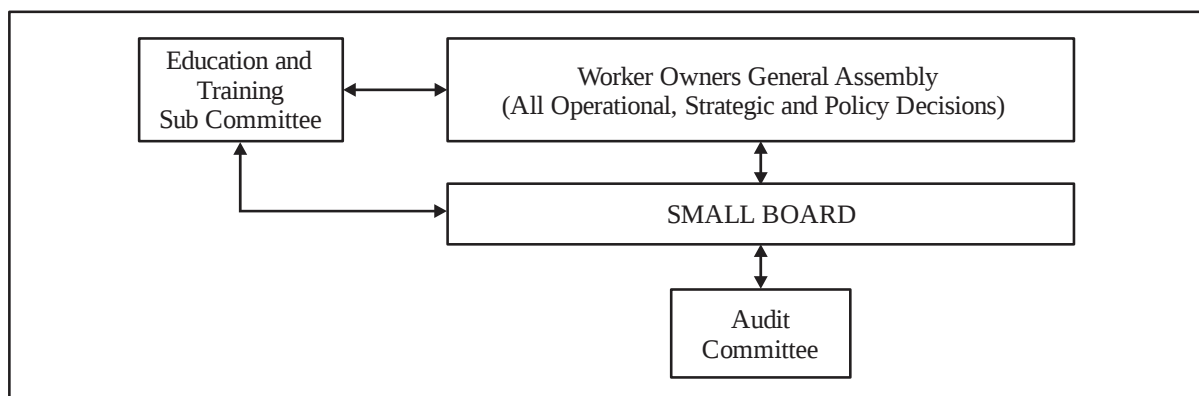


Diagram 9.4: A Simple Self-management Structure

Some important considerations when designing a self-management structure:

- Organise it in context such that a small cooperative, for example, does not need too many decision-making structures;
- Keep it simple such that there is less time for meetings and more time for production/service activity;

- Design a self-management system and refine it from practice so that it utilises time efficiently;
- Utilise education and training to build capacity inside the self-management system;
- Rotating jobs, where possible, inside a worker cooperative also assists with building self-management capacity.

Watch: Documentary:
"Democracy in the Work Place"

Small Group Exercises

Design a self-management system for the worker cooperative. Clarify and unpack the following:

- Worker owner rights to make decisions;
- Areas of decision-making (operational, strategic and policy);
- Methods of decision-making;
- Institutions of decision-making.

This should be drawn graphically, preferably on a piece of paper or flipchart.

If you would like to go further as a group, rethink and revise the concept document in the light of the feasibility assessment, financing options assessed, training options and self management system designed.

Module 10

Step 7 – Designing a Strategic Business Plan

10.1 Objectives of this Module:

- Understand what a business plan is
- Learn how to develop a business plan based on the previous steps of developing the concept document, doing a feasibility assessment, assessing finance, training and designing a self management system. Incorporate this information into the business plan
- Understand the importance of strategic development cycles

Worker cooperative business planning is a crucial part of the development process. It provides a road map for the cooperative; it assists with getting from point A to B. It sets out the practical steps and tasks to develop the cooperative. It also brings together all the information developed in all the previous steps. Cooperative strategic business planning is ongoing in the life of the cooperative.

10.2 Strategic Development Cycles

Worker cooperative business planning is not a once-off activity. It should be understood as part of a strategic planning cycle and process. The start-up worker cooperative business plan is just part of ground-work required to get a worker cooperative up and running. Beyond this the cooperative has to plan for growth and expansion and consolidation. The start-up phase of the cooperative can last a few years including the growth/expansion phase and the consolidation phase. It is advisable that in a worker cooperative planning happens annually. An annual strategic plan is developed to take forward start-up objectives. Within the start-up phase it is also important that the cooperative is thinking ahead in terms of expansion and growth to develop strategic options for this to happen. These options need to be put into a medium-term strategic plan (5-10 years) which can guide the annual strategic plan.

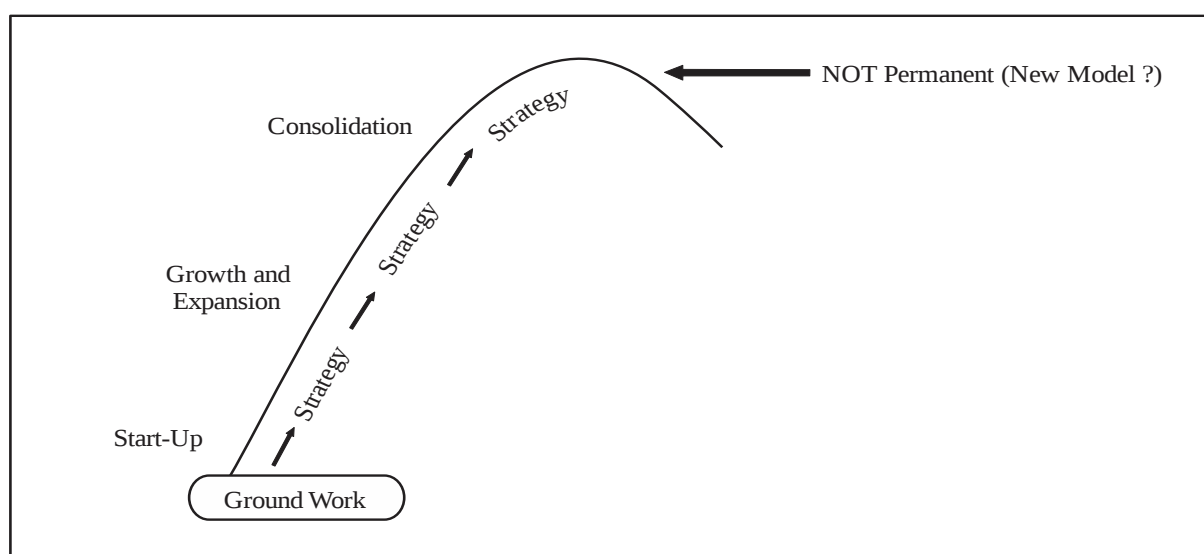


Diagram 10.1: Phases of Strategic Development

Small Group Exercise:

All participants should be encouraged to answer the following questions:

1. Why is cooperative business planning important in a worker cooperative?
2. What is the value of having an annual strategic plan?
3. What is the value of having a medium-term (5-10 year) strategic plan?

10.3 Content of a Strategic Business Plan

The main content for a start-up worker cooperative strategic business plan should include some of the following:

- **Executive Summary**
 - This is a summary of the business plan that you will write only once you have completed the business plan.
- **Objectives of the cooperative**
 - What does the cooperative aim to achieve? (you can insert this from your concept document)
- **Overview of core activity**
 - What the cooperative will produce / service it will provide (insert this from your concept document)
 - Raw materials and component parts required
- **Marketing plan/building community support**
 - Details of products to be produced
 - Unique selling proposition – why will the community support you?
 - Target market and location
 - Market size: financially, number of customers
 - List of existing and potential customers
 - Any letters of intent or orders
 - How product will get to market (distribution channels)
 - Competition
 - Action plan for marketing
 - (You should have most of the above information from doing your feasibility assessment)
- **Medium term strategic options**
 - Identify alternative forms of finance and support
 - Identify product or service diversification and development
 - Analyse opportunities for target market expansion
 - Revisit operational plan and analyse its effectiveness

- **Membership rights and obligations**
 - Insert from your concept document
- **Education and skills plan**
 - Existing skills
 - Skills needed
 - Sources and costs of education and training for needed skills
 - Breakdown of jobs and who will do it
- **Financing plan**
 - Start-up financial needs and costs (you should have this information from your feasibility assessment and finance option assessment)
 - Sources of finance
 - Working capital needs: overhead costs, salaries, stock etc
- **Production/manufacturing process**
 - The step-by-step process of putting together your product
 - Expected output per month
 - Production costs
 - Quality control
- **Self-management model**
 - Insert the self-management model that you designed earlier here
- **Location**
 - Physical and postal address
- **Social Audit Plan**
 - Reporting on worker control, impact on the community, contribution to the solidarity economy.

Note:

You will notice that many of the above sections of the business plan are the same as some of the previous planning steps that we have been doing until now. This is why doing these previous planning steps thoroughly is so important, because you will take that information and insert it into your business plan.

Small Group Exercise:

In small groups participants should work on the following:

1. Relook at the final version of your concept document and assess which issues have been addressed on the list above (under section 9.2);
2. Issues that have not been addressed need to be discussed and developed. You can use the sample business plan below as a reference;
3. To fill in information you don't have, research is important. Identify sources of information that will assist with filling in the gaps. Source the information.
4. Some of the information in the business plan can only be completed after electing the leadership of the cooperative. This can be added later.
5. Put all the information together according to the list above, so that you now have your business plan.
6. Begin to draft your start up business plan. Refer to the sample below. Remember a lot of the information you sourced for your concept document and the feasibility assessment, finance, education and training and self management, feeds directly in some parts of your business plan.

Sample Business Plan based on the Cooperative Incentive Scheme Template

The following business plan is based on a actual cooperative

Kopano Community Development Primary Cooperative Limited

BUSINESS PLAN

EXECUTIVE SUMMARY

- This business plan is aimed primarily at planning for the purchase of a flat bed knitting machine that will allow Kopano Community Development Cooperative to diversify its activities and expand into a new market in which there is much opportunity for growth and income generation. The plan is therefore focused largely around the flat bed knitting machine, but also includes the cooperative's other activities, which include manufacture and supply of full school uniforms, manufacture of casual wear and traditional clothing, bed spreads, curtains, beanies and scarves.
- The research conducted for this business plan highlights that there is significant opportunity for long-term sustainable income generation through the manufacturing of school jerseys. The initial opportunity is offered by the fact that the Department of Social Development, as part of its support to community cooperatives, will purchase bulk orders of school jerseys. However, to rely on the Department of Social Development for all business is not sustainable in terms of building an independent and successful cooperative, so this support is placed in the business plan as an initial 'launching pad', which will allow the cooperative, through guaranteed purchase from the Department and therefore income, to build up working capital, expertise and asset base, to build

supply links directly with schools and shops that sell school jerseys and hence to no longer be reliant on supplying the Department of Social Development, but build an independent customer base. Such marketing and relationship building is already being conducted by Kopano, such that as soon as we begin production we will be supplying customers over-and-above the Department of Social Development.

- It is also important to highlight that the flat bed knitting machine will not only be used for knitting school jerseys, but for beanies, scarves and casual jerseys as well. We will also aim to manufacture jerseys for security companies and other organisations that require the type of knitted jersey we will produce.

1 - ADMINISTRATION INFORMATION

Name of Business: Kopano Sewing Cooperative

Main Business Activity: Sewing and Knitting of School Garments

Postal address: 13950 Ivory Park, Ebuhleni Section, Extension 12, 1685

Physical Address (Location of Operation): 15257, Augustine Road, Ivory Park, Midrand

Contact person: Ruth Selowe

Contact details: 083 751 8672 kopanosewing@gmail.com

2 - INTRODUCTION AND BACKGROUND INFORMATION

- *Current situation*

Kopano currently has 5 members and has been registered since 2010. The cooperative had been registered under a previous name, with many different members, since 2002, but ran very precariously and informally. However, a new board was constituted in 2010 and the cooperative registered anew, with new founding members and a new constitution. Since then, it has been manufacturing school uniforms, as well as clothing, bedding and curtains to the general public. Its main source of business has been contracts from the Department of Social Development to produce school uniforms. However, business has been relatively slow and sporadic, due largely to the Department wanting to give other sewing enterprises an opportunity to produce school uniforms, as well as lack of strong marketing and strategising to link with and generate demand and so increase production. At the moment, therefore, Kopano's main business is producing clothing, bedding and curtains, and doing clothing repairs and alterations, for the general public.

Kopano is therefore still in the start-up phase as it has not launched into full-scale production, and decisions were hence made and agreement reached that, with the assistance of COPAC (the Cooperative and Policy Alternative Centre), a proper strategy for start-up, that would revitalise the cooperative and launch it into a fully operational stage, was necessary. Thus because business has been slow, the members decided that the solution would be to innovate and seek new business opportunities for expansion. As the business plan will outline, the members of the cooperative therefore sat down to plan, re-strategise and investigate alternative opportunities for expansion and found that there is a shortage in South Africa of school jersey producers. This business plan therefore

lays out the plan to expand and diversify their operations based on purchasing an industrial knitting machine to produce the fabric from which school jerseys will be produced, and in the process build up working capital for purchase of more knitting machinery to become an established and significant jersey and knitted products producer.

Kopano currently has a functional bank account, is registered and has an up-to-date tax clearance certificate.

- **Description of the business**

Sewing and knitting cooperative that produces school uniforms, clothing, bedding, curtains, and repairs and alterations to clothing.

- **Finance required and funding structure**

The funding requirements are as follows:

Equipment	Preferred Supplier	Cost
Flat Bed Knitting Machine	Sud Exports	R189 659.52*
Sewing Equipment	Berzack Brothers	R33 549.40
Knitting Yarn	Dynamic Textile Marketing	R99 373.80
Building Supplies for Extension	Ferreiras	R13 361.27
	Total Finance Required	R335 943.99

*Please note that this price quoted was subject to the exchange rate with the US Dollar at the time. Hence by the time funding is potentially released from the DTI for these activities the price may have changed due to exchange rate fluctuations. The DTI's flexibility in this regard would be most highly appreciated.

In terms of the funding structure for 2012-2013, this amount of R335 943.99 for start-up capital for purchase of assets is being applied for through the Department of Trade and Industry's Cooperative Incentive Scheme (CIS).

As this business plan plans for increased production requirements from 2013-2015, it will pursue further funding in late 2013, most likely through an institution like the Gauteng Enterprise Propellor (GEP) or through a loan from a banking institution, in order to finance the purchase of a second flat-bed knitting machine to allow for increased production in 2014 onwards. The value of this loan will be in the region of R140 000, while purchase price of the machine is forecasted at approximately R190 000. The difference is due to the fact that, as the financial forecasts (Appendix C) show, it is predicted that Kopano will be capable of making a R50 000 deposit on the machine which will be financed from retained earnings, and hence the loan will be R50 000 less than the purchase price. This is important in order to save on interest costs and reduce future financial pressure on the cooperative.

3 - BOARD

Please note that in terms of skills levels, some of the board members are relatively new to the cooperative and so have been in training on sewing, bookkeeping and other aspects of running a successful cooperative from older members of Kopano and from a cooperative support NGO, COPAC. Hence, while some board members do not have a long history of experience with regard to activities

linked to those of the cooperative, part of the motivation for Kopano Community Development Cooperative is to provide a platform through which our members can achieve personal growth and obtain and build their capacities; through this generate sustainable incomes; and contribute to community development and upliftment.

Chairperson: Ruth Selowe

Key Responsibilities:

- Represent the cooperative as its public officer
- Spokesperson of the cooperative
- Coordinate strategising together with the rest of the management team and oversee implementation of strategies and plans.
- Prepare agenda for meetings with the secretary
- Chair meetings
- Sign and/or write letters

Complementary Skills

- Sewing training
- Marketing experience
- Trained in basic business skills
- Ability to balance needs of the business with those of the members

Relevant Work Experience

- Has been working in the cooperative for 10 years and so is proficient in the main activity of the cooperative (sewing) as well as the associated tasks of administration, leadership and day to day running of the cooperative.

Vice-Chairperson: Maria Morero

Key Responsibilities

- Assume the responsibilities of the chairperson in her absence
- Carry out special tasks as required by the chairperson and/or board
- Provide support and assistance to the chairperson in carrying out her responsibilities

Complementary Skills

- Does not have formal training past Grade 11, but has received sewing training in the cooperative and has proven herself worthy of becoming a member of the cooperative and vice-chairperson.
- She has also demonstrated the ability to communicate effectively and participate in problem solving.

Relevant Work Experience

- Has not had experience in sewing, but as mentioned above, has received training in Kopano and has shown her work to be up to standard.

Secretary: Marrion Tshikane

Key Responsibilities

- Prepare meeting agendas in coordination with the chairperson
- Produce and circulate agenda
- Record and circulate minute of meetings
- Maintain the membership list, and keep members informed of events
- To ensure the constitution, minutes and other administrative records are kept up-to-date and in a safe place

Complimentary Skills

- Good spoken and written communication
- Presentation and organisational skills
- Sewing skills

Relevant Work Experience

- Has been working in Kopano for 6 years, so has good sewing experience gained through working there

Treasurer: Busi Mashego

Key Responsibilities

- Oversee and administer the finances of the cooperative
- Keep up-to-date financial records
- Ensure payment of bills and suppliers

- Ensure that all income is deposited in the bank account
- Ensure that the cooperative maintains a financial surplus
- Prepare budgets and end of financial year report
- Report to members on a monthly basis as to the financial situation of the cooperative

Main Skills and Competencies

Basic bookkeeping

Although no prior experience in sewing, she has been trained in sewing at Kopano by Gift Selowe, and has proven that she is capable of sewing at the level of quality that Kopano requires.

Experience

N/A

4 - MARKETING PLAN

- *Product description, and unique selling proposition*

School jerseys:

The unique selling proposition is that there are few manufacturers of school jerseys in the Midrand area and there is a market and demand for this product in South Africa as a whole, hence there is great potential for growth of the cooperative through such manufacturing.

Full school uniforms – tunics, skirts, jerseys, short and long sleeve shirts, trousers (socks and shoes will be supplied by Kopano as part of the package but not manufactured by Kopano):

Such packages are required on a consistent basis by the Department of Social Development; and there are many schools in the Midrand, Ivory Park and Tembisa areas that require such uniform packages and with whom, through our marketing strategy, we are currently developing links and relationships with.

Casual Knitwear (jerseys, scarves, beanies):

Kopano can supply direct to the public at lower prices than most shops, as our aim is not just to maximise profit, but to provide a useful social service to the community.

Formal work shirts, blouses, and smart casual clothes:

Most of the clothing available in Ivory Park is casual, hence employees that live in Ivory Park have to travel to other places to purchase their work and smart clothes. There is therefore a gap to sell such clothing in Ivory Park. Also, we will produce for sale in Johannesburg CBD, where there are a lot of people employed in office jobs in the city that require such work and smart clothes.

Bed spreads and curtains:

Kopano has already been manufacturing these products successfully, and so is an important activity to continue with.

We need to list other knitted products. They cant only produce school jerseys with this machine. Look at othe products like formal work skirts, tops and smart casual clothes, keeping up with up to date trends and fashion.

- *Target market*

School Jerseys:

From the beginning Department of Social Development for 3-4 years as well as schools, retail outlets and direct to the public in the Ivory Park/Tembisa/Midrand area. After this period, only schools, retail outlets and direct to the public.

School uniforms:

- Department of Social Development
- Schools in Ivory Park, Tembisa and Midrand
- Retail outlets in Ivory Park, Tembisa and Midrand
- Once successful in these markets, markets further afield will be sought.

Based on the potential product mix, we can look at targeting the local community for those other products mentioned above and greater Midrand community.

Casual knitwear:

- Direct to local community
- Local clothing retail outlets
- Clothing retail outlets in Johannesburg CBD

Bed spreads and curtains:

- Direct to community and traders in Ivory Park

Golf Shirts:

- Trade unions
- Companies
- Clothing retail outlets
- Direct to the public

Professional Jerseys:

- Security Companies
- Other companies requiring such knitted jerseys

- *Market size and growth prospects*

Concrete statistics on the size of the school jersey market in Gauteng or South Africa were not possible to obtain, as apparently such statistics do not exist. However, our groundwork research indicated that there is significant potential for school jersey manufacturing. According to the Department of Social Development, there are no other school jersey manufacturers in the Tembisa/Ivory Park/Midrand area, and so the growth prospects for manufacturing and supplying school jerseys are significant. Furthermore, our research has further shown that there is in fact a shortage of jersey manufacturers in South Africa in general (Department of Social Development, representative of Dynamic Textile Marketing), which supports our aim to grow through such manufacturing. Also, according to Lungisa Nqenge at the Department of Social Development, there is still a large shortage of jerseys being supplied to poor schools: the Department of Social Development in the Johannesburg region is only procuring and supplying to schools a quarter of what is actually needed. The Department is therefore planning to increase its procurement and supply, on which it is working to secure approval for.

Furthermore, as has been mentioned above, it is difficult to find out how many jersey producers there are and how many jerseys are being produced a month due to lack of statistics. Furthermore, it is difficult to exactly estimate the size and growth of the market because of smaller, less formal operators, who are often subcontracted by those who have been awarded contracts but do not actually produce jerseys. However, there are certain indicators. According to jersey yarn suppliers, the market has been growing year-on-year, as they are supplying an increasing tonnage of yarn every year, and it is expecting to continue growing. The market is therefore on an upward trend. Currently, about 220 tons of school jersey yarn is being sold every month in Gauteng, which translates into the manufacture of about 440 000 jerseys a month. This upward trend indicates positive potential for Kopano to enter the jersey producing market.

Other Knitwear:

Few knitwear producers exist in the Midrand region. Also, Kopano has worked out that it can sell its knitted products at lower prices than what people in Ivory Park currently pay for such products.

- *Competition*

As has been mentioned above, according to the Department of Social Development, there are no other school jersey manufacturers in the Tembisa/Ivory Park/Midrand area, and so competition in terms of producers is low, which is the main factor highlighting the positive potential that manufacturing jerseys will hold for the success and expansion of the cooperative. On the other hand, there are many shops that supply the jerseys. However, as has been mentioned above, our research has found that many parents go outside of Ivory Park and Tembisa, to shops in Midrand and Kempton Park, to purchase the jerseys for their children. Hence having a manufacturer of such jerseys within Ivory Park, and in close proximity to Tembisa, will prove a valuable selling point for our product. The following are some the enterprises in the Midrand, Kempton Park, Tembisa region that are selling school jerseys as well as uniforms:

Name of Competitor	Location	Products
City Style Shoes	Koponeng Centre, Ivory Park	Shoes, uniforms and jerseys
Laher Factory Shop	Kempton Park	School Uniforms and Jerseys

Protea Fashions	Tembisa Mall, Tembisa	Casual clothes, and school uniforms and jerseys
Silky Bazaar		School uniforms, jerseys and other fashions
J&Right	Kempton Park	A range of textiles, fashions, and school jerseys and uniforms

- *Projected Sales January-December 2013*

Product description	Number of units	Unit Price	Target Market	Total Sales
School uniform package	300	R570 (including jersey)	Schools, direct to community, local shops	$R570 \times 300 = R171\ 000$
Jerseys	3000	R85	Department of Social Development, schools, direct to public, local shops	$3000 \times R85 = R255\ 000$
Beanies	100	R20	Direct to public	$100 \times R20 = R2000$
Scarves	100	R25	Direct to public	$100 \times R25 = R2500$
Casual Jerseys	100	R90	Direct to public, shops in Joburg CBD	$100 \times R90 = R9000$
Golf Shirts	300	R120	Trade unions, direct to public, schools, businesses	$R120 \times 300 = R36000$
Bedspreads	50	R500	Direct to public	$R500 \times 50 = R25\ 000$
Curtains	125m ²	R80 per m ²	Direct to public	$R80 \times 125m^2 =$

				R10 000
			Total Projected Sales:	R510 500

Please see Appendix C for profit earnings for 2013, as well as forecasts, cash flow and balance sheets up to year-end of 2015.

- *Action plan to realize objectives*

Timeframe	Action
June 2012	Submit application for CIS funding
June-September 2012	• Continue active marketing, strengthening existing and new relationships with potential customers • Continue training on manufacturing processes and on cooperative processes such as book keeping, cooperative principles and member responsibilities etc
September 2012	Secure funding
September-October 2012	Purchase required equipment
Beginning October-mid October 2012	Receive training on flat-bed knitting machine
Mid-October 2012	Begin producing for orders
Mid-October 2012-March 2013	Continue aggressive marketing
Mid-January 2013	Deliver first order

5 - MANUFACTURING and PRODUCT PLAN

The following will be produced by Kopano:

- Girls' Primary and Secondary School Uniform, which includes:
 - Tunic (plain or Scotch)

- Full and/or sleeveless jersey (such will be dependent on funding to acquire a flatbed knitting machine)
- Short sleeve shirt
- Long sleeve shirt
- Cotton skirt (plain or Scotch)
- Jersey
- Boy's Primary and Secondary School uniform, which includes:
 - Short sleeve shirt
 - Long sleeve shirt
 - Trousers
 - Jersey
- Bedspreads, curtains, traditional clothes, casual clothes, security clothing, beanies, scarves, golf shirts

The following will be supplied, but not manufactured, by Kopano and included in the school uniform packages above:

- Socks
- Shoes
- Tie
- ***Raw materials and component parts***
 - Jerseys: acrylic yarn
 - Shirts: cloth, yarn and buttons
 - Tunics and Skirts: cloth, yarn and buttons
 - Golf Shirts: cloth, yarn and buttons
 - Bed spreads: cloth, felt and yarn
 - Curtains: cloth and yarn

- **Stage of Development of the Product:**

Kopano is already capable of supplying school uniforms, and has done so, on a sustainable basis. It has also been established that producing the school jerseys is feasible, given the cost structure below and the rate at which the Department of Social Development is willing to purchase the jerseys at.

Equipment**Current Assets:**

Asset	Number of units	Estimated Value
Industrial Straight Sewing Machine	4	R1200x4=R4800
Domestic Straight Sewing Machine	1	R400
Industrial Overlocking Machine	1	R2000
Industrial Hemming Machine	1	R2500
Golf Shirt Machine	1	R6000
Iron	1	R200
Industrial Ironing Board	1	R500
Industrial Cutting Machine	1	R600
Cutting Table	1	R250
Steel Cupboard	1	R500
Steel Filing Cabinet	1	R400
Building – 33m ² (includes burglar bars and security gate).	1	R50 000
	TOTAL VALUE	R68 150

Projected Assets for 2014:

Asset	Number of Units	Estimated Value
Flat Bed Knitting Machine	1	R189 660
Industrial Sewing Machine	5	R12300
Overlocking Machine	2	R8420
Industrial Ironing Board	2	R3400
Industrial Iron and Shoe	2	R2090
Straight Knife Cutting Machine	1	R3220

	TOTAL VALUE	R219 090
--	------------------------	-----------------

Total Projected Value of Assets and Facilities in 2014 = R287 240

See Appendix C for integration into projected balance sheets.

Production/Manufacturing Processes

School jersey (same process for casual jersey):

Purchase yarn---load onto flat bed knitting machine---set programming on machine---machine produces sheet of knitted material---measure and cut into pieces to be sewed into jerseys---use sewing machine to sew together jersey and combine different patterns---overlocker machine to clean up the yarns and ensure correct dimensions

School shirts (same process for formal shirts and blouses):

Purchase material---measure and cut material---sew shirt together, overlock and iron---sew on collar and iron---add button holes and sew on buttons---final iron

School Trousers (same process for work and smart pants):

Purchase material---measure and cut material---sew front part of trousers and iron---add pockets and zip on front section, overlock and iron---add pockets on back section, overlock and iron---sew back and front sections together and overlock---add belt loops---final iron

School skirt (same process for work skirts):

Purchase material---measure and cut material---sew front of skirt together, including pleats---sew back of skirt together---add inner pocket and join skirt---overlock---add zip on left-hand side---add hip band around top of skirt---insert elastic into back part of hip band---final iron

School Tunic:

Purchase material---measure and cut material---sew front part of skirt, including front of inner pocket, outside pocket on left breast---sew back part of tunic, including back part of pocket---join front and back, including pockets, and overlock---insert sip on left-hand side---add collar and overlock---sew belt---add button to belt---sew button loops to tunic---insert belt---add button holes and button

Bed Spread:

Purchase material and inner felt---measure and cut required size of felt, and two panels of required size of material---sew required pattern into the two panels of material---place felt between the two panels of material---sew the two panels together---overlock the sewed joins

Scarf:

Purchase yarn---insert yarn into flat bed knitting machine---programme machine---machine produces sheet of knitted material---cut knitted material to required size---join and overlock

Beanie:

Purchase yarn---insert yarn into flat bed knitting machine---programme machine---machine produces sheet of knitted material---cut knitted material to required size---join and overlock

Golf shirt:

Purchase material---measure and cut material---sew shirt together, overlock and iron---sew on collar and iron---add button holes and sew on buttons---final iron

- *Factory output capacity per month, per product line*

Product Description	Capacity Per Month
School Jerseys	500
School Uniforms	200
Other Jerseys	200
Golf Shirts	100
Beanies	50
Scarves	50
Bedspreads	20
Curtains	20

- *Environmental Impact Assessments*

Our activities do not fall under those stipulated as requiring an Environmental Impact Assessment by the National Environmental Management Act 107 of 1998. However, care will be taken to minimise the environmental impacts of Kopano's activities, such as recycling of unused fabric.

Manpower Plan

First Financial Year (2013)

Activity	Number of people	Expertise
Knitting Machine Operator	1	Machine functioning (will be trained by supplier)
Sewing together of garments	3	Sewing skills
Overlocking of garments	1	Sewing skills
	Total: 5	

Second Financial Year (2014)

Activity	Number of people	Expertise
Knitting Machine Operator	1	Machine functioning
Sewing together of garments	5	Sewing skills
Overlocking of garments	3	Sewing skills
	Total: 10	

Third Financial Year

Activity	Number of people	Expertise
Knitting Machine Operator	2	Machine functioning (will be trained by machine supplier and cooperative)
Sewing together of garments	5	Sewing skills
Overlocking of garments	3	Sewing skills
	Total: 10	

Please refer to Section 3 on the board's details for the manpower plan with regard to cooperative and administrative functioning.

6 FINANCIAL ADMINISTRATION PLAN

- *Finance required*

Finance currently required for 2012-2013 is R335 943.99, being applied for through the DTI's Cooperative Incentive Scheme (CIS).

Near the end of 2013 further finance will be required to purchase a flat-bed knitting machine, in the region of R190 000, in order to allow for increase production. This will be applied for through an institution such as the Gauteng Enterprise Propellor (GEP) or through a loan from a banking institution.

- *How are the cooperative's financial needs going to be met (Sources of funding)*

1. Cooperative Incentive Scheme – R335 943.99

2. Loan funding: R190 000 (in 2013). Potential sources:

- Banks
- Gauteng Enterprise Propeller

- *Funds utilization*

Please refer to the table on Page 2 for utilisation of CIS funds. The loan will be utilised for purchasing a second flat bed knitting machine for financial year 2015. This will allow for increased production of school jerseys and knit-wear, although production will not immediately double with the purchase of a second machine, but will be achieved over approximately a three year period from point of purchase, beyond the current 3-year financial forecasts (Appendix C).

- *Is the cooperative going to sell on cash or credit basis*

The cooperative will sell mostly on a cash basis, and will allow credit purchases to customers that have become well known to the cooperative and are reputable.

- *What payment arrangements were entered into with suppliers? Cash or Credit*

No agreements have been made with suppliers, as the cooperative plans to purchase on a cash basis. However, if required, the cooperative may enter credit agreements as the need arises.

Attached:

Appendix A CVs of the Management Team

Appendix B SWOT Analysis

Appendix C Financial Statements

Forecast Income and Expenditure Statements

Kopano Co-operative Cash Flow Statement for periods	2013	2014	2015
Cash Flows from Operating Activities			
Cash Receipts from Customers	R510 500,00	R719 125,00	R973 300,00
Cash Paid to suppliers and employees	R358 725,00	R561 852,50	R703 681,25
Cash from operations	R151 775,00	R157 272,50	R269 618,75

Interest Received	R0,00	R1 403,94	R2 890,81
Interest Paid	R0,00	R0,00	R28 500,00
Dividends paid	R46 797,86	R49 562,49	R56 883,24
Income Tax paid	R13 099,40	R13 997,36	R16 067,70
UIF Paid	R900,00	R2 070,00	R2 401,20
Net Cash inflow/ outflow	R90 977,74	R93 046,59	R168 657,43
Cash Flows from Investing Activities			
Acquisition of investments	R0,00	R46 797,86	R96 360,35
Net cash flow/ Outflow	R90 977,74	R46 248,73	R72 297,08
Cash Flows from financing activities			
Proceeds from member contributions	R1 000,00	R2 000,00	R2 000,00
Repayments of amounts borrowed	R0,00	R0,00	R47 500,00
Payments of the capital element of finance lease liabilities			
Net Cash Flow	R91 977,74	R48 248,73	R26 797,08
Net increase / decrease in cash and cash equivalents	R91 977,74	R48 248,73	R26 797,08
Cash and cash equivalents at the beginning of year	R0,00	R91 977,74	R140 226,47
Cash and cash equivalents at the end of year	R91 977,74	R140 226,47	R167 023,55

Forecast Balance Sheet Statements

Balance Sheet of Kopano Co-operative		
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Period	2013	2014	2015
ASSETS			
FIXED ASSETS			
Property, Plant & equipment	R257 809,52	R237 028,57	R408 325,71
Investment: Fixed Deposit	R0,00	R46 797,86	R96 360,35
CURRENT ASSETS			
Inventories	R208 510,60	R393 218,41	R521 230,56
TOTAL ASSETS	R466 320,12	R677 044,84	R1 025 916,62
EQUITY AND LIABILITIES			
Members interest and reserves	R46 797,86	R49 562,49	R56 883,24
Accumulated profits	R46 797,86	R49 562,49	R56 883,24
Current Liabilities			
Trade and other payables	R358 725,00	R561 852,50	R703 681,25
Income tax payable	R13 099,40	R13 997,36	R16 067,70
UIF	R900,00	R2 070,00	R2 401,20
Long-Term Liabilities			
Loan	R0,00	R0,00	R190 000,00
Total Equity and Liabilities	R466 320,12	R677 044,83	R1 025 916,62

Forecast Cash Flow Statements

Kopano Co-operative Cash Flow Statement for periods	2013	2014	2015
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Cash Flows from Operating Activities			
Cash Receipts from Customers	R510 500,00	R719 125,00	R973 300,00
Cash Paid to suppliers and employees	R358 725,00	R561 852,50	R703 681,25
Cash from operations	R151 775,00	R157 272,50	R269 618,75
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Interest Paid	R0,00	R0,00	R28 500,00
Dividends paid	R46 797,86	R49 562,49	R56 883,24
Income Tax paid	R13 099,40	R13 997,36	R16 067,70
UIF Paid	R900,00	R2 070,00	R2 401,20
Net Cash inflow/ outflow	R90 977,74	R93 046,59	R168 657,43
Cash Flows from Investing Activities			
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Net increase / decrease in cash and cash equivalents	R91 977,74	R48 248,73	R26 797,08

Cash and cash equivalents at the beginning of year	R0,00	R91 977,74	R140 226,47
Cash and cash equivalents at the end of year	R91 977,74	R140 226,47	R167 023,55

Module 11

Step 8 - Legal Framework Options and Registration Requirements

11.1 Objectives

- Understand a worker cooperative constitution
- Understand steps and requirements to register a worker cooperative

The legal framework of a worker cooperative is contained in a constitution. The constitution has to comply with the legal requirements of the 2005 Cooperatives Act and the sections dealing with worker cooperatives (as well as the Amendment Act of 2013). A lot of the planning done so far will enable the development of a constitution. In particular the development of the self-management model will be crucial to inform the distribution of power and legal rules within the constitution of the worker cooperative.

11.2 Recommended Requirements for Registration of a Worker Cooperative

Some of the following is required to put a worker cooperative constitution together and get registered:

- Develop a self-management model (see module 9);
- Study the Cooperatives Act of 2005 and the Amendment Act of 2013, particularly provisions related to worker cooperatives;
- Obtain a sample constitution from the registrar of cooperatives based at DTI in Pretoria or from the CIPC website: www.cipc.co.za;
- Amend the sample constitution based on the concept document, self-management model and business plan.
- Send these amendments back to registrar and request registration documents, including a new constitution;
- Once the documents are obtained from the registrar have a registration meeting to adopt the constitution, elect the board, adopt the start-up business plan and sign registration documents. The signed registration documents and start-up business plan must be sent back to the registrar for the worker cooperative to be registered.

By-laws in a worker cooperative are standing policies in a worker cooperative and need to be put in place to complement the constitution. This will come into place once the cooperative is up and running.

11.3 Registering a Worker Cooperative

Step 1:

Ensure that you have the minimum of 5 committed members (this should already have been sorted out before embarking on the ground work planning).

Step 2:

Register as a CIPC customer. If you have access to and are capable at using the internet, then you can register as a CIPC customer (see how to register below). This is essential, as you need to write your customer code on all correspondence with CIPC (like on the top of the

registration forms). However, if you are not able to access or use the internet, do not worry. If there is an organisation that is supporting you they should already be registered as a customer and therefore you can use theirs. Otherwise, you can contact COPAC and they can assist or point you in the right direction.

Registering as Customer with CIPC

To register as a customer and obtain a customer code, here are the instructions from CIPC:

To be able to transact with CIPC, you need to register as a customer on our website. Once registered, a virtual account is created in your name.

- Visit: <http://eservices.cipc.co.za/> to create a customer code and password.
- Click on "Customer Registration".
- Indicate if you have a South African green barcoded ID document or smart card. (Yes/No)
- If Yes, complete the ID number and Surname and click on Continue. If you do not have an ID number, complete your password number.
- Complete the required fields and click on Register. Please note that the Surname, Name(s) and ID/Passport Number will be pre-populated on this screen. All compulsory fields are indicated with an asterisk.
- The fields will be verified. If there is any problem or missing information, an error message will display in red, indicating what is required. Correct the fields as indicated and click on "Register" again.
- If the registration was successful, the following message will display: "CUSTOMER CODE REGISTERED!"
- Your new CIPC customer code has been sent to your cellphone and email address. Click continue below to change your password. Customer Code: X1234."
- Click on Continue.
- A message will display, indicating that your new CIPC customer code has been sent to your cell phone and email address. Click on continue to change your password.
- On the next screen, most fields are pre-populated. Complete the security question, and type in a password. Re-type the password for verification purposes. Check the pre-populated fields and update if any information need to change. Click on Update.
- A message will display indicating that your customer details have been updated, and that your CIPC customer login details have been sent to your email and cellphone. Click on Continue.
- The landing page of the transactional website will be displayed. Click on the relevant button to transact.
- Registering as a customer is a once-off process. Keep your customer code and password secure to use for all transactions.
- In order to transact, click on [Visit: http://www.cipc.co.za/index.php/line-transacting/](http://www.cipc.co.za/index.php/line-transacting/), and choose the relevant transaction.

Step 3:

Download the template Constitution for Primary Worker Co-operatives from the CIPC website as well as the registration forms. The forms you will need are:

- CR1: The registration form
- CR4: Appointment of auditor. You will also need to get a signed letter from the auditor stating that she/he accepts the role of auditing your cooperative. (If you are not able to appoint an auditor initially, then you must apply for exemption by filling in the CR8 form. You will still, however, have to appoint an auditor at a later stage)
- CR5: Name reservation. This is so that no one else can use the name of your cooperative. **This form needs to be submitted before you submit the registration documents for your cooperative. You need to submit this form together with a payment of R50 to reserve your cooperative's name. Once your name has been confirmed, CIPC will send back to you the confirmation document (CoR9.4). This form must then be included with your registration application.**

Making Payments into your Virtual Account

In order to do transactions with CIPC, like registering your cooperative, they require payment. So, you need to ensure that there is money in your Virtual Account that CIPC will deduct from, like the registration fee or the fee for reserving your cooperative's name.

When depositing money into the CIPC account, make sure that the reference number is clearly indicated, to enable CIPC to allocate the funds to the relevant Customer Account.

The following payment options exist:

- **Electronic deposit (EFT)**
You only need to quote your customer code in the reference field. The date and sequence number are not required.
- **Any ABSA bank**
You need to quote your customer code
The deposited amount will be reflected within one hour of being deposited
- **Any other bank**
Allow 2-3 days for funds to be allocated. Customers are strongly advised to deposit money at an ABSA bank as it ensures that the deposited money is reflected in the customer's account within an hour.
- **IMPORTANT:** Please ensure that the correct bank account and customer code reference number is used when depositing money.

Bank:	ABSA
Account Type:	Transmission Account
Account Name:	CIPC
Account Number:	4055 68 1017
Branch Name:	Van der Walt Street
Payment Reference:	CUSTOMER CODE

The reference number on the deposit slip will assist CIPC to allocate the deposit accurately and on time to your virtual account at CIPC.

Step 4:

All founding members need to sit and read through the entire constitution, line by line. Changes should be made according to the planning that has been done until now, such as how much the entrance fee/share will cost, the objectives of the cooperative, the self-management model, and so on. These changes can be written on the copy of the constitution itself. Where more detail needs to be inserted, like the self-management plan, this can be done on a separate piece of paper which indicates where in the constitution the information must be inserted.

Once the founding members have agreed to the constitution, all of them must sign in the space given on the back page of the constitution.

Step 5:

Elect the board of the cooperative. The board members will then elect amongst themselves the chairperson, treasurer and secretary.

Step 6:

Complete the registration forms.

Step 7:

Submit your registration papers. Before this you should ensure you have paid the registration fee of R215 in your virtual account (see above for how to make the payment). You should submit the following for registration:

- CR 1 form (including certified ID copies of all the founding members)
- CR4 form (or CR8 if you want initial exemption from auditing)
- CoR 9.4 form (if you have reserved your cooperative's name)
- **2 copies** of the constitution
- Proof of payment of registration fee

The registration forms can be submitted to CIPC in two possible ways:

1. **By email:** You can scan and email the forms to cooperativesonline@cipc.co.za. Proof of payment with customer code as reference must be included.

2. **Directly:** At the self-service centre at Sunny Park Mall in Pretoria, on the 3rd floor. There is a drop box they can be dropped in. Proof of payment with customer code as reference must be included.

11.4 Sample Constitution

IMPORTANT INFORMATION

COMPLETION OF CONSTITUTION

Where openings have been left for completion (e.g. ".....") the required information must be completed.

ENTRANCE FEES, MEMBERSHIP/SUBSCRIPTION FEES & SHARES

To become a member of a co-operative, a person MUST take up:

- (a) an Entrance Fee; OR
- (b) an Entrance Fee, a Membership/Subscription Fee; OR
- (c) an Entrance Fee, a Membership/Subscription Fee and a Share(s); OR
- (d) a Share(s).

It is up to the members to decide at the Founding Meeting which of these options they want to use. The clause(s) that is not applicable to the co-operative should be deleted. E.g. If they do not want to use Shares, a line should be drawn through the Share clauses.

OTHER CLAUSES THAT MAY BE DELETED OR CHANGED

Should the members not want to make use of the following clauses, these clauses may be deleted:

- (a) Prohibited and Permitted Loans (Clause 57)
- (b) Restrictions relating to Unsecured Members' Loans (Clause 58)
- (c) Deferred Bonus Payment Funds (Clause 66)

Other changes can also be made to the constitution, given that the changes are in line with provisions of the Co-operatives Act, 2005 and the rest of the constitution. A copy with the changes marked clearly must also be submitted for registration purposes.

Sample Model Worker Cooperative Constitution

Hou / Model statute – Co-ops Act 2005 / Primary Worker

_____ WORKER

PRIMARY CO-OPERATIVE LIMITED

NAME

1. [a] The name of the Co-operative is WORKER PRIMARY CO-OPERATIVE LIMITED.

[b] The abbreviated name is (CO-OP.) LTD. (if applicable)

[c] The Co-operative may trade as (if applicable)

FORM OF CO-OPERATIVE

2. This is the constitution of a business undertaking formed as a Primary Worker Co-operative with limited liability in terms of the provisions of the Co-operatives Act, 2005 (Act 14 of 2005).

DEFINITIONS

3. In this constitution, unless the context indicates otherwise, a word or expression to which a meaning is

attached in the Co-operatives Act, 2005 shall have a similar meaning and -

"the Act" means the Co-operatives Act, 2005 (Act 14 of 2005);

"co-operative" means the WORKER PRIMARY CO-OPERATIVE LIMITED that is incorporated in terms of the Act;

"entrance fee" means a once off fee payable to obtain membership of the co-operative, and is paid on application for membership; Also referred to as membership share fee.

"gender" a reference in this constitution to the masculine gender shall also include the feminine gender and vice versa;

"member loan" means a loan made by a member to a Co-operative in terms of clause 62;

"patronage proportion" means the proportion which the value of remuneration earned by a member from the Co-operative during a specified period bears to the value of remuneration earned by all the members during the same period from the Cooperative.

PLACES OF BUSINESS

4. The main place of business of the Co-operative is situated at
(place); Province.

OBJECTIVES

5. The objectives of the Co-operative are -

[a] Expand the solidarity economy movement in the community by working with other cooperatives and doing education work;

[b]

[c]

[d]

[e]

[f]

[g]

[h]

[i]

DESCRIPTION OF BUSINESS AND ANY RESTRICTIONS ON BUSINESS

6. [a]

.....

[b] Restriction: The co-operative is entitled to provide employment to persons who are not members: Provided that the number of non-members that are employed at any given time will not exceed 25% of the total number of members of the co-operative, as at the same given time.

THE WORKER COOPERATIVE VALUES AND PRINCIPALS

Values

In different parts of the world solidarity economy movement and networks emphasise a core of ethical values and principles. Some of the main ethical values of the solidarity economy are ***caring, sharing, self-reliance, honesty, democracy, equality, learning, ecological consciousness, social justice and openness.***

Principals

The cooperative will be guided by the following principles:

Solidarity: provides the social basis for the solidarity economy. It informs the cooperation between members inside a solidarity economy enterprise, between such enterprises and with the community more broadly.

Collective ownership: ensures the assets and resources of the solidarity economy enterprise brings benefits to all within the enterprise, to the community and future generations. It ensures control and power are shared.

Self-management: gives members (women and men) and worker owners the rights to impact on decision-making. Such a principle ensures one-person-one-vote institutionalises accountability and responsibility. Ongoing education and training is crucial for viable self-management.

Control of capital: is a crucial practice to secure benefits for the individual enterprises, the wider solidarity economy and the community. It requires developing mechanisms to build up capital from below and subordinating it to democratic control so that the vision, values and principles of the solidarity economy informs lending practices. Such criteria will also inform the behaviour of the borrower.

Eco-centric practice: places an emphasis on a non-destructive relationship with nature through inputs, production processes, services rendered, consumption and household practices.

Community benefit: encourages a broader social awareness as an integral part of how the solidarity economy works. Such community benefit to be accounted for through transparent financial reporting.

Participatory democracy: provides an institutional space for the decentralised power of citizens and solidarity economy actors for and with the solidarity economy process. Such an institutional space to bring together and unite such social forces to ensure effective coordination and development of the solidarity economy.

MEMBERSHIP

Requirements for membership and Restrictions to membership

7. Requirements: Any natural person, who is over the age of 18 years may, on application to the Board, become a member of the Co-operative.

8. Restrictions: Membership is restricted to natural persons that work for the co-operative.

Application for membership

9. [1] Application for membership and for the number of Shares an applicant wishes to take up shall

be made on the form provided for that purpose, and shall be accompanied by the Entrance Fee.

[2] The Board must consider every application for membership and has the right to accept or reject an application.

[3] The Board must, within 3 months after receipt of an application for membership, notify the applicant of its decision and, in the event of an application for membership being rejected, any amount paid by the applicant to the Co-operative must be refunded to him.

[4] A person becomes a member of the Co-operative when his application for membership has been accepted by the Board, and a share is issued or transferred to him.

Entrance Fee or Membership Share Fee

10. [1] An Entrance Fee of R _____ must be paid on application for membership. Such fee is not refunded on termination of membership.

On the payment of the membership share of R _____, every member shall obtain a share and a share certificate and an individual membership capital account. The members capital account shall appreciate in value based on interest earned at an annual rate of 5% and annual dividend on surpluses. Members will have to contribute if a loss is made.

External financiers shall not be allowed to acquire membership, shares and ultimately decision-making power in the cooperative.

Rights and Obligations of Members

11. [1] Members Rights:

[a] The maximum amount a member is required to pay during the first year of membership

(i.e. on Entrance Fee, Subscription Fee, Shares and Members Loan) may not exceed half the member's expected annual remuneration.

[b] The period of probation of a new member may not exceed two years.

[c] Members have the right to appoint an auditor;

[d] During ballots at meetings of members, each member has the right to one vote.

[e] Members that are not suspended or expelled from the co-operative, have the right to attend meetings of the co-operative.

[f] Equal share ownership as worker owners

[g] Skills acquisition both to manage the co-operative and in production and ongoing education and training

[h] Surpluses which would be shared with members through dividends. Member capital accounts to provide for member savings for retirement, in case of death or if member leaves the cooperative

[i] All worker owners can stand for election to the board

[j] All worker owners could earn a 'wage'

[k] All worker owners to receive medical Aid

[2] Obligations of Members:

[a] Members have to adhere to this constitution and any amendments thereto, as well as any by-laws made by the Board of Directors.

[b] Members must participate in the business of the co-operative.

[c] Members must notify the co-operative whenever any of their personal details change, for example when his home-address changes.

[e] Work hard

[f] Work together with other worker owners

[g] Learn new skills

[h] Accept the democratic decisions of the co-operative

[i] Participate in the decision-making activities of the co-operative

[j] Ensure membership share fees are paid by worker owner members

ISSUE OF SHARES AND MINIMUM SHAREHOLDING

12. [1] The shares issued by the Co-operative must all be of the same class, ranking and nominal value.

[2] When the co-operative is founded each member must have a minimum of One (number of) shares.

[3] From the time that the co-operative is three years in operation, every member shall be bound to hold a minimum number of shares in the co-operative prescribed by a scale which shall be approved by members in general meeting on the recommendation of the board: Provided that the scale must relate to business done by members with the co-operative. Whenever it appears that a member does not hold the number of shares prescribed by the applicable scale, the board may issue to him without application therefore such number of shares as will make up the insufficiency and 100% of the nominal value of such shares shall immediately become payable upon such issue: Provided that before such issue of shares is made to any member, he shall be afforded an opportunity, of at least 60 (sixty) days, to acquire the requisite number of additional shares from any other member holding shares in excess of the above scale.

13. The nominal value of each share is R 6000.00 (Six Thousand Rand) which shall be fully paid-up in money.

CERTIFICATES OF SHARES AND LOANS

14. Share certificates and Loan Certificates shall be issued in such form, as the Board shall determine. These certificates shall state the name of the Co-operative, that the Co-operative is subject to the Act, the name of the person to whom it is issued and that the certificate represents membership shares in, or member loans to, the Co-operative and the number of the membership shares or the amount of the member loans.

LIABILITY OF MEMBERS

15. The liability of a member is limited to an amount equal to the nominal value of the shares in the Cooperative held by him in so far as that amount has not been paid up.

TRANSFER OF MEMBERSHIP, MEMBERS LOANS AND SHARES

16. [1] Membership, Member Loans and Shares may be transferred only with the approval and on the authority of the Board which shall satisfy itself that the proposed transferee is qualified to be a member of the Co-operative.

[2] The Board may at any time refuse to approve and register a proposed transfer.

[3] The transfer of any membership shall be in writing in such form and signed in such manner as the Board from time to time may stipulate.

[4] When such transfer has taken place the Board shall issue to the transferee a Share Certificate and/or a Member Loan Certificate.

LAID-OFF MEMBER

17. [1] A temporary lay-off of a member does not result in termination of that member's membership.

[2] If a member is laid-off and two years have elapsed since the dated of the lay-off without the member having resumed employment with the co-operative, the board of directors may, in accordance with the constitution, terminate the membership of the member: Provided that when a membership is terminated in terms of this clause, sub-clauses 24[4] and [5] apply to the termination.

CONDITIONS AND PROCESSES FOR TERMINATION OF MEMBERSHIP Termination on death

18. [1] Membership of a member who has died may in terms of this clause be transferred to a member of that deceased member's family or another person appointed by the executor of the deceased member's estate subject to the approval by the Board of the proposed transferee. In the event of such transfer not taking place, the membership of the deceased member shall be terminated by resolution of the Board.

[2] Upon such termination, the subscription fees concerned are forfeited and the amount paid in respect thereof is credited to the general reserve of the Co-operative.

[3] The shares registered in the name of a member who has died, must be cancelled by resolution of the Board at the request the executor or liquidator of the estate.

[4] Upon such cancellation the Co-operative must, pay to the executor the amount paid up on the shares for payment to the estate of the deceased member: Provided that if the value of such shares, according to the latest completed balance sheet of the Co-operative, is less than their nominal value, the Co-operative shall pay an amount equal to the value so determined.

Termination on Change of Place of Residence

19. [1] The membership of a member who no longer resides in the area served by the Co-operative may on application of the member or by decision of the Board, be terminated by resolution of the Board.

[2] Upon such termination, the subscription fees of the member concerned are forfeited to the Cooperative and the amount thereof is credited to the general reserve of the Co-operative.

[3] The shares registered in the name of such member may be cancelled by resolution of the Board.

[4] Upon such cancellation the Co-operative must refund to the ex-member, the amount paid up on the shares: Provided that if the value of such shares, according to the latest completed balance sheet of the Co-operative is less than their nominal value, the Co-operative shall pay the ex-member an amount equal to the value so determined.

Termination when a member is non-active

20. [1] Whenever a member does not actively participate in the activities of the Co-operative for a period of three months or has neglected to notify the Co-operative of any change in his address, whereby the Co-operative is prevented from contacting him, his membership may, be terminated by resolution of the Board.

[2] Upon such termination, the subscription fees of the member concerned are forfeited to the Cooperative and the amount thereof is credited to the general reserve of the Co-operative.

[3] The shares of such member may be cancelled by resolution of the Board.

[4] Upon such cancellation, the amount paid up on such shares must be transferred to a special account called "Unclaimed Share Moneys". If no claim against this account is received and paid by the Co-operative within 3 (three) years of such transfer, the amount concerned is forfeited to the Co-operative and transferred to the general reserve of the Co-operative:

Provided that if the value of the shares, according to the latest completed balance sheet of the Co-operative, is less than their nominal value, the amount to be transferred, shall be an amount equal to the value so determined.

WITHDRAWAL OF MEMBERSHIP

21. [1] The resignation of a member comes into operation at the first meeting of the Board held after the Co-operative has received the written resignation of the member

[2] The membership of a member who has resigned, shall be terminated by resolution of the Board.

The amount paid in respect of subscription fees shall be forfeited to the Co-operatives and credited to the general reserve.

[3] The shares of a member who has resigned, shall be cancelled by resolution of the Board. The amount paid up on such cancelled shares shall, at the discretion of the Board, be repaid to the member within a period of two years from the date of cancellation: Provided that if the value of the shares, according to the latest completed balance sheet of the Co-operative, is less than their nominal value, the amount payable shall be an amount equal to the value so determined.

22. Any amount payable by the Co-operative in terms of clauses 17, 18, 19, 20 and 21 shall be set off against any debt for the payment of which the member or his estate is liable.

CONDITIONS AND PROCESS FOR SUSPENSION AND TERMINATION (EXPULSION)

23. [1] A member who repeatedly contravenes a provision of this constitution or who refuses to comply with such provision or to meet an obligation imposed on him by the Act or in terms of this constitution or which he agreed to meet, may by resolution of the Board, be suspended for a period not longer than 12 months, or his membership may be terminated from the cooperative, if there is good reason to do so.

[2] The suspension of a member may be revoked by resolution of the Board at any time.

24. [1] Before a member can be suspended or his membership be terminated in terms of clause 23, he has to be given prior written notice of the intention of the Board.

[2] The notice to such member must contain the following particulars-

[a] Reasons for the proposed suspension or termination of membership (in the case of a member that has served a period of probation, must relate to the conduct or capacity of the member to carry out his duties, or to the operational requirements of the cooperative);

And

[b] A time when, and place where the member may appear in person, with or without witnesses, before the Board or to which he may send a written statement signed by himself setting out his objections to the proposed suspension or termination of membership.

[3] The Board must notify him in writing if it is decided to suspend a member or to terminate his membership, of –

[a] The date on which his suspension or termination of membership comes into effect;

[b] Period of time during which the suspension will apply; and

[c] Disciplinary measures which will be taken.

[4] A member whose membership is terminated by the board has a right to appeal to a general meeting within 30 days of the termination of his membership.

[5] A termination of membership of a member is confirmed on appeal if:

[a] Members at a duly called general meeting do not reverse the decision of the board.

[b] A general meeting is called to consider the appeal of a member and a quorum of members is not present.

Disciplinary measures

25. [1] While under suspension a member forfeits his right to attend general meetings or to vote thereat by proxy.

[2] The members by special resolution or the Board may furthermore stipulate that certain or all transactions with a member must be suspended for the period of his suspension.

[3] The membership of a member that has been terminated in terms of clause 24 forfeits his subscription fees and the amount paid in respect thereof must be credited to the general reserve.

[4] The shares of a member whose membership has been terminated in terms of clause 24, must be cancelled, subject to the provisions of clause 25[1], by resolution of the board and upon such cancellation the member shall forfeit his shares.

LIABILITY IN RESPECT OF FORFEITED SHARES

26. [1] A person whose shares have been forfeited, is responsible for immediate payment to the cooperative of the entire amount unpaid on such shares.

[2] All moneys paid to the co-operative in respect of forfeited shares must be added to the general reserve.

[3] Notice must be given to the member in whose name the shares were registered prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register of members.

[4] Interest on share capital or bonus or any other amount accruing to a member and which is payable by the co-operative to the member, must be applied to pay calls on shares and/or amounts unpaid on forfeited shares, due but unpaid at the time such interest, bonus or other amount becomes payable to the member concerned.

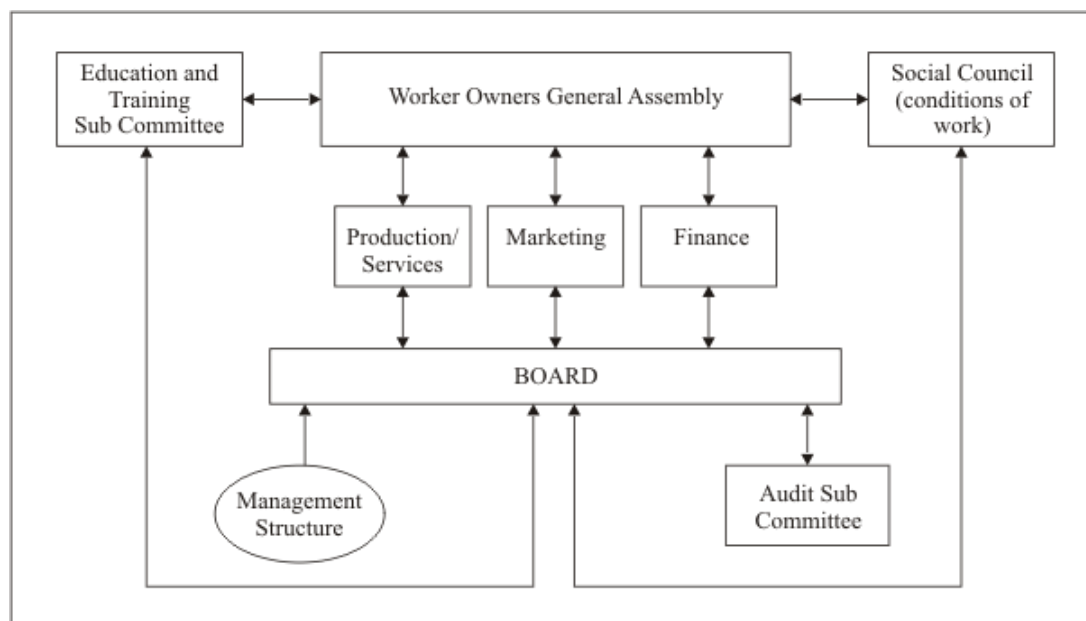
MANAGEMENT OF CO-OPERATIVE

Board of Directors

27. [1] The affairs of the Co-operative must be managed by a Board of Directors consisting of a minimum of ____ and a maximum of _____ Directors.

The Directors must exercise the powers and perform the duties of the Co-operative. The Board shall be constituted democratically and shall be composed of 8 co-operators elected from amongst the worker owners.

The Board ensures policy, strategy and operational decisions are developed and implemented by the manager/s. Managers, if employed, will not have a vote. Sub-committees shall be established by the board, dealing with the three areas of economic activity: production, finance and marketing. These committees will take forward resolutions and decisions made by the general membership and shall formulate proper policy to give effect to these member based decisions. Worker owners would also participate in these sub-committees. Worker owner assemblies are the most powerful forums of the cooperative. All members shall have access and shall vote in these meetings. These meetings will basically determine the policy, strategy and direction of the cooperative. The assembly shall also put in place an education and training sub-committee and shall also deal with conditions of work.



[2] The number of Directors shall subject to the approval of members at the next general meeting, be determined by the Board from time to time. If, however, the members do not approve the decision of the Board and a vacancy arises as a result thereof, such vacancy shall be regarded as a casual vacancy to be filled in terms of clause 35.

28. Without prejudice to the provisions of clauses 35 of this constitution, Directors shall be elected at the annual general meeting.

Powers and Restrictions on Directors

29. [1] Powers:

[a] The directors have the power to obtain membership of a secondary co-operative, which seeks to promote any matter in which the co-operative has an interest.

[b] The directors have the power to open a bank account in the name of the cooperative.

[c] The directors have the power to suspend by resolution a member for a period to be determined by the Board but which shall not be longer than the date of the next annual general meeting.

[d] The directors have the power to acquire or hire movable or immovable property on behalf of the co-operative.

[2] Restrictions:

[a] The directors have the power to overdraw a bank account or to make a loan on behalf of the co-operative, provided that members has agreed to this with a special resolution: Provided further that the directors may borrow or raise money or overdraw a banking account without the said authority up to an amount not exceeding one half of the total of its share capital and general reserve.

[b] The directors shall not provide loans to directors, members or any other person or organisation

[c] The director shall not make donations on behalf of the co-operative to any person or organisation.

Persons not competent to be Director

30. No person shall hold the office of Director if -

[a] A person is of unsound mind;

[b] A person is an unrehabilitated insolvent;

[c] A person who has at any time been convicted (whether in the Republic or elsewhere) of theft, fraud, forgery, perjury, or any offence involving dishonesty in connection with the formation or management of a Co-operative or other corporate entity.

Term of office

31. [1] The term of office of the Directors of the Co-operative shall be two years.

[2] Retiring Directors are eligible for re-election.

[3] The Directors to retire each year shall be those who have been longest in office since their last election at the annual general meeting, but as between members who became Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by ballot.

Nomination of Directors and voting for Directors

32. [1] Candidates for the position of Director shall be nominated openly at the annual general meeting held for the purpose electing one or more Directors.

[2] Without prejudice to the provisions of clauses 35 a member, including a retiring Director, qualifies for election as Director only if he is nominated in terms of sub-clause [1]

[1] [a] If the number of candidates nominated does not exceed the number of vacancies on the Board to be filled such candidate or candidates shall be declared elected at the annual general meeting.

[b] If the number of candidates nominated exceeds the number of vacancies on the Board, as many Directors as there are vacancies shall be elected from the nominees at the annual general meeting.

[c] If insufficient or no candidates are nominated to fill the vacancies on the Board, such vacancies shall be regarded as casual vacancies to be filled in accordance with clause 35.

33. The method to be followed in electing Directors shall be as determined by the Chairperson of the meeting.

34. At the election of Directors a member shall vote for as many candidates as there are vacancies to be filled on the Board and those candidates receiving the highest number of votes shall be declared elected.

Filling of a vacancy on the Board

35. Any vacancy occurring on the Board during the year shall be filled until the next annual general meeting by a member appointed, by the remaining Directors, subject to the provisions of clause 30. At the said annual general meeting a member shall, subject to the provisions of this constitution, be elected to fill the vacancy. Any Director elected at such annual general meeting shall not hold office for a period longer than the unexpired portion of the period of office of the Director whose office became vacant.

Conditions for Vacation of office

36. A Director shall vacate his office -

[a] If he becomes incompetent in terms of clause 30 of this constitution to hold the office of Director; or

[b] If he absents himself from more than three consecutive ordinary meetings of the Board without its leave; or

[c] Upon the expiry of 30 (thirty) days, or such shorter period as may be approved by the Board, after he has resigned as a Director of the Co-operative.

Conditions and Processes for the appointment of the Chairperson, Vice-Chairperson and Acting Chairperson of the Board

37. [1] At the first meeting of the Board held after the formation meeting and thereafter at the first meeting of the Board held after every annual general meeting of members or when the necessity arises, the Directors shall elect from among themselves a Chairperson and Vice-Chairperson.

[2] The Vice-Chairperson shall act as Chairperson whenever last-named is absent or unable to act as Chairperson, and if both the Chairperson and Vice-Chairperson are absent or unable to carry out the functions of the Chairperson, the Board must elect another Director to be Acting-

Chairperson during such absence or incapacity.

38. The Chairperson of the Board of the Co-operative shall vacate the office of Chairperson if he -

[a] Ceases to be a Director of the Co-operative; or

[b] Resigns as Chairperson; or

[c] Is relieved of the office of Chairperson by the Board.

39. The provisions of clause 38 shall be applicable mutatis mutandis to the vice-Chairperson of the Board.

Board meetings and Quorum

40. [1] A meeting of the Board must be convened by the Board or the Chairperson of the Board or any two Directors of the Co-operative.

[2] The majority of Directors shall constitute a quorum of a meeting of the Board.

[3] Questions arising at a meeting of the Board shall be determined by a majority of the Directors present at the meeting and in the case of an equality of votes, the Chairperson of the Board or the person acting as Chairperson shall have a casting vote in addition to his deliberative vote.

By-laws

41. The Board has power to make by-laws provided they are not repugnant to this constitution.

Delegation of powers to a committee

42. [1] The Board may delegate one or more of its powers to a Director or to a Committee appointed by the Board or Manager of the Co-operative.

[2] Any Director or Committee or Manager so appointed must in the exercise of the powers so delegated, abide by such rules as may be made and follow such instructions as may be issued, in regard thereto, by the Board.

GENERAL MEETINGS

43. [1] A Co-operative must hold:

[a] Its first annual general meeting within 18 months of registration of the Co-operative;

[b] Subsequently annual general meetings within 6 months after the end of the preceding financial year.

[2] The annual general meeting must:

[a] Appoint an auditor;

[b] Approve a report of the Board on the affairs of the Co-operative for the previous financial year;

[c] Approve the financial statements and auditor's report where applicable for the previous financial year;

[d] Elect Directors; and

[e] Decide on the future business of the Co-operative.

Special General Meetings

44. The Co-operative may from time to time in addition to its annual general meeting hold Special general meetings of its members to dispose of any matter relating to its affairs specifically set out in the notice convening the meeting.

Convention of Meetings

45. [1] An annual general meeting shall be convened on authority of the Board.

[2] A special general meeting shall be convened -

[a] by at least two Directors of the Co-operative; or

[b] by five or more members of the Co-operative constituting in number at least 20% (ten percent) of all the members of the Co-operative: Provided that such members shall not be entitled to convene an special general meeting unless they have beforehand in writing petitioned the Directors to convene such a meeting and the meeting is not convened within 21 (twenty one) days reckoned from the date

the petition was lodged, or unless for any reason there are no Directors to whom such a petition can be addressed.

[3] Any meeting convened in terms of sub-clause 45[2][b] by the petitionists shall, as far as possible, be convened and held in the same manner as is prescribed for meetings convened and held by the Board and any reasonable expense incurred by the petitionists in securing the names and addresses of members, in sending notices of the meeting to them and hiring accommodation for the holding of the meeting if so resolved by such meeting, be refunded to the petitionists by the Co-operative.

Notice of general meeting

46. [1] A general meeting shall be convened by at least 14 days notice in writing to each member of the Co-operative.

[2] The notice convening the meeting shall in addition to the time and place of the meeting state the purpose for which it is convened.

[3] A notice may be delivered personally, forwarded by post to the member at his registered address, emailed to registered email address of the member or faxed the registered fax number of the member.

[4] Non-receipt by a member of a notice of a general meeting of the Co-operative does not render such meeting invalid.

[5] If a notice of a meeting is returned to the Co-operative because the member to whom it was sent is no longer resident at the registered address, the email address or fax number does not exist or does not function, the Co-operative shall be relieved of its obligation to send further notices of meetings to the member concerned unless the member makes an appearance and requests that such notices be sent to his new address.

Quorums

47. A quorum for a general meeting shall be constituted -

[a] by at least five members, if the number of members of the Co-operative is not more than fifty;

[b] by at least one tenth of the members of the Co-operative, if the number of members of the Cooperative is more than fifty but not more than two hundred;

[c] by twenty members plus at least one percent of the members of the Co-operative in excess of two hundred, if the number of members of the Co-operative is more than two hundred.

48. No item of business shall be transacted at any general meeting unless a quorum of members is present during the time when the meeting is considering that item.

49. [1] If within one hour from the time appointed for the meeting a quorum is not present, the

meeting –

[a] if convened by members or in consequence of a petition of members, must be cancelled;

[b] if otherwise convened, must be adjourned to the same day in the next week at the same time and place, or if that day is a public holiday, to the next day following which is not a public holiday.

[2] If the same hall or building is not available for an adjourned meeting it may be held at another venue within convenient distance if members are advised of the change of venue either by notice posted at the original venue or by some other means.

[3] If a quorum is not present within one hour after the time fixed for an adjourned meeting, the members present, provided they are not less than five in number, shall be deemed to constitute a quorum: Provided that a special resolution may not be passed by such a meeting.

Chairperson of general meetings

50. [1] The Chairperson of the Board or in his absence the Vice-Chairperson or in the absence of both, another Director elected by the meeting shall act as Chairperson of an annual general meeting or a special general meeting.

[2] A person elected by the meeting shall act as the Chairperson of a special general meeting convened.

Voting by members

51. At all meetings of the co-operative, each member shall have one vote.

52. [1] Any matter for decision by a general meeting shall be decided by means of a vote on a show of hands or by ballot.

[2] A vote by ballot shall not be held unless it is demanded by at least five members present at the meeting and entitled to vote in a vote by ballot.

[3] A vote by ballot must be held in such manner as the Chairperson stipulates. Scrutineers must be nominated to determine the result of the vote that must be declared by the Chairperson of the meeting as the resolution of the meeting.

[4] A declaration by the Chairperson that a resolution has, on a show of hands or by ballot, been carried, or carried unanimously or by a particular majority, or lost, and an entry to that effect in the minutes of the proceedings of the meeting, shall be conclusive, proof thereof, without evidence as to the number or proportion of votes recorded for or against such resolution.

53. If no objection is raised in terms of the provisions of this constitution against the validity of any vote cast at the meeting, whether on a show of hands or by ballot, every vote cast at the meeting that has not been disallowed shall for all purposes be deemed to be valid.

54. In the case of an equality of votes, whether on a show of hands or in a vote by ballot, the Chairperson of the meeting shall have a casting vote in addition to his deliberative vote.

55. Every matter submitted to a general meeting for resolution, except for a matter requiring a special resolution, shall be determined by a majority of votes recorded at the meeting.

Special resolution

56. A resolution by a general meeting of the Co-operative shall, constitute a special resolution if –

[a] the notice by which the general meeting was convened specified particulars of the proposed resolution and stated the intention to propose same as a special resolution; and

[b] the resolution has been passed by not less than two thirds of the members present, both in a vote on the show of hands and a vote by ballot.

[c] the resolution related to the winding-up of the Co-operative and was passed by at least 75 percent of the votes of all the members of the Co-operative, both in a vote on the show of hands and a vote by ballot.

PROHIBITED AND PERMITTED LOANS AND SECURITY

57. [1] The co-operative may give financial assistance by means of a loan or the provision of security to-

[a] any person on account of expenditures incurred or to be incurred on behalf of the cooperative;

[b] employees of the co-operative or of any of its members to enable or assist them to purchase or erect living accommodation for their own occupation.

[c] members, if the financial assistance is available to all members on substantially the same terms.

[2] The co-operative may not give financial assistance in terms of clause 57[1] whether directly or indirectly if there are reasonable grounds to believe that-

[a] the co-operative, after giving the financial assistance, will be unable to pay its liabilities as they become due; or

[b] the realisable value of the assets of the co-operative, after giving the financial assistance, will be less than the aggregate of its liabilities, share capital and reserves.

[3] In determining the realisable value of the assets of the co-operative contemplated in clause

57[2][b], the amount of any financial assistance in the form of a loan and in the form of assets pledged or encumbered to secure a guarantee must be excluded.

RESTRICTIONS RELATING TO UNSECURED MEMBERS LOANS

58. The board may, if so authorized by members in terms of clause 57 of this statute, in addition to the loans secured by some or all of the assets of the co-operative, the issue of secured debentures and loans obtained from the commercial banks or any other financial institution, further raise loans from members subject to the following conditions:

[i] No loan from any individual member shall amount to less than R1 000 (one thousand rand) and, for the purpose of this paragraph, every successive loan from any particular member shall be regarded as a separate loan;

[ii] No loan shall be repaid within 12 (twelve) months after receipt;

[iii] Interest shall be paid on loans at a rate per annum to be determined by the board from time to time;

[iv] An acknowledgement of debt shall be issued in respect of each loan.

[v] The acknowledgement of debt shall be freely transferable by means of a cession duly registered by the co-operative.

[vi] Receipt of each loan shall be acknowledged by the following acknowledgment of debt, which shall incorporate either of the conditions [ii] or [iii] mentioned below -

"ACKNOWLEDGEMENT OF DEBT"

We, the undersigned, director and secretary of the (name of co-operative)
hereinafter

called the co-operative, hereby acknowledge having received the sum of R.....
(.....Rand)

from (name) of
.....(address)

hereinafter called. the owner, subject to the conditions –

[i] Interest at the rate of% (..... percent) per annum or such rate as the board may determine from time to time, shall be payable to the owner on or at the date of repayment.

[ii] The owner shall not have the right to demand repayment, but the co-operative, after having had the loan for not less than 12 (twelve) months, may repay such loan at any time after having given not less than 30 (thirty) days notice of its intention to repay such loan.

OR

[iii] The loan shall be repayable on the day of 20..... (which may not be less than 12 (twelve) months from the date of this acknowledgement of debt): Provided that the board of the co-operative may defer the repayment if the circumstances of the co-operative at the date of repayment of the loan, render such deferment necessary: Provided further that the board of the co-operative shall submit for confirmation to the first succeeding general meeting of members its resolution to defer repayment of a loan and if the resolution of the board is not confirmed by that meeting of the co-operative, the loan shall be repaid within 7 (seven) days of the date of such meeting.

Dated at this day of 20.....

DIRECTOR

SECRETARY

BANKING ACCOUNT

59. [1] The Co-operative must open a banking account in the name of the Co-operative in which all moneys received shall be deposited as soon as possible after receipt thereof.

[2] Cheques drawn on the banking account shall be signed by one of the Directors and must be countersigned by the Secretary of the Board: Provided that a cheque shall not be signed and countersigned by the same person and that all officers who are authorized to sign or countersign cheques must furnish adequate security.

FINANCIAL YEAR

60. The financial year of the Co-operative shall end on the last day of February of each year.

FINANCIAL RECORDS

61. [1] The Co-operative must keep, such accounting records as are necessary fairly to reflect the state of affairs and business of the Co-operative and to explain the transactions and financial position of the business of the Co-operative.

[2] The accounting records shall be kept at the registered office of the Co-operative and shall be available at all times for examination by the Directors.

ANNUAL FINANCIAL STATEMENTS

62. [1] An audit of the affairs of the co-operative must be conducted annually in respect of each financial year in order to –

[a] ensure that financial statements are drawn up in conformity with generally accepted accounting practices;

[b] verify that the co-operative has maintained adequate records in accordance with the requirements of this constitution and the Act;

[c] report generally as to whether the assets and facilities of the co-operative are being properly managed and the operations of the co-operative are being conducted in accordance with co-operative principles; and

[d] report on any other matter the auditors are required to report on in terms the constitution.

[2] The provisions of clause 61[1] are applicable to the annual financial statements of the Cooperative and its company subsidiaries.

AUDIT

63. The members must appoint an auditor at each annual general meeting, to hold office until the close of the next annual general meeting. The duties of the auditor are outlined in clause 62.

SURPLUS

64. The surplus resulting from the operations of the Co-operative during any financial year shall be applied by resolution of the annual general meeting for that year: Provided that –

The cooperative shall attempt to be commercially viable while realising its values and principles as a solidarity economy cooperative. To ensure it meets its operating and capital requirements it would have to build in and plan to make a surplus. If a substantial surplus is made it would be shared in the following ways in the co-operative:

The surplus resulting from the operations of the Co-operative during any financial year shall be applied by resolution of the annual general meeting for that year: Provided that

[a] 40% of the surplus is set aside as a reserve in the Reserve Fund and is not divisible amongst the members. This fund will be used for the growth of the cooperative.

[b] 35% of the surplus is allocated worker owner membership capital accounts.

[c] 15% Education and Training fund.

[d] 10% Towards national Solidarity Economy Movement Building

MEMBERSHIP CAPITAL ACCOUNT

65. [1] The amount mentioned in clause 64[b] must, be allocated to members according to the patronage proportion and the amount allocated to a member must by resolution of members at the annual general meeting, be applied in one or more of the following ways -

[a] by paying it out either wholly or partly in cash;

[b] by setting it aside in the membership capital account for future payment to members.

[2] Interest on share capital or bonus declared payable to members, except amounts transferred to the Deferred Bonus Membership Capital Accounts, does not earn interest from the Co-operative.

[3] Any interest on share capital or any bonus remaining unclaimed for a period of 3 (three) years from the date on which such interest or bonus was declared payable may, by resolution of the Board, be declared forfeit and added to the general reserve of the Co-operative.

AMENDMENT OF CONSTITUTION

66. The constitution of the Co-operative may be amended by special resolution only.

LIQUIDATION

67. In case of liquidation the patronage proportion must be determined for either five years, which preceded the commencement of the winding-up of the Co-operative, or the period for which the Cooperative has existed, whichever period is the shorter.



Module 12

Step 9 - Preparing for Start Up

12.1 Objectives of this Module

- Understand requirements for start up

12.2 Start Up Checklist and Requirements

After registration the worker cooperative enters the start up phase of its development. This is an important phase as it will lay the foundation for the success of the worker cooperative. To assist with start up the checklist is recommended:

- ✓ Implement worker cooperative start up business plan;
- ✓ Set up, test and fine tune self management system;
- ✓ Set up worker cooperative education and training program for skills development and capacity building;
- ✓ Develop by-laws and policies
- ✓ Develop a cooperative worker owner guide and run education training on guide
- ✓ Develop an annual strategy for the first Annual General Meeting;
- ✓ Develop a report for the first Annual General Meeting
- ✓ Appoint an auditor and develop financial statements for the Annual General Meeting
- ✓ After two years develop a medium-term strategic plan for growth and expansion

The above checklist will be covered in more detail in section two of the guide.

Small Group Exercise

1. What is start-up?
2. What is required for start up?
3. Who is meant to take forward the checklist and requirements?

SECTION THREE: THE START UP PHASE



Module 13

Designing a Worker Owner Guide and Implementing Policies

13.1 Objectives of this Module

The worker owner guide is intended to achieve the following:

- Serve as an education tool for old and new members to understand the cooperative;
- Empower worker owners to understand their rights and responsibilities in the cooperative;
- Set out the various policies of the co-operative that would ensure proper governance and decision-making;

13.2 Designing a Worker Owner Guide

The worker owner guide is an important tool for guiding members' behaviour in the cooperative and as an induction tool to help guide new members to understand the background and operations of the cooperative. It is also there to guide the board and members of the cooperative in implementing operational policies in terms of managing assets, finance and holding members accountable.

The first half of the worker owner guide builds on the concept document and includes these identified areas:

- Background
- Values and Principals
- Objectives
- Vision
- Main Economic Activity
- Membership of the cooperative in terms of type, benefits and duties and responsibilities
- Fees, Shares and Subscriptions
- Board size and decision making powers
- Contribution to the community
- Relationship with Solidarity Economy Movement

All of the above areas should have been identified in the concept document development stages and should be included into the development of the first half of the worker owner guide.

The second half of the worker owner guide deals with operational policies. These policies help ensure effective management of resources and assets for the cooperative's operations. Such as:

- A policy on managing surplus. This is based on the division of surplus formula in your cooperative's constitution.
- A policy on member education and training. This policy outlines member training needs and skills development within the cooperative.

- A policy on wages and working time.
- A policy on transport for travel allowances and maintaining vehicle assets
- A policy on self management
- A policy on discipline

When drafting a policy it is important first to discuss what are the intended objectives and the purpose of the policy with your members. The policies should be in line with the cooperative's constitution and not be in contravention of it.

Small Group Exercise

Below is a basic wages and working time policy. Have a look at the sample policy and then work on the following questions:

1. How should wage benefits be determined within your cooperative?
2. How should non-wage benefits be determined within the cooperative?
3. What discipline should members adhere to that will entitle them to benefits within the cooperative?
4. What should be the consequences if members do not adhere to their duties?

Wages and Working Time Policy

1. The objective of this policy is to ensure that every worker owner receives a fair wage.

a. Introduction

- i. Worker ownership in this cooperative shall be guided by the values, principles, objectives and policies of this cooperative.
- ii. Worker ownership is the cornerstone of this cooperative and gives worker owners rights to share in information, decision-making and profits/losses.
- iii. This policy framework is intended to guide worker owners on how to determine benefits (wage and non-wage).

b. Benefits (Wage & Non wage)

- i. Consistent with worker ownership, wage and non wage benefits will be based on economic performance and collective effort.
- ii. Benefits (wage and non wage) will be treated as one among other operating costs and should not undermine the viability of the co-operative.
- iii. Benefits (wage and non wage) must be balanced against the short, medium and long term objectives of the worker cooperative business strategy to ensure viability. Hence benefits need to be determined flexibly and realistically.
- iv. Benefits (wage and non wage) should be based on equality for all jobs done in the co-operative.
- v. Job rotation inside the co-operative for different occupational tasks will not affect worker owner benefits.

c. Discipline and Benefits

- i. Absenteeism will limit the amount of benefits accrued to a member. All worker owners who are absent from work without a valid reason will not be paid for those days when they are absent.
2. Non-performance of duties and tasks by a member will also lead to limited benefits. The worker owners general assembly is only entitled to make such a decision.

For a sample worker owner guide please refer to the COPAC website:

<http://www.copac.org.za/files/Worker%20Owner%20Guide%20-%20New%20horizons.pdf>

Plenary Exercise

1. What is the purpose of the worker owner guide?
2. Identify what policies are needed within your cooperative?
3. Begin to draft and design your own worker owner guide. Using the sample worker owner guide of New Horizons begin to design your own worker owner guide based on your chosen scenario.

Module 14

Managing Finance

14.1 Objectives of this Module

- Learn the basics of financial management
- Learn about the importance of financial management
- Understand the importance of financial accountability and board member responsibilities
- Learn key tools in developing internal controls

14.2 What is Financial Management and Why is it Important?

Financial management in a cooperative is not the same as bookkeeping or accounting. These aspects of financial management fit into one part of modern financial management in a cooperative.

Financial management must ensure the financial resources acquired and used in a cooperative advance the objectives of the cooperative. All decisions in a cooperative and areas of operation have a financial aspect to it. In other words, money issues affect the cooperative with regard to buying inputs, buying machinery and equipment, paying wages, receiving payment and so on. Money management is the same as financial management in a cooperative and it is very important to hold all the areas of economic operation in a cooperative together.

Different types of cooperatives – primary or secondary, consumer or producer, worker or member based – all require financial management. The content of rules, procedures, and practice of financial management might vary, but in the end there are certain important common tools or principles that have to be applied in order to have sound financial management. All the systems, rules, procedures, and practices of financial management must be communicated and known to all in the cooperative.

14.3. Key Tools for Ensuring Effective Financial Management

Despite having values of openness and honesty as an integral part of the life and workings of cooperatives, many corruption scandals, financial mismanagement problems and rumours of misuse of funds have undermined cooperatives.

To overcome this, every cooperative in the cooperative movement has to practice financial accountability. Simply put, to be financially accountable means explaining and accounting for the use of money in your care. It means narrowing the opportunities for corruption, theft or misuse of funds. On the flipside, all those handling finance must be beyond doubt, suspicion or reproach. This can only be secured with a proper system of financial accountability.

In all cooperatives there is an obligation by law that all members must receive, at an annual general meeting (AGM), the financial statements of the cooperative. In addition, all these statements must be audited and copies must be sent to the Registrar of Cooperatives.

However, besides the formal accountability required by law, the role of the board, the treasurer and the finance sub-committee are also important in terms of ensuring accountability. These structures must lead, manage and ensure financial accountability takes place – they must in the end account to the members and/or worker owners of a cooperative. This also means the worker owners or members of a cooperative must choose the leadership of the cooperative very carefully.

In practice the board in any cooperative must ensure:

- All finance-related decisions are made in accordance with procedures and powers provided in the constitution. For example, a special resolution of members is normally required if the board wants to obtain a loan or overdraft;
- Monitor internal controls put in place to strengthen accountability;
- Receive regular (monthly or weekly) reports from the Treasurer on the financial situation in the cooperative;
- Receive monthly bank statements and reconciliations from the Treasurer;
- Delegate clear responsibilities to the financial management committee;
- Assist the Treasurer in drawing up an annual budget for the cooperative;
- Appoint an auditor for the cooperative.

The treasurer in a cooperative is responsible for the following:

- Implementing internal controls/policies and procedures adopted by the cooperative for financial management;
- Reporting to the board on a regular basis on the budget, bank reconciliation, petty cash and financial statements;
- Convening the finance sub-committee – made up of relevant staff and members/worker-owners involved in financial management;
- Controlling the cheque book and doing the banking;
- Managing the bookkeeping and accounting of the cooperative (not the same as doing it);
- Draw up an annual budget for the cooperative in keeping with the strategic plan and in a manner that ensures full participation and presents draft to the board for approval.

The role of the finance sub-committee is to:

- Work with the powers delegated to it by the board;
- To work within the financial management policies and procedures.

In the end the benefits of financial accountability are:

- Prevention of the misuse of money – either intentionally or unintentionally;
- Certainty and clarity on how money is to be handled;
- The promotion of openness;
- Protects the integrity and credibility of the leadership, management, members/worker-owners, and the co-operative in general.

Plenary Group Exercise:

The facilitator asks the entire workshop group the following questions:

1. Is there a practice of financial accountability in your co-operative at board, treasurer and finance sub-committee level? Discuss.
2. What are the benefits of financial accountability?

Internal Controls

To reinforce financial accountability it is important to have proper control policies and procedures in place. These finance policies and procedures should be drawn up in a participatory way (which means workers-owners, members, management and directors must be involved).

The responsibility for monitoring implementation and compliance lies with the Board. The finance policies are simply a statement of how the cooperative would run its finance matters. The procedures are steps to implement or operationalise the policy.

The benefits to a cooperative for having such policies and procedures in place are as follows:

- All finance-related functions would be properly supervised and governed;
- It gives certainty on roles and responsibilities;
- It ensures an “objective” benchmark against which to monitor compliance or non-compliance;
- It protects the assets of the co-operative;
- It ensures all reporting on financial matters would be consistent and regular;
- It strengthens the leverage and case that can be made to donors or other external finance sources (such as banks).

Cooperatives are dynamic institutions and are therefore constantly changing. In this context, it is important to review policies on a regular basis to ensure they are up to date and are able to meet the operational needs of the cooperative.

Steps for developing finance policies and procedures in a co-operative:

Step 1: Start with the operations of the co-operative – this means identifying activities for which the co-operative receives money and has to record it, and identify areas where it has to pay and requires recording.

Step 2: Establish roles, finance structures and appoint personnel – the treasurer’s role must be clearly defined, the delegated powers and composition of the finance sub-committee and the appointment of an independent auditor and accountant/book-keepers must also be done by the board.

Step 3: Work out how reporting will work – where, when, and which finance management structures and personnel report must also be worked out in consultation. For example, how

often should the treasurer report on the financial performance of the cooperative and its bank statement to the board. How will reporting be done to the Annual General Meeting? How will the accountant or book-keeper report to the Treasurer?

Step 4: Clarify asset management – how will the asset register be kept and who will maintain it?

Step 5: Identify legal decision making – in general, the board is empowered to make all the finance-related decisions in the cooperative. However, some of these powers are also qualified by the legal statute and have to be identified. The Board also needs to work out clearly what areas of operational decision making on financial matters are being delegated to the Treasurer and the finance sub-committee. This should also be done in consultation with members.

Step 6: Write up the policies – once steps 1 through 5 are done, they must be written up into a clear, simple and coherent set of finance policies and procedures for the co-operative. This should be available to all in the co-operative;

Step 7: Monitor implementation – the board must monitor implementation.

Small Group Exercise:

Using the Step process above and the sample finance policies and procedures below answer the following questions:

1. Which policies and procedures are relevant for your co-operative?
2. Do any adaptations to your cooperative's context need to be made? Work on these.
3. Are there any additions to the finance policies and procedures that would be necessary or important for your cooperative? Unpack in detail.

The following example of finance policies and procedures were developed for a worker cooperative, but can be used as an example for all cooperatives. The COPAC website also has extensive resources on financial management www.copac.org.za

Purpose

This document serves to outline the proposed policy system controls and procedures for the financial operation of an Industrial Hive. It also seeks to establish the following:

1. A clear set of rules and procedures to ensure proper financial management system with regard to:

1.1 Role of Treasurer (this model is based on a separate bookkeeper)

- The role of the treasurer is to monitor the bank accounts and to ensure that monies received by the co-op are deposited on a daily basis.

- Oversee the functions of the bookkeeper (going to the bank, reviewing bank accounts).
- Make sure that the bookkeepers are recording all transactions (money coming in and out of bank accounts).
- Responsible for authorizing all requisitions (purchases and cheque requisitions).
- Responsible for ensuring that strategic decisions made by the board are implemented.
- Convene the finance sub-committee.

1.2 Role of The Board

- Responsible for opening of bank accounts with the financial institutions.
- Responsible for the investment of funds in financial institutions.
- Make and accept donations.
- Receive and inspect monthly financial reports from the treasurer (oversee financial management of co-op).
- Monitor and ensure financial compliance with financial and procedures manual.
- Control loans and overdraft in accordance with statute.

1.3 Role of Manager

- Ensure implementation and awareness of financial policies and procedures.
- Ensure budgeting takes place within the policies and procedures. The manager will be responsible for comparing the budget to actual income and expenditure on a monthly basis.

1.4 Role of Finance Sub-committees

- Meet weekly to discuss financial problems.
- Devise solutions to financial problems.
- Make recommendations to the board.
- Assist the board and the manager to ensure implementation of financial decisions, policies and procedures.
- Must provide regular reports and financial information to the production units.

1.5 Rules of Payment

- Invoices for goods and services received from suppliers to be processed monthly.
- Invoices to be reconciled against supplier statements prior to payment being made to avoid duplication.
- Expenses incurred for the economic operations of the co-operative will be paid by the treasurer.
- Beneficiaries to be paid in accordance with the wages policy.
- Training costs incurred will be paid by the treasurer from the surplus allocation set aside for training.
- Worker-owners on training will receive normal remuneration subject to funds available.

1.6 Rules for Receipt

- There will be a receipt book for every unit (except the bakery).
- The bakery will have a cash register.
- Every item sold will have a receipt issued in the case of the bakery a till slip will be issued.
- The treasurer will reconcile monies received with the receipt books on a daily basis and reconcile the cash register in the bakery with the till slips issued.

1.7 Subsistence Allowance (this is something that cooperatives could implement if not functioning optimally but are generating limited income)

- Requests for subsistence allowance must be submitted in writing to the treasurer indicating what the allowance is for including the costs.
- The treasurer will have the authority to approve subsistence allowances less than R500.
- Amounts greater than R500 must be approved by the board.
- The treasurer must report all authorizations made and recommendations for larger amounts in the financial reports to the board.

1.8 Financial Statements

- Monthly financial statements will be presented to the board.
- Annual financial statements shall be prepared by the bookkeeper under the supervision of the treasurer.
- Annual financial statements shall be presented to the finance sub-committee and then to the board.
- After the annual financial statement is approved by the board, the treasurer, on behalf of the board, will present the financial statement at the AGM.
- Monthly bank statements will be issued to each production unit.

1.9 Rules for Remuneration

- The board shall be remunerated in accordance with the provisions in the constitution.
- The board's remuneration shall be paid after a resolution is adopted by the general members in support of it.
- The finance sub-committee and treasurer to oversee the remuneration.

1.10 Bank Account

- The board shall be responsible for opening the bank account with the financial institutions registered under the banks act in the name of the co-operative.
- All cheques drawn in the name of the co-operative will be signed by the legally required amount of signatories.
- A deposit book will be kept for all deposits.

- The treasurer will be responsible for making deposits.
- All monies generated will be deposited in the co-operative account on a daily basis (including all surplus monies).

1.11 Surplus

- The bookkeeper shall ensure that the surplus is assigned according to the surplus policy within the financial statements (eg. 40% for reinvestment in the cooperative, 35% to membership capital accounts, 15% to education and training fund, and 10% to SE Movement).
- The board shall make recommendations to the AGM of how reinvested surplus shall be utilized and invested.
- The board shall make recommendations to the AGM on how the surplus allocated for community development and education and training shall be utilised.

1.12 Petty Cash

- The treasurer will be authorized to allocate a monthly petty cash of R500.
- A petty cash voucher will accompany all petty cash payments issued.
- Bookkeeper shall be given all receipts related to petty cash.
- Unspent petty cash shall be carried over to the following month and shall be topped up to maintain the R500 limit.
- The treasurer to report on petty cash expenditures to the board.

1.13 Asset Records

- An asset register shall be kept by the board to record and maintain new assets (e.g. furniture and fittings, equipment, etc.).
- New equipment to be added to the asset register by the board.
- Assets shall be checked monthly.

1.14 Audit

- The co-operative shall appoint an independent auditor.
- The audit will be done annually.
- Audited statements shall be presented to the finance sub-committee, board, and AGM.

Module 15

Movement Building, Networks and Value Chains

15.1 Objectives

- Link worker cooperatives to solidarity economy movement building
- Providing movement building tools
- Building value chains and networks

15.2 Movement Building Through Campaigns

We advance worker cooperative alternatives to build our power. To build structural and movement power (refer to back to page 26 on forms of power) worker cooperatives should not work in isolation. They should work horizontally with other cooperatives and networks in their community in an interlinked way to build movement power. This can help the worker cooperative gain support through various movement and linked networks for market access, information sharing, skills development, solidarity around struggles and access to resources, in order to build structural power.

Traditional cooperative movements have been developed through top-down hierarchical models with tertiary cooperatives at the top, then secondary cooperatives below and primary cooperatives at the base. This model is historically flawed and in the South African context has failed dismally through attempts by the state to control the cooperative movement. The alternative to the state-led approach to organising cooperatives is through the solidarity economy process and movement. This is an independent movement building approach from below. This module presents some bottom up tools that can be used to strengthen your cooperative as part of the Solidarity Economy Movement:

The Create Work Through Worker Cooperatives Campaign aims to build pressure, through movement and direct power, for developing a Worker Cooperative Act and to advance worker cooperatives at the grassroots. Your work to promote worker cooperatives in your community can be part of this campaign.

Worker Cooperative Campaign Concept Note

The key proposal of the Worker Cooperative Alternative Campaign is to focus at public policy demands for a national Worker Cooperative Act, build the campaign from below, link the worker cooperative campaign and food sovereignty campaign and mobilise resources to support solidarity economy cooperative fund mechanisms. COPAC has developed a host of materials to support such demands and can be used to build activist capacity around such demands. Such demands can be targeted at national, provincial and local government.

Worker Cooperative Alternative Campaign - Create Work Through Worker Cooperatives!

- 1. National Worker cooperative committee for public policy submission for a worker cooperative act**
 - a. Formulation of demands and law supporting worker cooperatives
 - b. Organisations to make submissions to committee

- c. Case studies and research

2. Movements and SE Community to Take Forward the Campaign

All movements, community organisations and support organisations to take forward the various support tools developed in the SE schools to build local worker cooperatives and advance the campaign locally. In particular the worker cooperative activist guide has to be used extensively on the ground. In addition, other tools can also be pulled of the COPAC webpage:

- a. Ground work training tools
- b. Aftercare training tools
- c. Self management and governance tools
- d. Movement networking and building tools

3. Link the Worker Cooperative Campaign with Food Sovereignty Campaign

At all times SEM activists and forces need to link these two campaigns on the ground.

4. Resourcing and fund raising

- a. Develop methodology for Solidarity Economy Fund.
- b. Submission of proposals to various state grant funding agencies to support and stream funding to the national solidarity economy movement fund
- c. Issue a call to unions and other progressive organisations to support the campaign and provide funds to the national solidarity economy fund
- d. Worker cooperatives need to contribute to the national fund in how they use loan finance from the fund National fund budget and finance mechanism be developed.
- e. Implementation strategy for financing pilot worker cooperatives nationally
- f. Use SEM-COPAC webpage to raise donor funds

15.3 Learning Exchanges

To help in further building movement, direct and symbolic power, learning exchanges between Solidarity Economy movement sites help share knowledge, information and skills. For example, a cooperative in a neighboring community can send their skilled or qualified member with agroecology skills to teach members in the neighboring community cooperative these skills. The members receiving training on agroecology can send their treasurer from their cooperative to teach the other cooperative book keeping and financial management. This is an important way to strengthen relationships within the movement and build solidarity.

15.4 Organising Local Solidarity Economy Forums

You may already have organised a Food Sovereignty Forum as part of advancing the South African Food Sovereignty Campaign (SAFSC). In this case, you may want to introduce your worker cooperative work into this forum. Worker cooperatives can be, after all, an important part of building food sovereignty (see below). Below are a few basic steps for setting up a forum in your community to advance the Worker Cooperative Campaign.

What are local forums?

The purpose of having a local forum is to unite struggles, keep all actors and support organisations informed, build a programmatic campaign action plan and support education and training. Forums are thus an important space for planning the interventions that build the various forms of power from below.

Why are local forums important?

Hosting regular monthly forums continues to keep networking and information sharing alive for your struggle. It brings together actors, organisations and individuals in your community that support the solidarity economy process in order to plan, share problems and solutions, and learn. It ensures dialogue and democratic participation exist. That is, it is an important mechanism in building movement, structural and direct power.

Local forums can be open to the public and support organisations and their constituencies. Broadly the objectives of a local forum are:

- Platform for building unity and solidarity
- Raising awareness and building consciousness
- Education and training
- Organising and planning
- Networking and information sharing
- Communication and actions
- Campaign design and implementation

Steps for setting up and convening local forums

When planning your first local forum meeting, it is important to have a few people from your cooperative and other organisations assisting and supporting you.

The first step should be to identify organisations and cooperatives in your area that should be invited to the forum. This involves creating a database of key organisations and actors. These could be small farmers, informal traders, resident's associations, cooperatives, churches, NGOs and so on.

The second step will need to be preparing an invite for these identified organisations. The invitation should be short and precise. It should be addressed to the organization and have a brief introduction explaining the importance and purpose of the forum. The proposed programme, dates, time, and finally a contact person and their details to confirm their attendance.

The third step can be to look at a central venue that is known to community members and that can be utilised cost effectively. Think of community halls, schools and churches etc. It is good to try and book the venue three weeks ahead of time so that it gives you enough time to invite people to the forum.

The fourth step is thinking about and identifying the various communication platforms within your community in order to mobilise for the first forum meeting. Here are some of

the communication platforms for sending out invitations to organisations and the general community base:

- Email
- SMS's
- Posters
- Flyers
- Local Radio Stations
- Physical meetings and printed invite letters

Communication should essentially go ahead early with weekly reminders and follow-ups to ensure represented participation.

The fourth step is preparing the programme for the forum. This is very important, as a well-designed programme will ensure participation and interest. A general programme outline can be the following for your first forum:

- 1. Welcome and Introductions**
- 2. Objectives of the forum**
- 3. Background to what is and who is the Solidarity Economy Movement**
- 4. Main challenges in community**
Facilitate a discussion on the main challenges faced by the community. Do a mapping of what these are.
- 5. Worker cooperative and solidarity economy alternative**
Explain to those in the forum meeting what a worker cooperative is. Have a discussion about the role that worker cooperatives and the solidarity economy could play in dealing with the identified challenges.
- 6. Worker Cooperative and SA Food Sovereignty Campaigns**
Give some background to these
- 7. Way Forward**

The first local forum should be introductory in terms of sharing information and getting to know one another. The second forum programme should plan more strategically for coordination of activities.

The fifth step is to assess the outcomes of your first forum and identify all the problems and challenges and solutions to the problems and challenges faced when organising your first forum. This exercise will help you plan better for your next forum.

The sixth step is to hold the second forum meeting. This second meeting can focus more specifically on developing a local campaigning action plan. To develop this plan, you can take the understandings people have of worker cooperatives, and the challenges faced in the community, identify the key challenges to be focused on for action, and what activities for each challenge will be undertaken (You can also look at the value chain approach below to help think about interventions). You can identify key demands and to whom these demands are being made. Written up, this can constitute your programme for worker

cooperative and solidarity economy campaigning (if you are also doing food sovereignty campaigning, the two can be married in the forum process as well).

15.5 Social Media Within the Solidarity Economy Movement

Social media has become an important movement building tool and is an important platform for sharing news, experiences and struggles. Using Solidarity Economy News, Facebook, Twitter, SEM website and googlegroups can help strengthen networking and information sharing, and national campaign building, thus building our movement and direct power. Make sure that all your cooperative members and movement members in your community are linked onto the solidarity economy social media platforms. Here are some of the current links:

- Facebook Page: www.facebook.com/COPACSA
- Twitter Handle: @COPAC_SA
- Website: www.sem.org.za
- South African Food Sovereignty Campaign (SAFSC) website: www.safsc.org.za
- COPAC website: www.copac.org.za (for training tools, research and downloads of Solidarity Economy News)

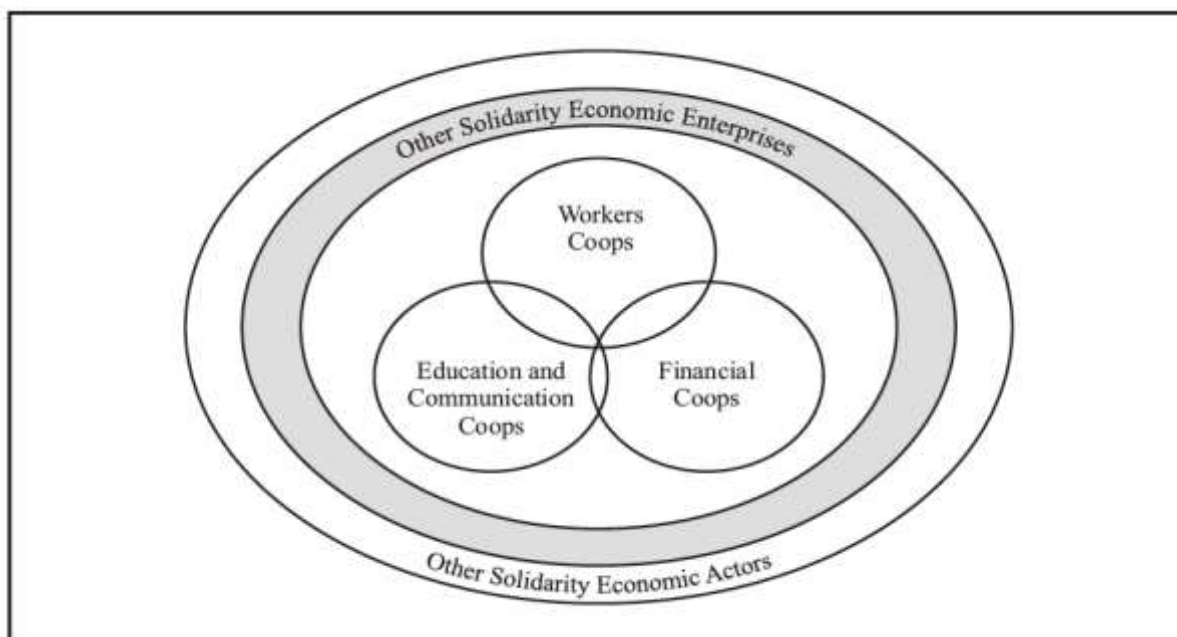


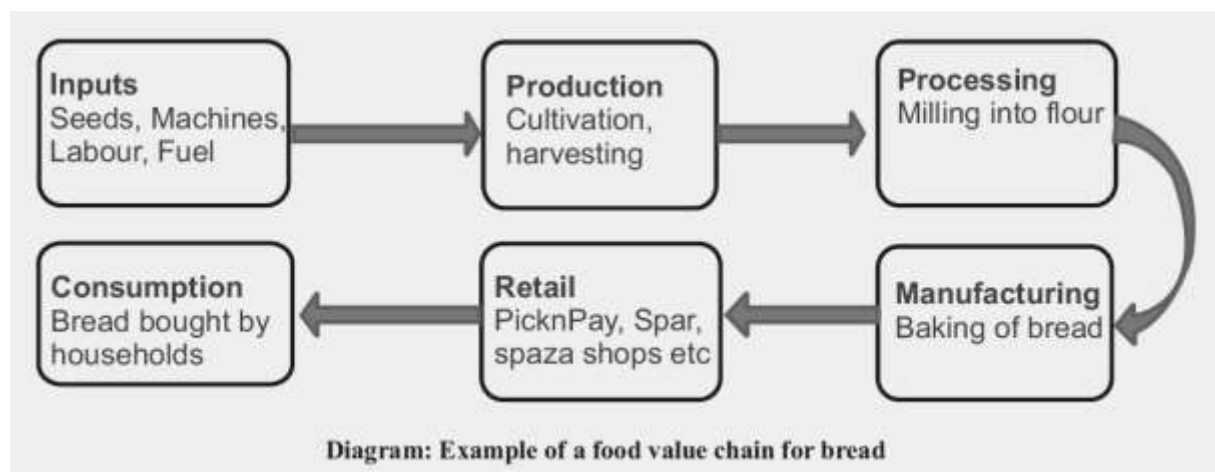
Diagram 15.1: Solidarity Economy Approach to Cooperative Development

Plenary Group Exercise

1. What are the advantages of organising cooperatives from bottom-up as part of the solidarity economy movement?
2. What are the challenges confronting the Solidarity Economy approach to building cooperatives?
3. How can the movement building tools identified, assist with overcoming these challenges?

15.6 Value Chains

The value chain simply refers to the different steps through which products go through to become the final product that we eventually purchase for our consumption. To use the example of a loaf of bread: the value chain includes the farms on which wheat is grown, the distributors to which the wheat is sold, the millers where wheat is turned into flour, the processors where flour is turned into bread, and the supermarkets where it is sold to consumers.



The above diagram depicts the bread to wheat value chain that is highly concentrated. It shows how the main bread producers, distributor and retailers have a large amount of structural power in the food chain. In other words there are a few companies that control processing and production and sale of bread. This translates into these companies having more power and control of the market share of supply of bread.

One way for us to challenge this dominant value chain is to build our own structural power through the solidarity economy and worker cooperatives. By creating worker cooperative bakeries in your community you begin to build structural power that challenges the dominance and control of the few companies controlling the market share and price. Using the example of bread helps you to think about the role that worker cooperatives can play in reshaping the food economy in your community.

Small Group Exercise

Step 1 - Think about your current food value chain:

1. Are any of these steps in the supply chain already happening in your community? Example farming, baking etc.?
2. Draw the diagram above and itemise under each category, who is providing that service or product in your community? Remember to base it on the most important food item you have chosen.

Step 2 – Design an alternative food value chain:

3. Using the food item you have chosen, design a food chain that is based in your community and builds food sovereignty and the solidarity economy. To do this, draw the above value chain on paper. For each step in the value chain of your food item, describe how it would be undertaken in your community in ways that build food sovereignty. Remember to think whether a solidarity economy institution could play a role. For example, in the second step of the value chain, 'Production', could a worker cooperative play a role here?
4. How would you go about marketing and distributing this important food item in your community?
5. Who will win and lose from each step in the process?
6. Identify what are your needs for achieving production and distribution of your important community food item you have chosen.

SECTION FOUR: THE EXPANSION AND CONSOLIDATION PHASE



Module 16

Problem Solving Tools

16.1 Objectives:

- Learn about problems facing cooperatives
- Learn basic approaches to dealing with problems

16.2 Introduction

The third phase in the development of a worker cooperative (over a number of years) is the expansion and consolidation phase. After the groundwork phase, the start-up phase can easily last a few years. This is when the cooperative is establishing itself, putting in place policies, building up capital, and training members. Once the start-up phase is completed and the cooperative is well established, it can look towards entering the **consolidation and expansion phase**. Now that the cooperative is stable and well established, it can look at streamlining internal processes and even expanding its production in order to employ new members. Module 16 and 17 therefore focus on some key aspects to consider in consolidating and/or expanding your worker cooperative.

First we turn to a practical tool for solving problems in a cooperative. This can be useful for ironing out any issues that may be occurring as you look to consolidating your worker cooperative. However, this approach does not necessarily need to be used only for solving problems. It can also be used for general decision making, such as 'Should we introduce a new product?' or 'How can we increase production and hire more members?' or 'How can we ensure that our production processes do not in any way harm the environment?' and so on.

16.3 Problem Solving Approach

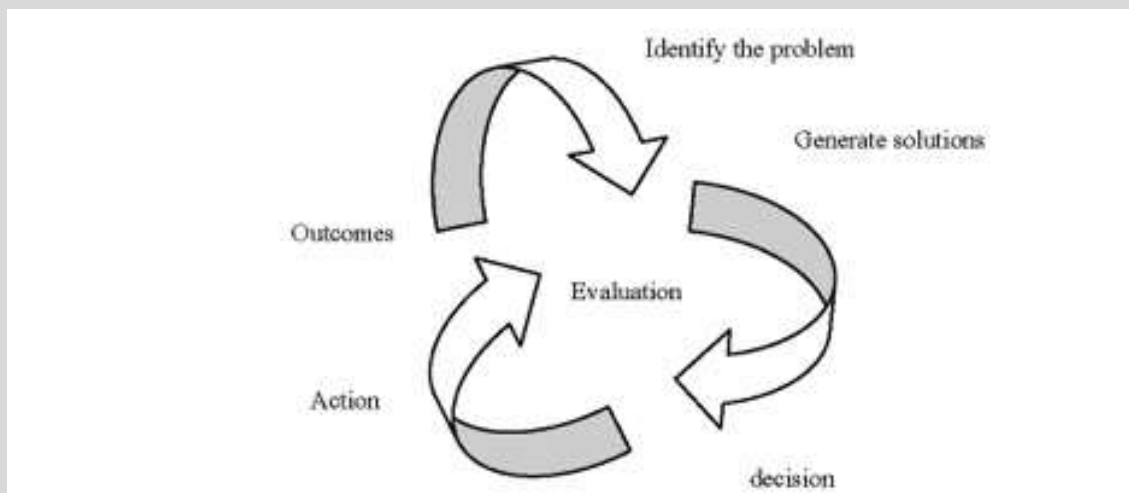
In a cooperative many problems confront the members, worker owners, and board of directors. Every member or worker owner has a vote and the power to influence decisions in a co-operative. However, it is not enough to raise one's hand in a co-operative meeting and vote for or against something. The right to vote has to be used very carefully. The way one votes on a particular issue should be informed by an understanding of the issues or problems being addressed. The problems facing a co- operative range from failing production, corruption, lack of education amongst members about how the cooperative should work and so on (refer to the problems the group identified above). Some problems may have many solutions, and thus a decision must be made about the best solution. Making a decision is only one step.

Decisions must be implemented or, put differently, action must be taken. But action can have unintended consequences. For example, after action is taken only part of a problem may have been solved or sometimes the problem gets worse. This requires an evaluation to rectify the situation and move forward.

In general using the problem-solving approach to make decisions requires the following steps:

1. **Step 1** - Identify the problem
2. **Step 2** - Generate a possible solution or set of possible solutions
3. **Step 3** - Choose from amongst the various solutions which one to implement (i.e. make a decision)
4. **Step 4** - Action must then be taken to implement the decision
5. **Step 5** - The outcomes of the action must be assessed to establish whether the problem was solved. If the problem was not solved or new problems created the problem-solving process or loop continues, following the same steps.

Plenary Group Exercise – Problem-Solving Loop



The facilitators explain the flow of the different stages and how they follow one another. It is important to identify each stage systematically before moving on to the next stage.

For problem-solving leadership to be applied in cooperatives, worker owners must begin with an understanding of the conditions under which cooperatives operate and struggle to succeed in society. It is important to be realistic and to assess the real conditions in order to understand the problems cooperatives and the cooperative movement are trying to solve in society.

Small Group Exercise

1. Identify what the current problems facing your cooperative are.
2. Are these problems caused internally or from external factors?
3. Using the problem solving loop and step approach begin to solve your identified problems in your cooperative.

For a more in depth guide to problem solving, download the Problem Solving guide from the COPAC website.

Module 17

Understanding Expansion and Consolidation

17.1 Objectives

- Understand the steps for worker cooperative growth and expansion
- Understanding consolidation

17.2 Expansion and Growth Phase

Through regular review and implementation of the strategy, post the groundwork development stage, the worker cooperative will achieve success and growth. This will mean that the worker cooperative is achieving its intended objectives through sound financial management, rise in surplus and savings, practice of principles, proper self management, and commitment from worker owners and is engaged in solidarity economy movement building locally and nationally.

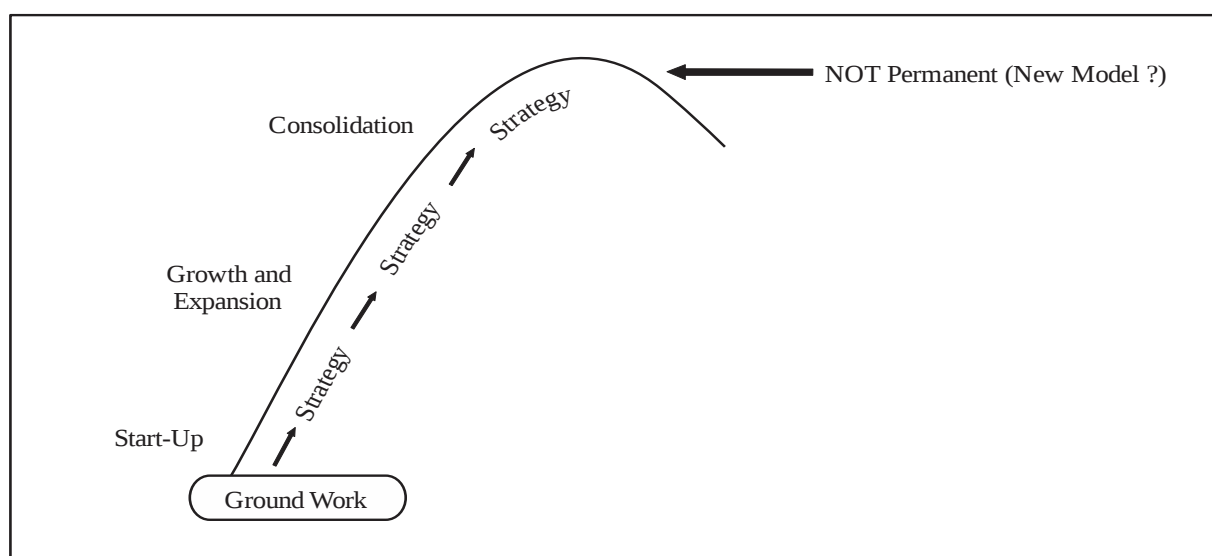


Diagram 17.1: *Worker Cooperative Trajectory Graph*

17.3 Steps for Preparing for Expansion and Consolidation

The first essential step in preparing for expansion is commitment.

- Is your cooperative ready to commit to the goal of expansion, or are you uncertain?
- Do you want to provide better service to more people, or are you at an appropriate size for your market? Clearly committing to expansion is an important step that will give credence and momentum to your project. This will not be an irreversible decision, since you are not considering a specific site. But a clear commitment clarifies intent.
- The second step is to strengthen your worker owner base. The full support of members should be present.
- The third step will be to raise the capital requirements for purchase of equipment and land and buildings. The final step on deciding on the new

location is important, as the coop will have to look at all the pros and cons of the new location.

17.4 Assessing the Cooperative's Expansion

Assessing whether your worker cooperative is ready for expansion is important as it helps give your members perspective in analysing if the cooperative is ready and prepared for expansion and what are the potential shortcomings. We will now look at two scenarios.

Scenario 1

Cooperative A is a successful bakery worker cooperative that has produced bread and other confectionary over the years. They have had a consistent market base and support from their community. Their main base was customers from the local community who walked to the bakery to buy their bread, scones, muffins and so on from the sales window. The members of the bakery cooperative decided to expand its operations.

First the members did some market research. They spoke to customers who came to the bakery, to nearby households, and local traders and spaza shops for information about demand for their baked goods.

With this information in hand, the members met again and looked at how much they would need to spend on new equipment to expand the bakery. They found out the cost of a large baking oven. They also found out the cost of two delivery bicycles. They found that it would be much cheaper, and better for the environment, to use specially-made delivery bicycles that did not cost so much to buy and did not require the cost of petrol to keep running. Based on these total costs, they decided they would use some of the cooperative's reserves together with a loan to purchase this extra equipment for expansion. Because the cooperative had been making a surplus for the last two years, they felt it would be able to repay the loan and to continue making a surplus that would contribute back to the financial reserves of the cooperative.

Because they would be hiring more members they would have to better manage internal member relations. So it was agreed that it was time to start implementing their worker owner guide. The board was tasked with overseeing that the guidelines were implemented and adhered to.

Lastly, the board was tasked with taking all of the information gathered through their research and compiling it into a strategic business plan that laid out the plans for expansion and consolidation, including repaying of the loan, that would guide the cooperative for the next year.

Today, the cooperative is implementing the business plan. Having bought the equipment and hired new members, it has increased production and is supplying 10 local shops with fresh bread and other baked products every day. It is able to make its loan repayments every month, and will surely make a surplus at the end of the financial year. The members' needs are being met, as they earn fair monthly salaries and part of the surplus will go into each member's capital account, ensuring that they have a pot of finance due to them when they leave the cooperative.

Scenario 2

A bicycle cooperative, Mzansi Bicycle Cooperative, was situated in Soweto where it repaired and assembled bicycles. After initially starting off relatively strongly, demand started to dip. The morale of the worker owners then also decreased. With less work to do due to less customers, worker members no longer came in at 8am in the morning until 4pm on weekdays, but only when there was specific work to do. This started leading to conflict, as those who worked more felt that they should receive more in wages, and should have more power in decision making. Because worker members only came in when there was specific work to do, even less customers started coming to them to buy bicycles or have their bikes repaired. Eventually the income of the cooperative dropped to almost nothing, the members left, and the cooperative closed down.

Small Group Exercise

1. In Scenario 1, do you feel that it was the correct decision for the bakery cooperative to expand? Why did the bakery cooperative make this decision?
2. What did the bakery cooperative do correctly to ensure it succeeded in expanding and consolidating?
3. In Scenario 2, why did Mzansi Bicycle Cooperative fail?
4. What could it have done to put itself on the path towards expansion and consolidation?

Small Group Exercise

Based on what you've learned in this module and the above scenarios, if your cooperative is considering expansion then discuss the following questions:

1. Has the cooperative met all its goals and objectives in the past 5 years?
2. Are member needs being met?
3. Has the cooperative been earning a consistent surplus over the years?
4. Has there been consistent demand and supply in the market for the cooperatives product or services?
5. What are some of our current capacity constraints within the cooperative operations?
6. Do we need new technology, a better self management system and a new approach to marketing and solidarity? Or what needs to be improved in the cooperative to realise its objectives and meet member needs?
7. Are our members ready for expansion or consolidation? What are their views?

Conclusion

We have now reached the end of this guide on worker cooperatives! After having thoroughly worked through this guide, you should have at least the basic skills for setting up worker cooperatives, supporting those in your community, and mobilising your community around the solidarity economy and worker cooperative alternatives. To end your engagement with this guide, some discussion on the following questions should help with the way forward:

1. What are the key lessons learned and knowledge gained from working through this guide?
2. In terms of the training, what has been most useful? What has been less useful?
3. Has the guide and training helped you in understanding worker cooperatives better and how they work?
4. How will you use what you have learned now?
5. What kinds of follow-ups are needed to ensure that the tools and capacities gained in this workshop/through engagement with the guide are taken forward practically?



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