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## The Analysis of the historical relations between consumer co-operatives and the labour movement in Kenya

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#### **Abstract**

Kenya celebrated 100 years in 2008 since the first Co-operative enterprise was established by British colonial settler community in Kipkelion in Kericho. Today, the Co-operative landscape in Kenya is dominated by Co-operatives in four economic sectors: financial (mainly savings and credit, banking and insurance), agriculture (mainly for export crops), housing (mainly land buying and real estate development) and transport (mainly mini-bus public transport for urban and peri-urban areas). These Co-operatives employ about 450,000 people directly and perhaps close to 1 million in related support services. Three key categories of Co-operatives that have not taken off in Kenya include, but are not limited to, consumer Co-operatives, workers' Cooperatives and environmentally-friendly Co-operatives. There is little understanding of the reasons for the low uptake of these categories of Cooperatives in Kenya. The research investigated the historical context in which the consumer Co-operatives emerged in Kenya; their chronological development; their organization structure and socio-economic impact. Based on the five key questions that guided the study, it was found that (a) many people and the labour movement institutions in Kenya do have full understanding of the nature, benefits and operations of Consumer Cooperatives (b) the main factors that have contributed to the failure of established consumer Co-operative enterprises is poor governance and management capacity of Co-operative leaders and members of consumer Cooperative enterprises (c) the labour movement played a key role in the establishment and support of consumer Co-operative enterprises during the colonial period and the first three decades after independence (1960s and 1980s) but now play an insignificant role today, and (d) the Kenyan government should provide the requite political good will and support national institutional structures to assure sustainability.

Key words: Consumer Co-operatives, Environmentally-friendly cooperatives

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#### **Introduction: Global perspective**

Throughout the world, Co-operatives have positively influenced the socio-economic livelihood of their members, families, and

communities through a variety of means including formalization of informal economic activities, increased household incomes, job creation, improved social inclusion and social cohesion, enhanced democracy, equality and equity, improved environmental awareness and action. In addition, Co-operative enterprises contribute

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towards poverty reduction and empowerment of vulnerable groups including women, youth and people with disabilities (PWDs) and people living with HIV and AIDS (PLWHAs). It is mainly because of these triple economic, social and environmental roles that Co-operative enterprises are visible in all the countries, boasting of one billion membership and accounting for 3% to 10% of the GDP (United Nations Assembly, 2011). Co-operative enterprises provide over 100 million jobs around the world (ICA, 2015). However, for co-operatives leverage their contribution socioeconomic development, they must commercially viable and sustainable enterprises.

### The Co-operative and labour movement in Kenya

The Co-operative Movement in Kenya is number seven in the world and one in Africa in terms of the number of Co-operatives, their membership, financial mobilization and contribution to GDP (ICA, 2007). Kenya's Co-operative Movement was dominated by agricultural Co-operatives from 1930's to 1980's when they were overtaken by financial Co-operatives comprising Co-operatives Savings and Credit (SACCOs), Co-operative Bank of Kenya and the Co-operative Insurance Company Group. Dairy and Coffee dominate the agricultural Co-operative landscape in Kenya while Housing Co-operatives have curved a fastgrowing niche and claim a substantial Cooperative market share. According to the State Department of Cooperatives, 2015, the Government records show that Consumer Co-operative enterprises have been registered in Kenya between 1908 and 2015 but most of them are not active.

The labour movement, particularly the Union of Kenya Civil Servants (UKCS), was active between 1960's and 1980's in promoting and supporting the establishment and growth of Consumer Co-operatives in Kenya. This role diminished gradually partly

due to Government curtailment of the influence of the labour movement that culminated in the banning and seizure of the assets of UKCS in 1980. The state allowed UKCS to resume operations in 2001, after about 11 years but it has yet to recover all its assets including buildings.

#### **Co-operative and the Kenyan economy**

Co-operatives have made tremendous social, economic and environmental impact in Kenya. Co-operatives operate in almost every economic sector including agriculture, finance, housing, insurance, fisheries. transport, arts and culture. The contribution of Co-operatives on the national GDP is estimated to be 45 % (Chambo et al., 2008) while national savings and deposits is 31% (ICA, 2011). According to ICA (2011) Cooperatives in Kenya have commanding market share for instance in coffee (70%), dairy (76%), pyrethrum (90%) and cotton (95%). The turnover for the whole Cooperative sector in 2007 was Ksh24.3 billion (USD 323.4 million) out of which Ksh14.4billion (USD\$192 million) Ksh8.4 billion (USD\$112 million) were respectively contributed by the SACCOs and agricultural cooperatives (MoCDM, 2008: 20). This study sought to find out the contribution of consumer Co-operatives to the economy of Kenya.

## Consumer co-operatives in global perspective

Consumer co-operatives have been defined in many ways that mirror the nature of a "Co-operative" which is "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly and democratically controlled enterprise" (ICA, 1995). According to Sarma (2003), "consumer cooperatives" are types of Cooperatives and the term "Co-operatives" comes from the term "cooperation". "Cooperation" is defined by the Latin term "cooperari" where "co" means "with" and "operari" to "work" therefore, "cooperation" means working with others for common purposes. Consumer Co-operatives are enterprises carried by consumers and democratically controlled by them aiming at fulfilling the needs and aspirations of their members. Sarma (2003) defines them as economic enterprises owned and managed by consumers to supply them with unadulterated and good quality goods in correct weights and measures at reasonable prices. Consumer cooperatives are enterprises owned by consumers and managed democratically which aim at fulfilling the needs and aspirations of their members (Euro Coop, 2011). They operate within the market system, independently of the state, as a form of mutual aid, oriented toward service rather than pecuniary profit (Warbasse, James Peter, 1950). Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as food co-operatives, (Sullivan and Sheffrin, 2003). types However. there many are consumers' cooperatives, operating in areas such as health care, insurance, housing, utilities and personal finance (including credit unions).

The aim of consumer cooperatives is provision of goods and services for the welfare of the people in a given society through: (i) mobilizing consumers into participative consumer Co-operatives; (ii) strengthening the management of the consumer business operations with an aim of profitability and viability of business; and (iii) integrating the consumers with producers to achieve mutually helpful economic activities and social integration.

Consumer Co-operatives have done well in many places around the world as socio-economic enterprises. In the case study of Co-operators Group Limited of Canada (Strashok and Dale 2006), it was revealed that embracing the Co-operative values and principles ensured Co-operators Group Limited built trust among the community

and operated transparently. Indeed, the Cooperators Group Limited of Canada has flourished since inception to become a national insurance and financial services provider earning a top three rank in the country and boasting of net income of USD 55.5millions and a turnover of USD 3 billion (The Cooperators Financial Report, 2009).

### **Emergence of Consumer Co-operatives in Kenya**

The historical relations between consumer Co-operatives and the labour movement in Kenya is traced to mid-1940s with the establishment of the defunct Nairobi Railways Consumer Co-operative Society in 1949 to serve the consumer needs of railway workers in the Nairobi metropolis.

According to the Co-operative College of Kenya (1979) and Ministry of Co-operatives Development (1987), it is established that many other consumer Co-operatives were established in Kenya after independence. These included City Chicken and Eggs Consumer Co-operative (1964),Workers' Consumer Co-operative Society (1964),the Nairobi Consumers' operative Union (1968),Co-operative College Consumer Co-operative Society (1979),Kilimo Consumer Co-operative Society (1983),Investment Nzoia (Consumer) Co-operative Society (1994).

There are four reasons why consumer cooperatives attract attention of Government. The initial reason for the promotion of consumer Co-operatives in Kenya was to ensure that industry workers had access to affordable food and services nearest to their work place to decrease time wastage and increase industry productivity. Perhaps this is why most of the early consumer Cooperatives were industry or institution-based. Second, the newly independent Government promoted consumer Co-operatives as part of a broader political strategy for indigenization or "Africanization" of the economy that was dominated by the British and Indian industrialists and shop keepers (MoCD,

1995). Third, consumer Co-operatives were promoted as vehicles through which the Government, donors and missionaries could promote local and national development – in the rural, urban and peri-urban areas. The fourth reason for establishing consumer Co-operatives was to empower members of a community to procure and provide themselves with goods and services that they need at a place, prices, quality, quantity and terms that they themselves set.

The major types of Non-Governmental Organizations (NGOs) or civil society organizations (CSOs) that have involved in the promotion and support of consumer Co-operatives in Kenya include the mainstream churches (mainly Catholic and Methodist), the Central Organization of Trade Unions (COTU), and the Union of Kenya Civil Servants (UKCS). Through COTU, the UKCS established the Kenya Civil Servants Consumer Co-operative Society in 1960s that established branches in major Government institutions and departments across the country. Most of the branch-based Co-operatives collapsed when the mother Co-operative was beset with problems and liquidated in the later part of 1970.

Statement of the problem: Although the first consumer Co-operative enterprise, East African Co-operative Trading Limited in Mombasa, was established in 1944 among the 12 consumer Co-operatives established in Kenya in 1940's, the establishment of Cooperative development was skewed towards the dominant Co-operatives in Kenya namely, financial, agricultural, insurance and housing. A few others have continued to grow but certainly not consumer Cooperatives. This is at the backdrop of thriving consumer Co-operatives elsewhere in the world which continued to make a difference to the members by affording them, at reasonable prices, quality and different goods and services. For instance in, Addis Ababa, Ethiopia, there was an increase of membership in consumer Co-operatives in

2008 to 251,423 as a result of increase in consumer Co-operatives due to new formations necessitated by increase in prices of goods and services in 2007/2008 (Emana, 2009).

In order to understand the link between consumer co-operatives and the labour movement in Kenya, this study was carried out with the following objectives:

- (a) To establish the number, status and membership of the consumer Co-operative enterprises in Kenya;
- (b) To assess the contribution of consumer Co-operatives to national development;
- (c) To determine the extent to which the Labour movement helped in the development of sustainable consumer Co-operatives in Kenya; and,
- (d) To establish factors that facilitate or limit the development of a vibrant and sustainable consumer Co-operative movement in Kenya.

#### **Research Methodology**

This study adopted a descriptive survey as defined by Gay, Mills and Airasian (2012). Both quantitative and qualitative data from consumer Co-operative enterprises, Trade Union organizations and Government officials at National and County levels who are involved in the promotion, support and regulation of Co-operative entities were collected.

Ouantitative data were collected with the help of a questionnaire while qualitative data were collected using a focus group discussion (FGD) guide. The study covered 4 (33%) out of 12 Counties which were identified as a true representation of the spread of the sample population across the county where consumer Co-operatives have historically operated, and 10 out of 211 (5%) registered consumer Co-operatives in Kenya. A total of 20 key informants were interviewed representing consumer Coenterprises operative (10),National

Government (1), County Government (4), trade unions (2) and a Co-operative organization with interest in Consumer Co-operatives (1). Representatives of two trade unions viz the Central Organization of Trade Unions (COTU) and Union of Kenya Civil Servants (UKCS) that have had a role to play in the promotion and support of consumer Co-operative enterprises in Kenya were also interviewed.

Sampling: A multistage sampling design was used to determine the number of counties to be involved in the research, the number of Co-operatives (active, dormant and liquidated) and stakeholders to be interviewed. Four Counties were purposively selected, namely, Nairobi City, Kisumu, Embu and Uasin Gishu. Historically Nairobi has the highest number of consumer Cooperatives. Further, Nairobi has the highest number of active consumer Co-operatives. Kisumu County is the home to Chemelil Consumers' Co-operative Society that is said to have negatively affected the operations of the Nairobi Consumer Co-operative Union and the Co-operative Bank of Kenya and donor support as a result of a loan issued in 1973. Embu and Uasin Gishu Counties provide a rural perspective to the factors that facilitate or limit the success of consumer Co-operatives in rural areas of Kenya. These two Counties are also expected to be accessed fairly easily by researchers from Kisumu travelling and Nairobi respectively.

The selection of key informants or opinion leaders was done purposively based on the perceived role they play in the promotion, support and / or regulation of consumer Co-operatives in Kenya. These key informants include the officers in Directorate of Co-operative Development (DoCDM) Marketing within Ministry of Industrialization and Enterprise Development (MoIED), officers in Cooperative **Departments** in County Governments, Union of Kenya Servants (UKCS), Central Organization of

Trade Unions (COTU) and Kenya Union of Savings and Credit Co-operatives (KUSCCO).

Co-operative officers at County level were used to identify active consumer Co-operatives in their Counties and the researchers selected two such Co-operatives for inclusion in the study. The researchers visited the selected consumer Co-operative enterprises and conducted face to face interviews with managers, board members and ordinary member.

The researchers interviewed at least one Co-operative official of a consumer official of enterprise, one National Government, at least two officials of each County Government (County Co-operative Commissioner and the Sub-County Cooperative Officer responsible for the area where the consumer Co-operative is located).

Data Analysis: Qualitative data were analyzed through content analysis method while quantitative data were analyzed using the Statistical Package for Social Scientists (SPSS). The qualitative data was analyzed by a team of experienced analysts using content analysis to extract information. Quantitative data is presented in graphs, pie charts and tables for ease of interpretation and writing of this research paper.

#### Findings and discussion

We present the findings and discuss their implications to the development of a vibrant and sustainable consumer Co-operative Movement in Kenya.

# Number, status and membership of the consumer Co-operative enterprises in Kenya

The following table shows the trend in the registration of consumer Co-operatives in Kenya between 1940 and 2015 (Table 1). There are 211 registered consumer Co-operatives spread in 35 out of 47 Counties in Kenya. The earliest consumer Co-operative was registered in 1940. A total of 12 consumer Co-operatives were registered

between 1940 and 1949. This was a preindependence period in Kenya under the colonial government. In the period 1950 – 1959, 2 consumer co-operatives were registered. The largest number of consumer Co-operatives registered in Kenya within one decade was 1980s and 1990s when 49 consumer Co-operatives were registered in each case.

Table 1: Number of Registered Consumer Co-operatives in Kenya, 1940-2015

| ce operatives in Herrya, 1970 2012 |                      |  |  |
|------------------------------------|----------------------|--|--|
| Period of                          | No. of reg. Consumer |  |  |
| registration                       | co-operatives        |  |  |
| 1940 – 1949                        | 12                   |  |  |
| 1950 – 1950                        | 2                    |  |  |
| 1960 – 1969                        | 48                   |  |  |
| 1970 – 1979                        | 46                   |  |  |
| 1980 – 1989                        | 49                   |  |  |
| 1990 – 1999                        | 49                   |  |  |
| 2000 - 2014                        | 3                    |  |  |
| Others                             | 2                    |  |  |
| TOTAL                              | 211                  |  |  |

Source: Ministry of Industrialization and Enterprise Development, 2015

Table 1 also shows that in the period 1960 – 1969, the time of independence period in

Kenya. In the period 1970-1979, a total of 46 consumer co-operatives were registered in Kenya.

The periods 1980- 1989 and 1990 – 1999 registered the highest number of consumer co-operatives each registering 49 consumer co-operatives, followed by a decline in the number of consumer co-operative registration in the period 2000 and after.

Nairobi city county has the highest number of consumer co-operatives, 55 in number, a representation of 26% of the total consumer co-operatives in Kenya, followed by Uasin Gishu county with 23 number of consumer co-operatives, representing 11% of the total number of consumer co-operatives in the country.

This research could not, however, establish the number of members in the 211 registered consumer Co-operatives in Kenya because information was not readily available at the Directorate of Co-operatives. However, it was established that membership in consumer co-operatives in Kenya has been shrinking with time. The number of members in the 10 active consumer Co-operatives in this study was 3,534.

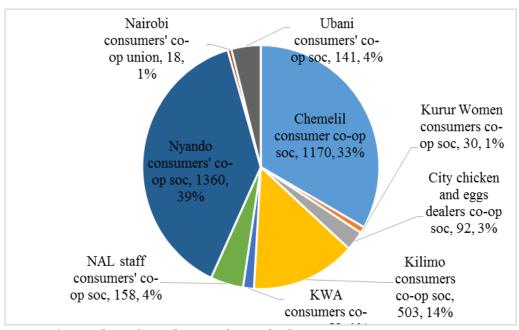


Figure 1: Number of members in the studied consumer co-operative enterprises

We noted that the largest consumer cooperative in membership was Nyando consumer co-operatives (with 39% (1360 members) of the total sample population study followed by Chemelil consumers' co-operative society with 33% (1170 members) of the total sample population. NAL staff consumer operative and Ubani consumer co-operatives had same membership of 4% of the sample population under study. With Kurur women consumer co-operative and KWA consumers' co-operative having the lowest rate of 1% of the total sample size (Figure 1).

### Status of Consumer Co-operatives in Kenya

A total of 211 consumer co-operatives have been registered since the 1940s. Of these 126 (about 60%) are currently active, 26 (about 12%) are dormant, 5 (2.3%) have been liquidated while 54 (26%) are of unknown status. Thus more than 40% of the total registered consumer co-operatives are in disquieting situation of either being dormant, liquidated or unknown to the government (Table 2).

Table 2: The status of consumer Cooperatives in Kenya, 1940 - 2015

| The status | No. of consumer | % of  |
|------------|-----------------|-------|
|            | co-operatives   | total |
| Active     | 126             | 59.7  |
| Dormant    | 26              | 12.3  |
| Liquidated | 5               | 2.4   |
| Other      | 54              | 25.6  |
| TOTAL      | 211             | 100   |

**Source**: Ministry of Industrialization and Enterprise Development, 2015

#### The contribution of consumer cooperatives to development

Where they have worked consumer Cooperatives have generally had significant contribution to development in Kenya, mainly in terms of promotion of social inclusion, social integration and social cohesion amongst workers from different communities, food security and health, saving of office time due to proximity of services to workplaces, general satisfaction of the needs of members and economic contribution to the members and the nation.

In particular, our data shows that a majority of respondents believe that consumer Co-operatives in Kenya have a huge contribution to equity, social dialogue, collective bargaining and freedom of association. Majority of these members also believe that consumer Co-operatives make a huge contribution to their health and safety at the workplace (Figure 2).

Further, the research shows that members also believe that consumer Co-operatives in Kenya make a huge contribution to social protection and participation.

Here social participation means a democratic space to membership in raising opinions, decision making and selecting their leadership with inclusivity.

Social protection means a concern with preventing, managing, and overcoming situations that adversely affect people's wellbeing.

The research depicted that both members and workers agree the extent to which consumer Co-operatives contribute to the social protection and participation, with a total of 7 respondents, none protested the opinion that there was contribution of Co-operatives consumer participation and social protection. Out of 7 respondents, 3 said that there was huge contribution with a similar number indicating very huge contribution on social participation. Equally, 4 (57%) respondents said there was huge contribution to the social protection. with only 2 respondents submitting there is average contribution to social protection, and one (1) respondent said there was very huge contribution to social protection.

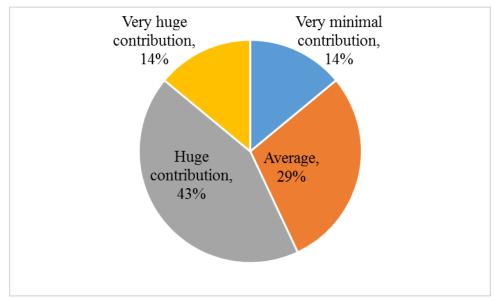


Figure 2: Contribution of Consumer Co-operatives to Health and Safety

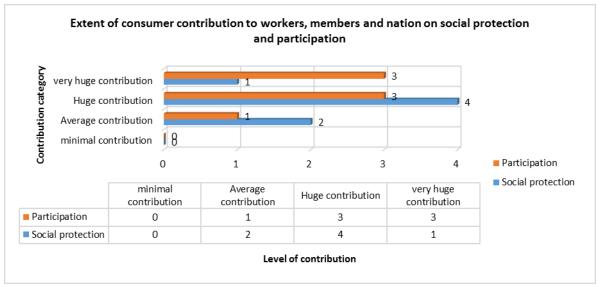


Figure 3: Contribution of Consumer Co-operatives to Social Protection and Participation

The same members believe that their consumer Co-operative enterprises make a very huge contribution to their quality of life, very huge contribution to their need for clean, affordable food, and average contribution to security of jobs.

The majority of respondents in the study indicated that consumer co-operatives contributes to members, workers and the nation in the following ways: availability of jobs (average contribution, 4 out of 7), Security of jobs (average contribution, 5 out

of 7), quality of life (huge contribution, 5 out of 7), clean, affordable food (huge contribution, 4 out of 7)

# Role of labour movement in the development of sustainable consumer Cooperatives in Kenya

The Labour Movement, in particular the Union of Kenya Civil Servants (UKCS) and the Central Organization of Trade Unions (COTU), played an active role in the promotion and support to consumer cooperative enterprises for workers during the

colonial and independent period in Kenya. However, their role diminished with time to the extent that today this role has completely diminished.

All the people interviewed (100%) said they believed that joining any trade union today would have very minimal contribution to the performance of consumer co-operative entities. Consequently, members of consumer Co-operatives in Kenya today believe that the labour movement has disconnected itself with Co-operatives in general, and consumer Co-operatives in particular, and therefore it has insignificant contribution to their welfare and the performance of their Co-operatives.

This negative perception by stakeholders regarding the dismal contribution of the labour movement in Kenya towards the promotion and performance of consumer Cooperatives in Kenya is supported by the fact that with time both COTU and UKCS discontinued their programs and staff on Cooperative development.

Interviews with officials from COTU and UKCS indicated willingness of their organizations to re-focus on supporting their members to establish and grow Co-operative enterprises as was the case during the colonial period and the first three decades after independence (1960s-1980s). They regretted that even the labour college in Kenya does not teach or sensitize members of the labour movement on Co-operative theory and practice.

#### Factors that facilitate or limit development of vibrant and sustainable consumer co-operatives

Respondents identified good leadership, integrity and commitment of elected leaders

and employees as major facilitating factors to the development of vibrant and sustainable consumer Co-operative enterprises in Kenya.

Equally, majority of the respondents cited factors that limit the development of vibrant and sustainable consumer Cooperatives in Kenya as: (i) low support from Government and the labour movement; (ii) low financial contribution from members: and (iii) poor policies and laws, among others (Figure 4). It was observed that the donors who were supporting the labour movement to promote consumer Cooperatives in Kenya unwittingly made the Government play second fiddle and in this may have contributed to a lower level of Government's sustained support to cooperatives at the same time and even in later years.

Majority of the respondents cited factors that limit the development of vibrant and sustainable consumer Co-operatives in Kenya as: low support from Government and the labour movement, low financial contribution from members, poor policies and laws, etc. This is shown in Figure 5.

All the respondents mentioned that minimal or no support from government and impractical policies and laws played major roles as a limiting factor towards growing a vibrant and sustainable consumer cooperatives.

It is also noted that, all the respondents did not mention workers joining labour organization and support from labour movements play any role as limiting factors towards a growing vibrant and sustainable consumer Co-operatives in Kenya.

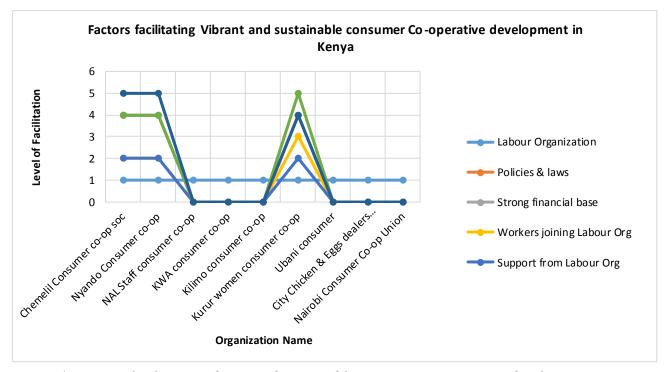


Figure 4: Factors facilitating vibrant and sustainable consumer co-operative development in Kenya

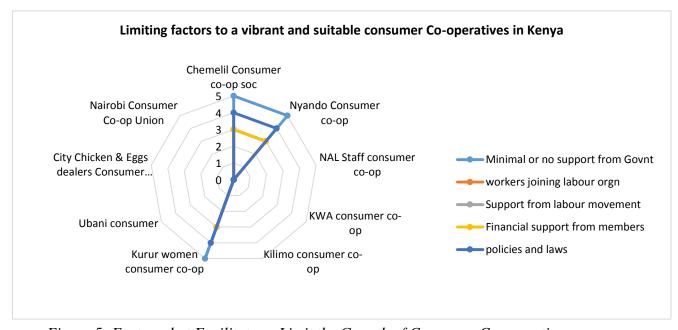


Figure 5: Factors that Facilitate or Limit the Growth of Consumer Co-operatives

#### **Conclusion**

The study concludes that many people and the labour movement institutions in Kenya do have full understanding of the nature, benefits and operations of consumer cooperatives. However, there are no specific guidelines, policies and regulations on consumer Co-operative enterprises in Kenya. This lack of adequate information and guidance presents a big knowledge gap for people who may be interested in establishing a consumer Co-operative enterprise.

One of the factors that has contributed to the failure of established consumer co-operative enterprises is poor governance and low management capacity of co-operative leaders and members of consumer co-operative enterprises. Provision of satisfactory services to members requires that a consumer co-operative enterprise has the financial wherewithal for timely purchase of a wide range of consumer inputs requirements for prompt service delivery to consumers.

The labour movement played a key role in the establishment and support of consumer Co-operative enterprises during the colonial period and the first three decades after independence (1960s and 1980s). However, they play a minimal role in this role today. It was also noted that the Government of Kenya has not provided sustained political will and support to consumer Co-operatives as it has given to other types of Co-operatives, hence their slow growth and high failure rate.

#### Recommendations

It is recommended that the Government, the labour movement, Co-operative Alliance of Kenya, and established national Co-operative organizations, among other stakeholders in Kenya need to discuss ways of sensitizing people on the nature, benefits and operations of consumer Co-operatives and also to engage in a continuous national dialogue towards establishing specific guidelines, policies and regulations for consumer Co-operatives in Kenya.

There is need to carry out a skills gap analysis and develop capacity building programs for stakeholders including Cooperative leaders, members and staff, Government officials, labour movement officials and trainers. Both the National and County Governments to provide incentives to employers who support workers to establish and operate consumer co-operatives on their institutional premises and access other facilities.

Equally the international organizations that have an interested in the development of co-operatives, particularly workers consumer Co-operatives (for example ILO, ICA, FAO, etc.) should provide support to the labour movement in Kenya to play an increased role in the promotion and support of consumer Co-operatives in Kenya. Development agencies that provide support to the promotion and development of Cooperatives in Kenya, and elsewhere, need to seek and win the political goodwill and support of appropriate national institutional structures to assure their concerted and sustained political goodwill and support for the long term survival and growth.

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