



Reshaping the Development of Cooperatives through Skills Development in South Africa

Research Report

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LIST OF ACRONYMS

Acronym	Description
CIPC	Companies and Intellectual Property Commission
ICA	International Cooperative Alliance
SOE	State-Owned Enterprises
SASSETA	Safety and Security Sector Education and Training Authority

1. GENERAL ORIENTATION AND PROBLEM FORMULATION

1.1. Introduction

Cooperatives are essential to the social and economic development of developing countries such as South Africa. Most members of cooperatives are local residents, as a result, proceeds emanating from operations of the type of enterprises circulate within the community. This results in a multiplier effect. Cooperatives are primarily designed to build social networks and strengthen social cohesion¹. According to the Companies and Intellectual Property Commission (CIPC), a cooperative is a distinct form of enterprise that provides services or products to its members². Hence, these enterprises are regarded as central to job creation as they promote diverse business connections amongst community members.

In South Africa, cooperatives have gained slow popularity as they are perceived to consist of small-scale businesses, developing merchants and low-income earners. Nonetheless, cooperatives offer opportunities for impoverished communities to participate more meaningfully in the development of the economy³. In addition, these enterprises are said to have the potential to achieve various economic objectives despite operating in a competitive global economy. These objectives entail but not limited to promotion of the consumption of locally produced goods and services, job creation and access to affordable good and services in South Africa.

1.2. Background

The Cooperatives Act of 2005 was the first initiative towards the development and creation of a legal environment that supports cooperatives owned by previously disadvantaged individuals in South Africa. According to Rena (2017: 19) “adaption is a major challenge for cooperatives as total independence and self-sufficiency is not easily achieved by most established and emergent cooperatives in South Africa”. The International Cooperative Alliance (ICA) defines as cooperatives as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs, as well as aspirations through a jointly owned and democratic enterprise.

¹ Lund, M. 2013. Cooperatives Equity and Ownership: An Introduction. Community Wealth: New York.

² Companies and Intellectual Property Commission, 2013. Registering you cooperative Available from: <http://www.cipc.co.za/index.php/register-your-business/cooperativeseratives/>

³ Rena, R. 2017. Cooperatives in South Africa: A Review. Indian Journal of Science and Technology. Vol 10(45).

The South African government strives to use the international best practice to develop the cooperative⁴ in the country. However, it is argued that attempts to promote the development of cooperatives in the Republic have been characterised by this order⁵. The South African supports the development of cooperatives, particularly among historically disadvantaged groups, as an approach to eradicate poverty and promote jobs creation. Therefore, the primary objective of promoting the development of these enterprises is to empower the historical disadvantage individuals, thus strive to close the gap between e the first and second economy in the country⁶ Specific groups that have been designated to be primary beneficiaries of these initiative are blacks, especially women, persons with disability and youth who reside in the rural areas,. Unfortunately, most of these designated groups tend to lack the necessary skills and knowledge to operate cooperatives successfully⁷. Hence it is important to prioritize skills development for members of cooperative in an attempt to bolster their effectiveness and success in their business endeavour.

1.3. Definition of Concepts

The main purpose of defining concepts is mutual communication and comprehension⁸. For this study, the following terms will be conceptualised i.e., Cooperatives, Skills Development and Skills needs:

1.3.1. Cooperatives

Cooperatives are people-centred enterprises that are designed to realise common economic and social needs. Cooperatives are an enterprise or organisation owned by and operated for the benefit of those using its service⁹.

⁴ DTI (2004), A Cooperative Development Policy, Available from:
<http://www.pmg.org.za/docs/2004/appendices/040604draft.htm>

⁵ Chibanda, M. Ortmann, G.F. and Lyne, M.C. (2009). Institutional and governance factors influencing the performance of selected smallholder agricultural cooperatives in KwaZulu-Natal, *Agrekon: Agricultural Economics Research, Policy and Practice in Southern Africa*, Taylor and Francis, 48 (3) 293-315

⁶ DTI (2004), A Cooperative Development Policy, Available from:
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⁷ Culti, M. N., Tenorio, M. C. C. and Chaves, D. A. C., (2002), *Popular Cooperatives Enterprises: A process of (Re) Education*, available via <http://www.unitrabalho.org.br/IMG/pdf/popular-cooperative-enterprises.pdf>

⁸ De Vos, A. S. 2005b. *Scientific Theory and Professional Research*. Cited in De Vos, A. S., Fouche', C. B. & Delpont, C. S. L. 2005. *Research at Grass Roots: For the Social Science and Human Service Professions*. 3rd ed. Van Schaik: Pretoria.

⁹ Webster, M. 2008. *Definition of Cooperatives in a Modern Economy*. Van Schaik: Pretoria.

1.3.2. Skills Development

The terms skills development comprises of two nouns, namely “skills” and “development”. A skill refers to an expertise or talent which requires special training and knowledge. Moreover, skills are defined as an ability and capacity to acquire through deliberate, systematic and sustained effort to smoothly carryout complex activities such as job functions¹⁰. Therefore, skills development is a set of skills required to complete job functions; occupations need a broad range of skills to contribute to the modern economy. In this study skills development refers to the skills required by cooperatives for the sustainability of these types of enterprises in South Africa.

1.4. Problem Statement

It is important that the researcher establishes the reason for undertaking, identifying a problem that will be investigated and assess what practical value the study will have¹¹. The South African government has identified cooperatives as a means to sustain small enterprises. The Cooperative Act of 2005 and the Cooperative Incentive Scheme (among others) were put in place to support cooperatives. Previous studies revealed that cooperatives in South Africa were underperforming. Okem and Nene (2014) revealed that since the transition to multiparty democracy in 1994, the South African cooperatives sector continued to underperform consistently despite increasing government support¹². Hence, there is an apparent lack of adequate skills and measures to bolster the effectiveness of cooperatives.

1.5. Research Aim

The aim of this research study is to understand the role of established and emergent cooperatives in South Africa and skills devilmnt implications for the safety and security sector.

¹⁰ Jones, M.L. & Lavelle, D. 2009. Exploring the skills needs of British adolescent athletes. *Journal of Psychology of Sport and Exercise*. Vol 10: 159-167.

¹¹ McGaghie, W. C., Bordage, G., & Shea, J. A. 2001. Problem Statement, Conceptual Framework and Research Question. *Journal of the Association of American Medical Colleges*. 76(9): 923-924. Available from: <https://journals.lww.com/academicmedicine/Fulltext/2001/09000/>

¹² Okem, A.E. and Nene, M.N. (2014) An examination of the success factors of cooperative-run agricultural schemes: A case study of Intlantsi Agricultural Secondary cooperatives Limited. *International Journal of Sustainable Development*. 7(12), pp. 112-120.

1.6. Research Objectives

This study seeks to:

- To identify the skills development support required by established and emergent cooperatives in South Africa.
- Explore the impact SETAs have on the development of established and emergent cooperatives in South Africa.

1.7. Research Questions

The research questions indicate exactly what is to be investigated; for example, they refer to the relationships among a small number of variables¹³. Shandu (2017: 8) states that “research questions further identify which specific questions (in the interview schedule) need to be posed so that the participants’ answers will guide the solution to the identified research problem”.

The study will ask the following research questions:

- What is the nature and extent of established and emergent cooperatives in South Africa?
- What are the challenges that cooperatives experiencing in South Africa?
- What are the skills planning implications for SASSETA in relations to cooperatives in South Africa?
- Which measures should SASSETA implement to support cooperatives in South Africa?

1.8. Summary

Section one provided a general overview of the study. Moreover, the core insights into the drivers of the study were elucidated and further discussed the background to the study, the problem statement, the key questions, and the aims and objectives that underpinned this study. These aspects of formed the crux for the foundation on which this study was built. The following Section Two presents the literature review, which established the basis for the investigative processes of understanding how SASSETA should support the development of cooperatives in South Africa.

¹³ Denscombe, M. 2002. *Ground Rules of Good Research*. Open University Press: Buckingham.

2. EMPIRICAL PERSPECTIVE (LITERATURE REVIEW)

2.1. Introduction

A literature review is essential to analyse, and critique literature previously written by scholars to understand the skills development support required by established and emergent cooperatives in South Africa. It provides insight on a topic and a clear understanding of the phenomenon to be studied¹⁴. Therefore, this literature review will be the starting point that guided the formulation of the research questions and the analyses of the information that was gathered.

2.2. The nature and extent of Cooperatives

There are many different types of cooperatives, all covered by the Cooperatives Principles of the International Cooperative Alliance (ICA), that have different priorities, have faced different challenges, and have different track-records and social impacts. Yet these different types of cooperatives fall into two main categories: worker-owned cooperatives, and user-owned cooperatives. Understanding the differences between these is key to the concluding arguments about the role and potential of cooperatives in the South Africa.

2.2.1. Worker Cooperatives

The key defining feature of worker cooperatives is that members in the cooperatives own and control it, on the basis of 'one member one vote'. In this way, worker cooperatives potentially provide a radical alternative to the employment relationship found in conventional enterprises; and many of the difficulties they face relate precisely to this attempt to redraw the relationships between 'owners' and 'producers' when cooperatives members combine both roles. Worker Cooperatives combine worker ownership with mechanisms for the democratic control of production within the enterprise and are usually initiated as part of attempting to find more empowering alternatives to conventional employment and ownership relations in society¹⁵. Cooperatives face complex challenges, and assuming a basic level of business viability their success or failure is typically determined by their ability to institutionalize internally accepted

¹⁴ Leedy, P. D. 1989. Practical Research: Planning and Design. Macmillan: New York.

¹⁵ Couture, Marie-France: 'Co-operative Business Associations and their potential for Development Countries'; For the ILO Cooperative Branch and IFP/SEED, ILO, 2003.

ways of managing the characteristic tensions that are at the heart of cooperatives as a form of business:

- The tension between democratic worker participation in decision-making, and business efficiency.
- The tensions between the roles and interests of workers in their capacity as owners (to whom managers are accountable); and of workers in their capacity as producers (who are accountable, in the context of production, to managers).
- The tensions between the short-term desire of members to improve their quality of life, and the longer-term interests of the cooperatives as an economic entity.

These issues are the sub-text of many of the debates in the cooperative's movement and associated discourses. Where ways of managing these tensions are institutionalized and accepted across a range of permutations worker cooperatives can thrive.

2.2.2. User Cooperatives

In contrast to worker cooperatives, there are a range of types of cooperatives that can be characterized as 'user cooperatives', or 'client-owned' cooperatives. While there are differences between these forms of cooperatives, they share an essential feature that distinguishes them from worker cooperatives. In these cooperatives, the members are users of the cooperatives' economic services, rather than necessarily being workers in the enterprise¹⁶. This applies to a diverse range of types of cooperatives, including cooperatives banks, consumer cooperatives, cooperatives business associations, and agricultural processing cooperatives, where the members are farmers who supply the cooperatives, not the workers in the enterprise. In these cooperatives, members use collective organisation to create economies of scale, as a way to enhance their economic access or to gain economic advantage.

2.3. Defining cooperatives in South Africa

Cooperatives are defined in various ways, a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise¹⁷. For

¹⁶ Couture, Marie-France: 'Co-operative Business Associations and their potential for Development Countries'; For the ILO Cooperative Branch and IFP/SEED, ILO, 2003.

¹⁷ Ortmann, G. & King, R. 2007. Agricultural cooperatives II: Can they facilitate access to small scale farmers in South Africa to input and product markets? *Agrekon*: 46(2) 219-244.

cooperatives to be considered voluntary and open to the society the following principles by Ortman and King (2007) must be observed:

- Democratic member control,
- Autonomy and independence,
- Member economic participation,
- Provision of education,
- Cooperation among cooperatives,
- Training and information, and
- Concern for the community.

These principles are upheld by the Department of Trade and Industry (DTI) and the National Cooperatives Act 14 of 2005. All cooperation should consist of at least five persons, it should comprise of voluntary and open membership. According to there is an estimated 43 062 cooperatives in South Africa¹⁸.

2.4. Challenges faced by Cooperatives in South Africa

Whereas a great deal of progress has been made amongst role players to support the development of cooperatives in South Africa there has been several challenges. Discussed below are the challenges faced by cooperatives:

2.4.1. Cooperatives receive limited promotion and awareness

Limited promotion and awareness of the cooperative business model is one of the barriers to cooperatives development in South Africa. The public sector (i.e., national, provincial and local spheres of government, and SOE's), private sector, and society in general, do not understand the cooperatives business model and its inherent value¹⁹.

2.4.2. Limited access to technology

Most cooperatives are unable to access appropriate technologies for their businesses to improve efficiency and high levels of outputs. This results in poor quality of products produced, which leads to the lack of access to markets²⁰.

¹⁸ DTI. 2020. The DTI integrated strategy on the development and promotion of cooperatives. Promoting an integrated cooperative sector in South Africa. Pretoria: DTI.

¹⁹ DTI. 2012. Integrated strategy on the development and promotion of cooperatives: Promoting an integrated cooperative sector in South Africa. DTI: Pretoria. Page 52.

²⁰ Ibid. 53.

2.5. Limited access to critical business infrastructure:

Lack of critical business or developmental infrastructure facilities in the areas such as municipal level where cooperatives are active has resulted in an ability for cooperatives to operate effectively²¹.

2.6. Skills development and cooperatives in South Africa

Cooperatives are intended to provide economic benefit through collaboration and economies of scale thereby reducing input, operational and distribution costs²². However, such enterprises have similar needs to other businesses in terms of access to information, markets and finance. Hence, the National Skills Development Plan (NSDP) 2030 () has highlighted the need for skills levy institutions to actively support skills development needs of entrepreneurs and cooperatives within their sectors, with a particular focus on the unemployed individuals, youth, women and people with disabilities.

Outcome 6 of the NSDP focuses on “Skills development support for entrepreneurship and cooperative

Development”, hence it seeks to increase skills development support for entrepreneurial activities and the establishment of new enterprises and cooperatives through the following indicators²³:

- SETAs identify in their skills planning research, established and emergent cooperatives and their skills needs,
- SETAs through their skills planning research, identify skills needs of small and emerging enterprises,
- Number of entrepreneurship and cooperatives activities inclusive of informal traders supported by skills levy institutions, and
- Number of workplace base learning opportunities opened for servicing the number of micro, small and medium-sized enterprises and cooperatives.

²¹ Ibid. 53.

²² Department of Higher Education and Training. 2019. National Skills Development Plan 2030: An Educated, skilled and capable workforce for South Africa. DHET: Pretoria.

²³ Ibid. Page 23.

2.7. Support for Cooperatives development in South Africa

There are many organizations in South Africa that support cooperatives. These organizations ensure that the members are ready to run a cooperative. If the cooperatives are embracing international cooperative principles, especially emphasizing on education the following questions needs to be asked to agencies and other stakeholders that support communities in forming and running cooperatives. Do these organizations have surety that the people involved in the cooperatives know what they are getting themselves into? Lastly is these organizations educating as well as re-educating the members of the cooperative enterprises to be aligned with the international principles and values of a cooperative?

The agencies that support the cooperative should know what cooperatives are, so that they will be able to brief people forming a cooperative the requirements that come with the cooperatives. The advantages and disadvantages should all be taught to the members prior to forming the cooperative²⁴. These organisations should educate emerging cooperatives as well as re-educating those that are in existence, cooperative values, principles and the policies not just once but continuously. Various methods of learning should be practiced continuously.

Teaching and training in administration and business skill is very crucial, but not as equal to peoples' understanding and practicing the principles and values of cooperatives²⁵. Cooperative is a socialist company then, if members fail to live the principles and values of the cooperative there is no way they will be able to survive as a business. Cooperative is a socialism business and not capitalist, members need to earn and divide the profit among them, but always have a subsidy to sustain the cooperative.

2.8. Summary

Overall, Section two highlighted the context of the general body of scientific knowledge that was elicited by this study. The literature review thus conveyed related information that formed the foundation on which the study was based in terms of the scope of the problem under investigation, the research questions, the study objectives and the justification for this study. The following section provides an extensive research methodology, in terms of the scope of the problem under investigation.

²⁴ Culti, M. N., Tenorio, M. C. C. and Chaves, D. A. C., (2002), Popular Cooperatives Enterprises: A process of (Re) Education, available via <http://www.unitrabalho.org.br/IMG/pdf/popular-cooperative-enterprises.pdf>

²⁵ Culti, M. N., Tenorio, M. C. C. and Chaves, D. A. C., (2002), Popular Cooperatives Enterprises: A process of (Re) Education, available via <http://www.unitrabalho.org.br/IMG/pdf/popular-cooperative-enterprises.pdf>

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

A research design is a master plan that the researcher employs to illuminate how the study was conducted. According to Yin (2003) the research design is used to plan the structure of the research and how it will be executed. It is also used to maximize the validity of the findings. Central to this study is understanding the nature and extent of cooperatives in South Africa. The researcher explored the skills development support required by cooperatives in South Africa, hence this study employed a phenomenological design that is explorative in nature.

3.1.1. Explorative Design

An explorative research design seeks to explore the research questions at hand and helps to give a better understanding of the problem. states that “explorative research is conducted to determine the nature of the problem, and is not intended to provide conclusive evidence, but helps to have a better understanding of the problem”.

Exploratory research, as the name states, intends merely to explore the research questions and does not intend to offer final and conclusive solutions to existing problems. Exploratory research is conducted to determine the nature of the problem, and is not intended to provide conclusive evidence, but helps to have a better understanding of the problem²⁶. Explanatory research indicates a progression in the investigative process as it attempts to explain certain phenomenon in terms of the presence or absence and nature of certain relationships between key variables.

3.2. Research Approach

This research project was a secondary qualitative study that will be conducted as a desktop research project. A secondary research study requires the researcher to read recent scholarly works that have made contributions towards answering the research problem. This process will involve collecting data from either the originator or a distributor of primary research. In other words, accessing information already gathered. In most cases this means finding

²⁶ Bryman, A. 2004. Social research methods. Cited in Dlamini, S. 2017. A criminological exploration of community policing forums in Durban, South Africa: a study based on Glenwood Suburb and Cato Manor Township. Doctor of Philosophy. University of KwaZulu-Natal, Durban.

information from third-party sources such as research reports, websites, magazine articles, and other sources.

Noting that the current study was non-empirical (i.e., exclusively literature-based), the researcher several internet searches. Firstly, Google was utilised to detect the nature and extent of established and emergent cooperatives in South Africa. Secondly, WorldCat (universal libraries search engine) , which allowed the researcher to locate books and eBooks in international libraries was relied on.. Thirdly, the Researcher used public and private sector websites search for information about cooperatives SETAs in South Africa.

3.3. Data Analysis

This research project consisted of various perspectives that have been defined and researched by other scholars. This research project used an unstructured analysis, through logical reasoning, comparative analysis and synthesis of the facts gathered from the literature collected.

3.4. Limitations of the study

When conducting research challenges and limitations are said to arise. The way the researcher mediates these challenges and limitations needs to be accurate and concise without compromising the validity or reliability of the study. The objectives of the study also need to be achieved concurrently. This study has been overshadowed by the COVID-19 pandemic which has resulted in a difficulty to recruit participants for this study. Resources to expedite the desktop study process were difficult to gather as information on cooperatives and SETAs is scarce.

that audio recording would be stored safely for a period of five years then destroyed.

3.5. Ethical Considerations

Research ethics are a diverse set of values, norms and institutional regulations, that constitute and regulate scientific activity, these ethics can be used to conduct good research practices²⁷. Hence, it is important for any research project to undergo ethical evaluation. This is to ensure that the research meets good ethical standards, these standards are mediated to ensure that the researcher can balance “supporting freedom of scientific enquiry” or the “protection of welfare of participants”²⁸.

²⁷ Dlamini, S. 2017. A criminological exploration of community policing forums in Durban, South Africa: a study based on Glenwood Suburb and Cato Manor Township. Doctor of Philosophy. University of KwaZulu-Natal

²⁸ Bless, F. 2006. Ethical Issues in Conducting Research. SAGE: New York.

3.6. Summary

An overview of the methodology that was employed in this study was provided in this chapter. The research approach was extensively discussed by the chapter. It further provided a detailed overview of ethical considerations and the limitations of the study. The next section presents the findings of this research project.

4. DISCUSSION OF THE FINDINGS

The findings from literature and empirical investigation have revealed some important ideas and strategies that can be employed by SETAs to support the development and sustainability of cooperatives in South Africa.

The cooperative concept is not static but dynamic. This term can be defined and interpreted by various authors from different perspectives. The cooperative concept needs clarification and analysis, to be understood by the tenants of cooperatives. Cooperatives involve aspects such as governance, management skills, monitoring, evaluation and other related traits of leadership. The application of the above traits of leadership can also assist the cooperatives members to manage organisations effectively. This process will assist the cooperatives members to achieve the intended objectives of their organisations.

4.1. Lack of skills within cooperatives

In some cases, only one member has the skills and the passion required to run the cooperative. The rest of members have little or no knowledge of the enterprise; it then gets to be very difficult for such members to cooperate, coordinate and be engaged. The knowledgeable member will be doing the work out of passion and the rest will just be there because they will be getting a certain amount of money from the government. There will be little done, which mean the return will be fewer and divided among members results in failure of the cooperative. For a business to survive it needs to be productive, by producing enough to cover all the costs and expenses.

4.2. Poor marketing and lack of awareness of cooperatives

Cooperatives face challenges in terms of reaching wider markets. If their economic contribution is to be enhanced then marketing needs to be improved. Undeveloped networks and value chains impact negatively on cooperatives. Given the limited access to finance, technology, and other critical business infrastructure existing and emerging cooperatives find themselves limited to small local markets. This in turn impacts their profitability, which affects their ability to sustain operations. A lack of adequate government commitment to procure from cooperatives makes it difficult for these ventures to survive the harsh market conditions. Government procurement from cooperatives has been identified as one of the strategies for supporting them.

4.3. Lack of external support from public entities such as SETAs

Given the fact that many formerly disadvantaged people are embracing the cooperative concept and success stories are still limited, the need for external help cannot be overemphasized. The low asset base among communities is a huge factor curtailing the success of cooperatives. This, however, has to be given in a manner that does not undermine the basic principles of cooperatives. One of the challenges facing cooperatives is the lack of targeted support given inadequate economic and social impact statistics on cooperatives. Limited promotion and awareness, accessibility of cooperative registration to local communities, avoidance of formalization of informal self-help groups, and limited support from enterprise development agencies are some of the challenges curtailing the success of cooperatives. Furthermore, one of the hindrances facing cooperatives in South Africa is that they are highly politicized and apparently in some cases funded by the government as a political exercise with no sustainability plans and back-ups in place.

4.4. Summary

The collected data was analysed, and the findings were categorised in relation to the objectives of this study. The next section will present the conclusion to and the recommendations based on this study.

5. RECCOMENDATIONS AND CONCLUSION

5.1. Introduction

This section presents the recommendations and conclusion by focusing on the categorisation and verification of the study the objectives. These recommendations stem from the findings of the current study.

5.2. Recommendations

Cooperatives have an obligation to form a strong movement, which can create a conducive environment for cooperatives to thrive and promote sustainability with the relevant support from SETAs. Cooperatives must organise themselves from primary to apex structures and build a strong self-support entity.

Assistance to cooperatives must be well integrated, this study recommends the following:

- Allowing an organic formation and growth of cooperatives by ensuring that SETAs provide cooperatives with the necessary support.
- SETAs should assist cooperatives with skills development interventions to promote the growth and sustainability of such enterprises.
- SETAs should support cooperatives with technical, management, and leadership skills to manage their ventures.
- Improve awareness on government funding support.
- Development of innovative programs that will propel cooperatives from being subsistence-based to becoming vibrant economic production and exchange entities.
- A comprehensive training curriculum for cooperatives within existing tertiary colleges and the establishment of special training institutions to promote cooperative development.

5.3. Conclusion

The study concludes that cooperatives are an essential business model with a potential to meaningfully contribute to social cohesion, infrastructure development, and employment in South Africa. This study has argued that the lack of skills development from SETAs for cooperative development has resulted in the lack of sustainability of such enterprise in South Africa. These challenges manifest themselves in terms of sustainability of operations, leadership and management, poor access to markets, and the handout syndrome on the part of cooperative members. In terms of policy government support should be in the form of

creating an enabling environment for cooperatives rather than interference, which compromises their autonomy, organic growth, and proper functionality. For policy makers to resolve the above challenges, they should organise relevant training programmes that will empower cooperatives members on issues related to the seven principles of cooperatives. This study is just an alert to all stakeholders such as SETAs it is up to them to implement some of the recommendations and strategies stated by the researcher in this study.

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