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Evaluation of co-operatives as a developmental vehicle to support job creation and SME development in the waste sector

A Green Fund / DEA Funded Research Project

Prof Linda Godfrey

Green Cape Workshop

8 October 2015

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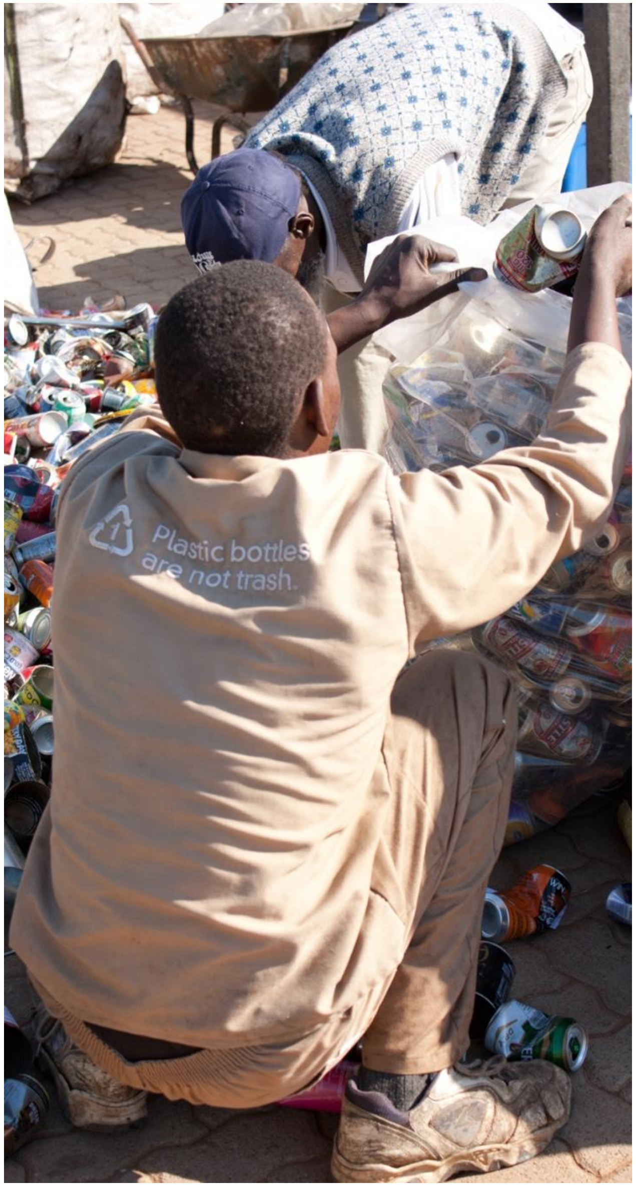
environmental affairs

Department: Environmental Affairs

REPUBLIC OF SOUTH AFRICA

BACKGROUND – THE NEED



1. Background – The Need
2. Co-operatives in South Africa
2. Key research findings
3. Conclusions

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BACKGROUND – THE NEED

- SA Q1 unemployment rate was **26.4%** (12 year high) (StatsSA, 2015)
  - Expanded unemployment rate [1] of **36.1%**
- ~60% of the unemployed have less than a high school (Grade 12) qualification (StatsSA, 2012)
- South Africa sits with high numbers of **uneducated**, **unskilled**, **unemployed** citizens

(1) Includes those people who are not seeking work but are available to work

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BACKGROUND – THE NEED

- South Africa's employment challenge therefore is two-fold –
  - Create **large numbers** of **low-skill jobs** for the currently unemployed
  - **Grow economy** to create new job opportunities
    - New economic sectors, e.g. secondary resources economy (recycling / manufacturing)
    - Upskill and new skills
  - The waste sector provides an opportunity **to do both**

BACKGROUND – THE NEED

- Immediate opportunities in the waste sector –
  - **Open-spaces cleaning** (e.g. clearing of illegal dumping sites, street cleaning and sweeping, litter picking)
  - Waste **collection**
  - **Sorting** of recyclables
- **Labour intensive** activities that require **low skills**
- **Low barriers** to entry

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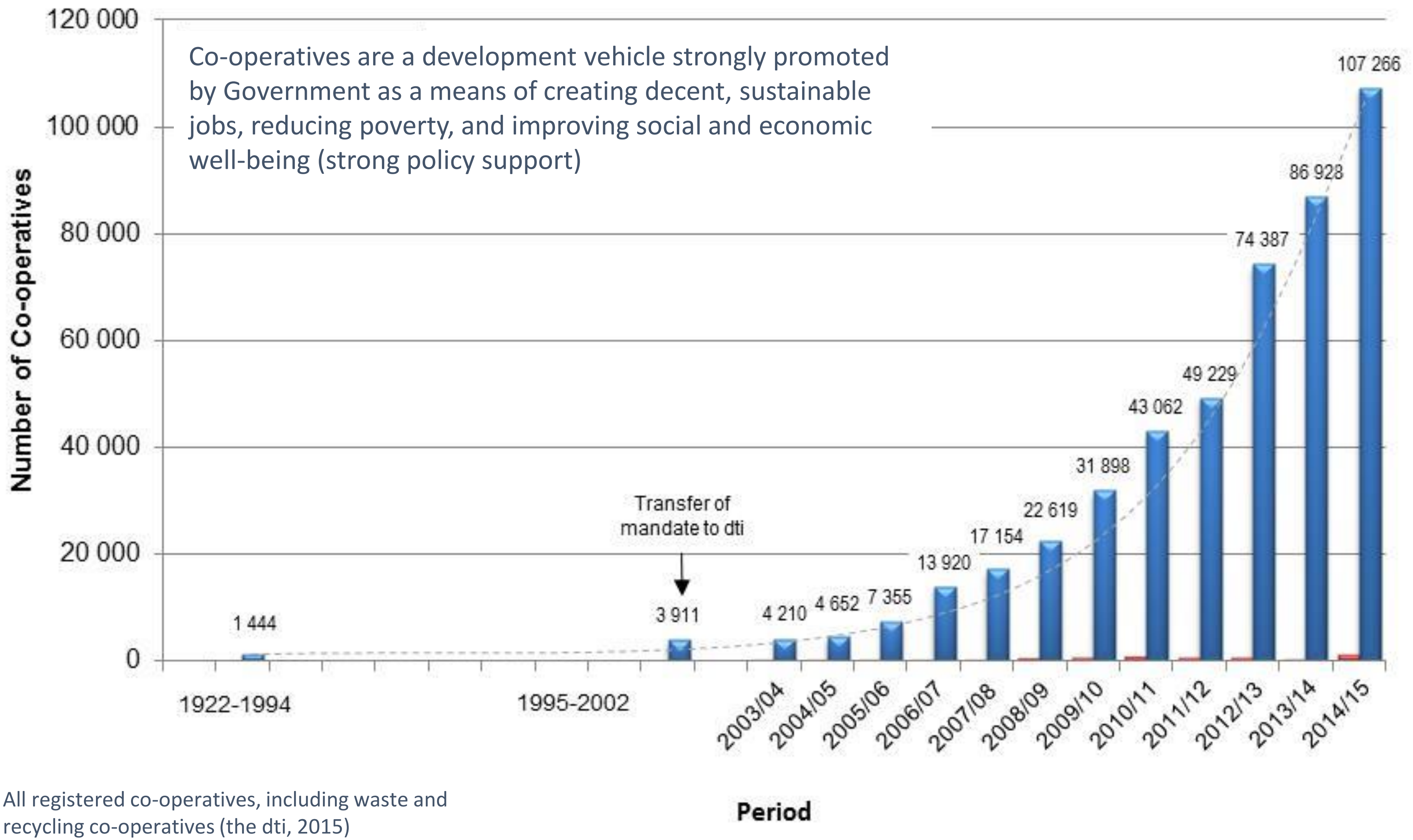
CO-OPERATIVES IN SOUTH AFRICA



All registered co-operatives, including waste and recycling co-operatives (the dti, 2015)

CO-OPERATIVES IN SOUTH AFRICA

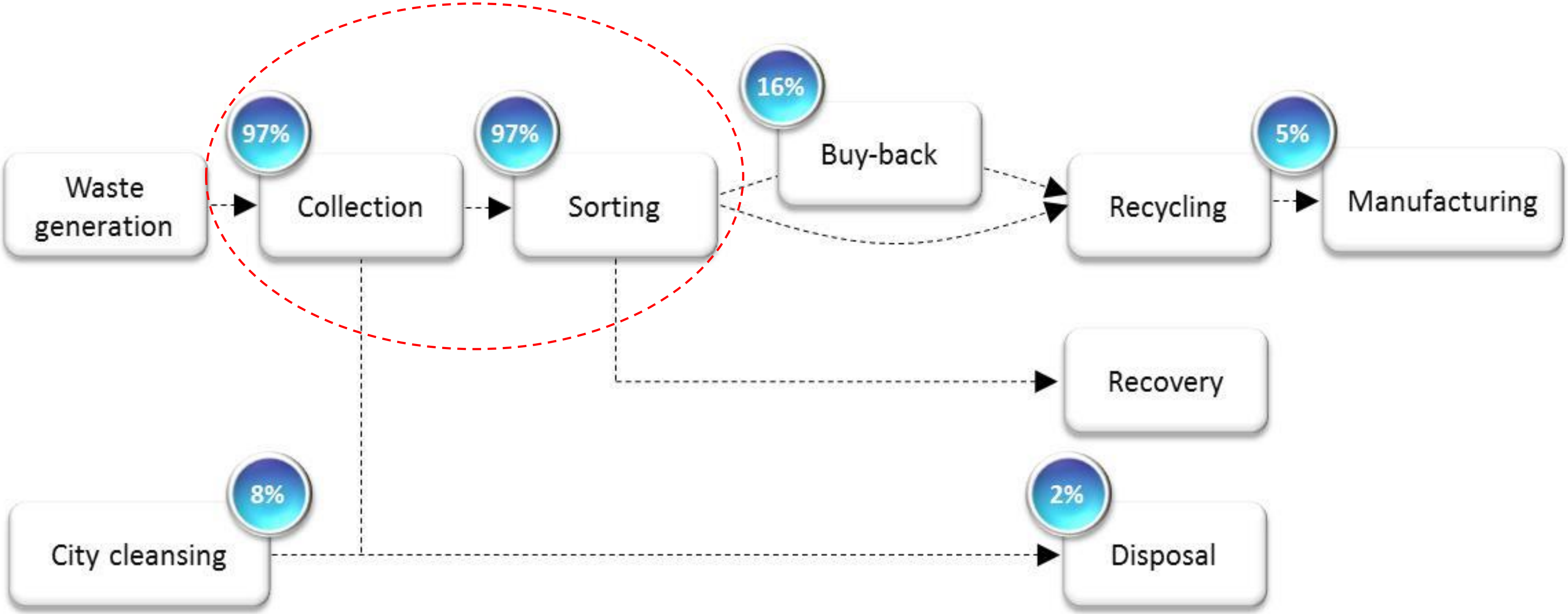
Type of Co-ops	CIPC 2009 data	The dti, Baseline Study	Survival rate (%)	No. of dead cooperatives	Mortality rate (%)
Trading	2 708	47	1.7%	2 661	98.3%
Transport	856	50	5.8%	806	94.2%
Multipurpose	3 160	187	5.9%	2 973	94.1%
Recycling & waste management	**85**	**7**	**8.2%**	**78**	**91.8%**
Services	4 209	357	8.5%	3 852	91.5%
Consumer	128	11	8.6%	117	91.4%
Food and agriculture	6 086	671	11.0%	5 415	89.0%
Manufacturing	1 093	137	12.5%	956	87.5%
Mining	78	12	15.4%	66	84.6%
Financial/Credit Services	233	36	15.5%	197	84.5%
Construction	1 280	202	15.8%	1 078	84.2%
Textiles	1 247	272	21.8%	975	78.2%
Home industry (Baking)	334	83	24.9%	251	75.1%
Other	328	89	27.1%	239	72.9%
Social	311	90	28.9%	221	71.1%
Burial	65	19	29.2%	46	70.8%
Arts and crafts	340	103	30.3%	237	69.7%
Housing	78	25	32.1%	53	67.9%

CSIR RESEARCH PROJECT

- The aim being to build an evidence base of –
  - the **uptake, success and challenges of waste co-operatives** within municipalities
  - that will support future co-operative implementation
- To understand the potential that co-operatives have in –
  - extending and enhancing **waste service delivery** in under-serviced areas
  - stimulating **job creation and enterprise development**
  - in **growing the waste "economy"**
- Semi-structured interviews with 30 co-operatives and 18 stakeholders

RESULTS: POSITION IN THE VALUE CHAIN

- Indication of where co-operatives are currently operating



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RESULTS: RECYCLABLES COLLECTED

- Most co-operatives were involved in the collection and sorting of packaging (**plastic, tins, paper, glass**)
- No preference for any one material type
- Some indicated they collect **scrap metal**
- No co-operatives reported collecting –
  - Waste electric and electronic equipment (WEEE)
  - Waste tyres
  - Construction and demolition waste
  - Organic waste
  - Bulky waste streams (e.g. white goods, furniture)

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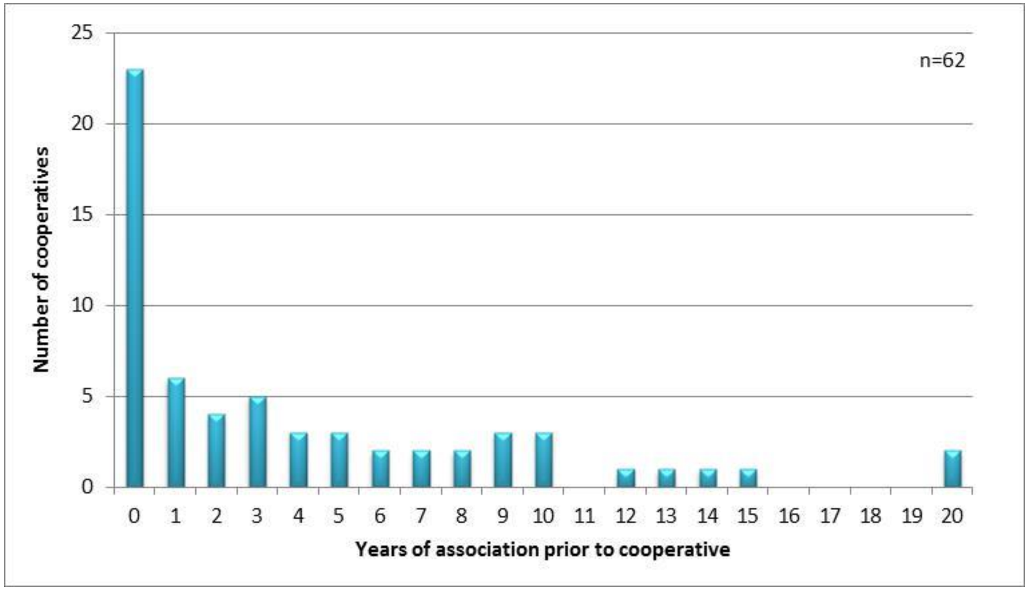
RESULTS: YEARS MEMBERS ASSOCIATED

- 46.8% co-operatives interviewed had seen their members associated **one year or less** prior to the registration of the co-operative
- i.e. began association with the start of the co-operative
- Described as a "*top-down approach to fast-track job creation*" or "*forcing*" the registration of co-operatives



*"An **autonomous association** of persons **united voluntarily** to meet their **common economic, social or cultural needs** and aspirations through a **jointly owned** and **democratically controlled** enterprise organised and operated on co-operative principles"*

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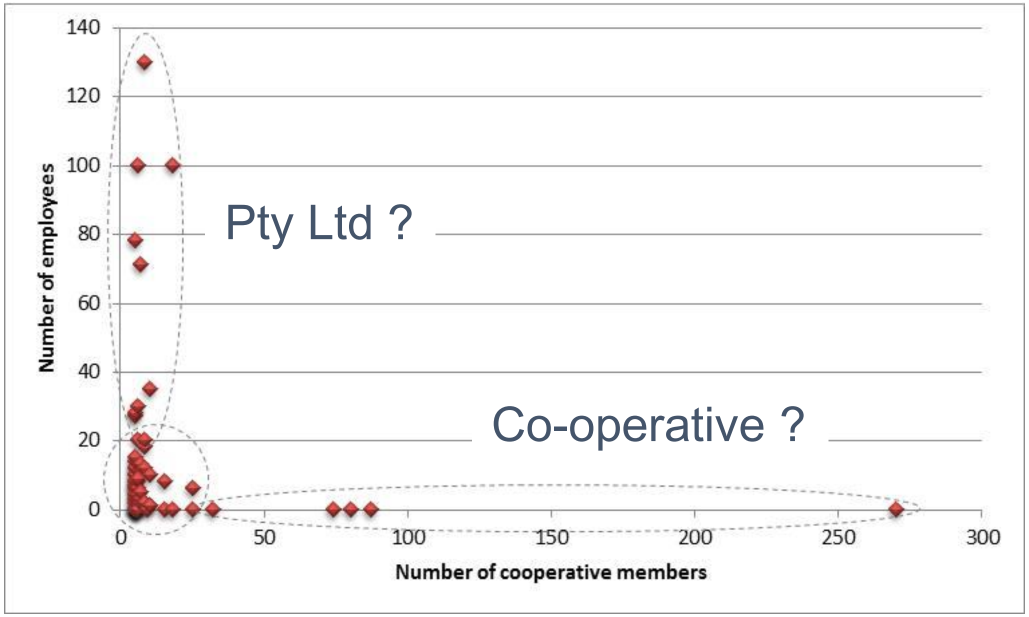
RESULTS: MEMBERSHIP VS EMPLOYMENT

- Distinction between –
  - registered **members** of the co-operative
  - people **employed** by the co-operative
- 37.5% had min number 5 members (often acting as "managers")
- Employee relationship ranged from formal written agreement, verbal agreement with casuals, to access to equipment
- Members may purposefully restrict to minimum of five members to minimise conflict *(see association)*



*"An **autonomous association** of persons **united voluntarily** to meet their **common economic, social or cultural needs** and aspirations through a **jointly owned** and **democratically controlled** enterprise organised and operated on co-operative principles"*

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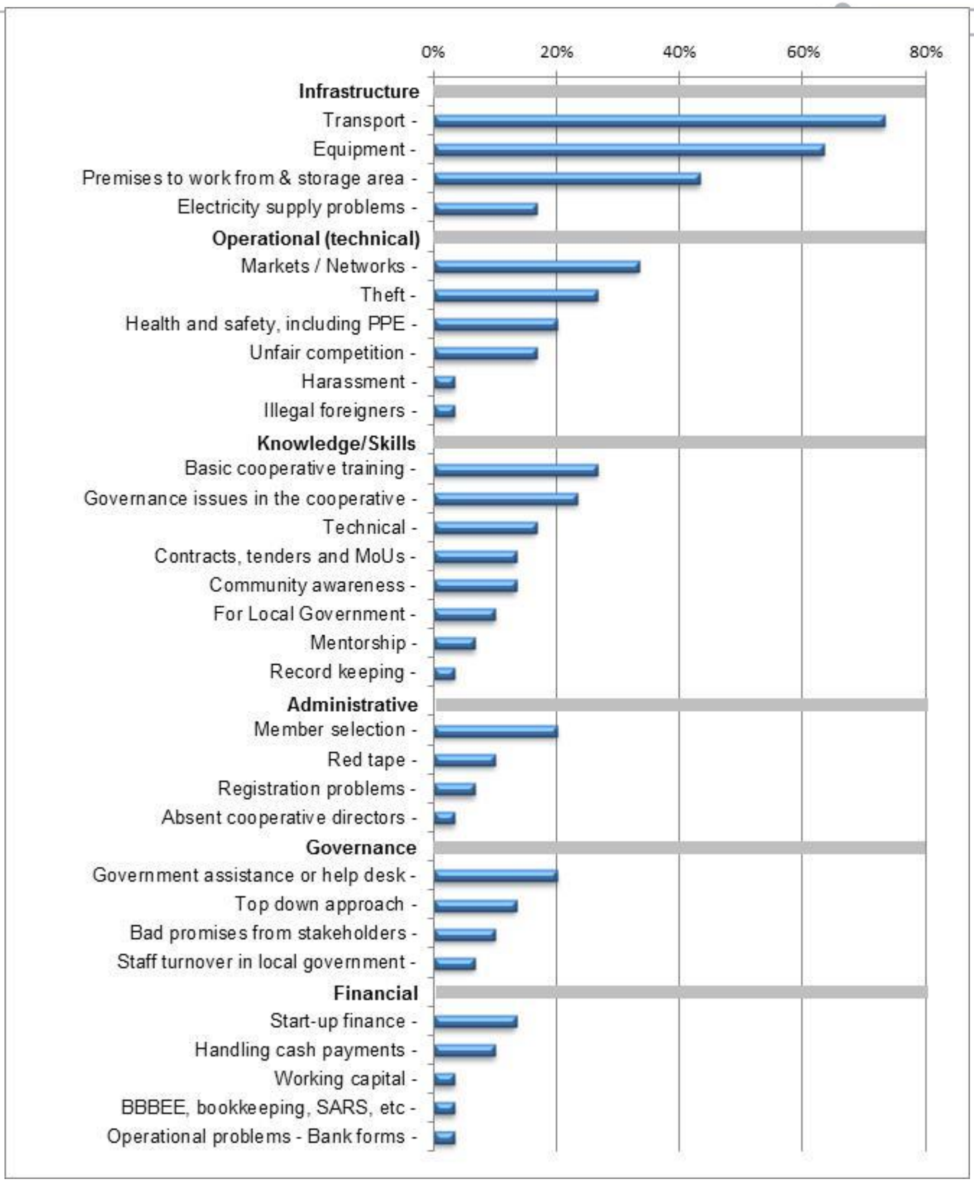
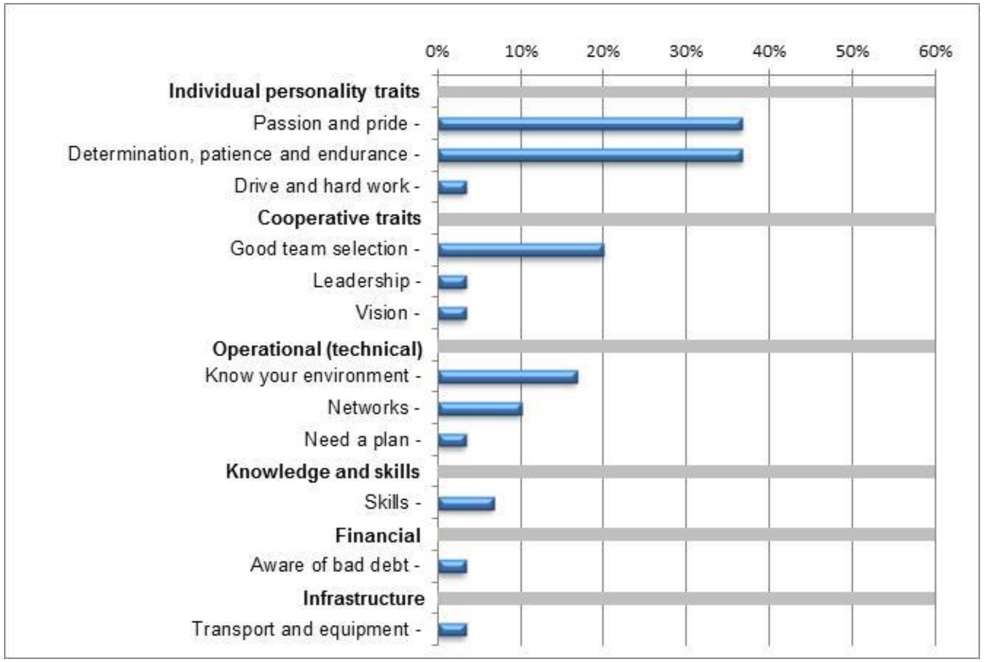
RESULTS: CHALLENGES AND OBSTACLES

- **Infrastructure**
  - Transport
  - Equipment
  - Premises
- **Operations**
  - Markets / Networks
  - Administrative
  - Governance
  - Financial
- **Capability**
  - Knowledge/skills
  - Training



RESULTS: RECOMMENDATIONS FOR OTHERS

- **Individual personality traits**
  - Passion and pride
  - Determination, patience
  - Drive and hard work
- **Cooperative traits**
  - Team selection
  - Leadership and vision
- **Operations**
- **Knowledge/skills**



Even though infrastructure was listed most frequently as a challenge by co-operatives, it was the human element that came through in the recommendations – "people issues"

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RESULTS: OPPORTUNITIES FOR GROWTH

- Co-operatives identified the following as opportunities for their growth –
  - Separation at source
  - Expanding collection areas to service new areas
  - Collecting new types of recyclables (currently not collected)
  - Operating buy-back centres or material recovery facilities (MRFs)
  - Moving up the value chain from collecting and sorting to recycling (reprocessing) or manufacturing
  - Negotiating new agreements for access to new markets

CONCLUSIONS

- Waste and recycling co-operatives (as do SMEs) –
  - Have the potential to create significant ‘income opportunities’ in the waste sector
  - Are a developmental vehicle with strong government and policy support
- But, the results show that –
  - Co-operatives currently face numerous challenges
  - Co-operatives have not been integrated into municipal solid waste management systems (operate largely on the periphery)
  - Creating sustainable waste and recycling co-operatives requires “long-term” support (incubation) and investment (not only financial) by external stakeholders (public and private) due to the low skill level of members
- Questionable if we are currently creating sustainable jobs in the waste and recycling sector through the co-operative model

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WAY FORWARD

Delivered to the Green Fund –

- Research report
- Good practice guide
- Policy brief
- Academic journal paper

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POLICY BRIEF

Evaluation of co-operatives as a developmental vehicle to support job creation and SME development in the waste sector

August 2015

GREEN ECONOMY POLICY BRIEF SERIES

RESEARCH AND POLICY DEVELOPMENT TO ADVANCE A GREEN ECONOMY IN SOUTH AFRICA

Godfrey, L., Muswema, A., Strydom, W., Mamafa, T. and Mapako, M.

Council for Scientific and Industrial Research (CSIR)

KEY FINDINGS:

The research shows that waste and recycling co-operatives face numerous challenges relating to infrastructure, operations, and capability. Co-operatives still operate largely on the fringe of municipal solid waste (MSW) management and have not been integrated into MSW collection systems. In addition, some waste and recycling co-operatives in South Africa are operating as traditional Pty Ltd businesses with the five members taking on a management role and employing staff to undertake the collection and sorting of recyclables, through written, verbal or no formal contracts. These co-operatives appear to be opportunistic in their registration, accessing co-operative grants and responding to procurement policies that support co-operative development. With the high failure rate of co-operatives this business model is not currently creating sustainable businesses or jobs.

The results highlight three criteria which are considered crucial to creating a viable co-operative movement in the solid waste management sector in South Africa – access to materials; access to markets; and business development support.

INTRODUCTION

South Africa, like many developing countries, is facing the reality of jobless growth, and is in need of growing its economy to support the creation of new employment opportunities. The New Growth Path, government's vision of putting jobs and decent work at the centre of economic policy, identifies the Green Economy as one of six priority areas with the potential to achieve the goal of creating five million new jobs by 2020. The need for job creation, and specifically the opportunities recognised within the Green Economy, has been translated into the waste sector, as reflected in the goals of the National Waste Management Strategy.

The South African Government has committed to promoting co-operatives as a means to "*create and develop income-generating activities and decent, sustainable employment; reduce poverty, develop human resource capacities and knowledge; strengthen competitiveness and sustainability; increase savings and investment; improve social and economic well-being; and contribute to sustainable human development.*" This commitment has resulted in major growth in the number of registered co-operatives over the past 10 years. However, as noted by the Department of Trade and Industry, "*These emerging co-operatives are still weak and vulnerable*", with evidence suggesting that 9 out of every 10 waste and recycling co-operatives (91.8%) fail, and that very few successful long-term waste and recycling co-operatives are currently in operation in South Africa. This is surprising given the low barriers to entry, the low skills required in the waste and recycling sector, and the large volumes of recyclables available for collection.

CONTEXT

The National Environmental Management: Waste Act has provided the policy framework to move waste management up the waste hierarchy away from landfilling towards waste prevention, reuse and recycling. This creates opportunities for job creation as new projects are implemented in business and industry, new markets become available, new business opportunities recognised, and as new innovations (technological and non-technological) are introduced to the waste sector. The waste and recycling sector is recognised as an area for future growth of SMEs and co-operatives participating in waste service delivery and recycling; where immediate opportunities in city cleansing, waste collection and sorting have been identified, and where relatively unskilled labour can be absorbed. The Department of Environmental Affairs acknowledged the opportunity that co-operatives provide, having set the goal in the National Waste Management Strategy of creating 2600 additional SMEs and co-operatives participating in waste service delivery and recycling by 2016.

QUESTIONS

Thank you

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